



Outcomes-Based Finance & Early Childhood Care and Education

Concept Paper

The Education Outcomes Fund

September 2023



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Summary

At the Education Outcomes Fund (EOF), we believe that the conditions are ripe for testing at scale the potential of outcomes-based finance (OBF) for more and better investments in early childhood care and education (ECCE) programmes. In this concept paper, we introduce the OBF approach and a particular OBF model, the outcomes fund. Our goal is to initiate a conversation about the potential of the OBF approach with governments, donor organizations, impact investors, implementers and researchers who recognize the value of ECCE programmes and share a commitment to improve young children's developmental outcomes. We are also interested in collaborating with new funding partners and knowledge partners – both in launching an OBF programme portfolio in ECCE and in pursuing a learning agenda to understand the potential (and the limitations) of the OBF approach for advancing equitable access to quality ECCE.

To set up a meeting to discuss the ideas we share in this concept paper and to explore potential areas of collaboration, please contact Dr Özsel Beleli, Head of Learning and Engagement for Early Childhood Education at the Education Outcomes Fund, at ozsel@edufundmea.org.



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SECTION 1:

Why this concept paper?

The Education Outcomes Fund



In 2018 the Education Commission and the Global Steering Group for Impact Investment came together to create the Education Outcomes Fund (EOF), with the goal of improving learning outcomes for children and youth around the world. Central to this goal is supporting government institutions to utilize a range of innovative financing instruments at scale, including outcomes funds and other outcomes-based finance (OBF) models. We focus on three areas: early childhood care and education (ECCE), quality in basic education, and skills for employment.

We are at the halfway point for the 2030 Agenda for Sustainable Development adopted in 2015. We have seen promising yet insufficient progress towards fulfilling government commitments to ensuring that “all girls and boys have access to quality early childhood development, care and pre-primary education” with only about one in two children in sub-Saharan Africa, Northern Africa and Western Asia participating in organized learning one year before the official primary entry age.¹ Government ministers and the international community, including EOF, recently came together in Tashkent at the World Conference on Early Childhood Care and Education (WCECCE) in search of ways to accelerate our collective progress towards the achievement of Target 4.2 by 2030.

In Tashkent, we declared our joint commitments to action for transforming ECCE, which included promoting and supporting innovative financing mechanisms that mobilize additional, more equitable and more efficient allocation of financial resources and the scale-up of cost-effective and evidence-based interventions.² As EOF, we commit to working harder to support governments in employing innovative financing mechanisms for more equitable and effective use of financial resources for ECCE. Building on this commitment, **we believe that the conditions are ripe for testing the potential of OBF, a particular type of innovative financing mechanism, in ECCE programmes.**



EOF's journey

Since our establishment in 2018 as a dedicated centre of expertise for OBF in education and skills for employment, we have supported the Government of Sierra Leone and the Government of Ghana in the development of the **two largest outcomes funds in education**. We have built deep institutional capacity in the design, procurement and contracting of outcomes funds.

Over the past two years, we have intensified our efforts in ECCE. Since early 2021, we have been collaborating with the LEGO Foundation to explore using OBF to support quality improvement, equity enhancement and evidence generation in ECCE. As part of our **strategic partnership with the LEGO Foundation launched in May 2022**, EOF will be facilitating the development of several large-scale OBF programmes for ECCE.

With this concept paper, we aim to share our ideas and initiate a conversation about OBF with government institutions, donor organizations, impact investors, implementers and researchers who recognize the value of ECCE programmes and share a commitment to improve young children's developmental outcomes. We believe that OBF as an approach and outcomes funds as an OBF model hold real promise to tackle some of the structural obstacles to fulfilling this shared commitment. As EOF, our expertise is in OBF models that leverage the potential of '[partnerships for public purpose](#)'³ where public agencies, private companies and non-profit organizations work together under government stewardship. Therefore, our in-country engagements will focus primarily on supporting interested governments in identifying, designing and implementing context-appropriate outcomes funds while investing in this model's scalability.

By initiating a conversation about OBF, we are also **seeking to expand our partnership networks for our programmes and our learning activities**. We hope that this concept paper generates interest in our emerging ECCE programme portfolio among donor organizations and impact investors. We also hope that it serves as a first step in a collaborative learning journey with government institutions, donor organizations, impact investors, implementers and researchers – a journey to (1) critically assess the potential of OBF and, more specifically, the outcomes funds model for more effective ECCE programming, (2) identify cost-effective ECCE programme models in different contexts and (3) contribute to the global evidence base for ECCE programmes.



Both this concept paper and our invitation for collaboration focus on ECCE, while recognizing the value of multisectoral approaches to early childhood development (ECD).⁴ Early childhood, the period from birth to 8 years, represents a critical window of opportunity for optimal brain development and lifelong well-being.⁵ EOF appreciates the multidimensional composition of ECD and the value of integrated early childhood programmes bridging different policy areas, including education, health, nutrition, social welfare, poverty alleviation and child protection. Given our expertise and organizational mandate focused on education, we believe that EOF is best positioned to contribute to those programmes that are anchored in ECCE and that prioritize ECCE's links to a young child's holistic development and primary school readiness.⁶

Results-based finance (RBF) and outcomes-based finance (OBF)

Broadly speaking, RBF is any financing where payment is made upon the achievement of pre-specified objectives, including outputs and outcomes (see Figure 1). Unlike traditional grant funding, where payment is usually made in advance for pre-specified activities, under RBF the funder and recipient of funding pre-agree a set of outputs and outcomes that must be achieved to trigger payments.

RBF is an umbrella term that includes a variety of models that differ in rationale and design. As RBF can be incorporated into almost any financing arrangement, the rationale for the RBF approach, the required pre-conditions, the structure and best practices for optimal design also vary across these different models. Key differences across RBF models include:

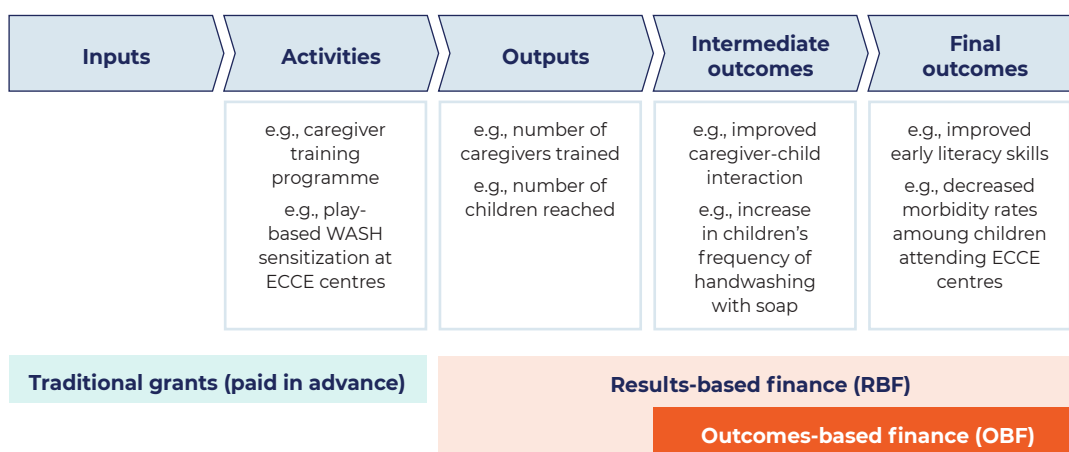
- What type of results are being funded – that is, the mix of funding tied to programme inputs, activities and outputs, and intermediate and final outcomes for programme participants, which is determined on a case-by-case basis for each programme.
- Who is incentivized for results – such as the governments, non-state actors or individual service providers.
- Whether other sources of funding are involved – such as pre-financing from an impact investor (as in impact bonds) or co-financing from households (as in blended revenue models).

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At EOF, we differentiate between RBF and OBF – we define OBF as a subcategory of RBF where the pre-agreed results focus primarily on outcomes, including intermediate, short-term and medium-term final outcomes for programme participants.

Figure 1. Differences between traditional grants, RBF and OBF



Existing RBF programmes generally focus on outputs, given the complexities that exist in accurately measuring certain intermediate outcomes and many final outcomes for programme participants. At EOF, we place particular emphasis on OBF because we think it presses key stakeholders to focus their attention on the most important measure of a programme's performance – whether it actually improves outcomes for programme participants. This shared focus strengthens stakeholders' accountability for outcomes while increasing the flexibility of implementers to adapt and innovate to achieve better outcomes for programme participants. However, it must be noted that our emphasis on OBF comes with an acute understanding of the measurement-related challenges of designing and implementing OBF where the payment metrics are solely based on outcomes for programme participants, which we consider in the next section.



RBF's rich toolbox of models

We see RBF as an approach that comes with a rich toolbox of models with varying degrees of relevance and value added to a specific context. National and international policymakers can draw on this toolbox and select from the models that are at their disposal based on their needs, objectives and context. However, we acknowledge that RBF – and its toolbox of models – is far from the only approach that can help address policy challenges; rather, it is a helpful approach for certain types of challenges and in certain contexts.

While recognizing that consensus about the terms used for RBF models is yet to emerge, below is a list of the terms that we currently use at EOF to capture the main models based on 'who is incentivized for results' and 'sources of funding involved'.⁷

- Performance-based aid generally involves a transfer of funds between a donor and a national government with the latter incentivized for results.
- Performance-based transfers generally involve a transfer of funds between a national government and a local government with the latter incentivized for results.
- Performance-based contracts generally involve a transfer of funds from a funder to an implementer with the latter incentivized for results. Performance-based contracts can be construed as a family of models including results-based subsidies and impact bonds:
 - ✓ In the case of results-based subsidies, subsidy payments to market-based organizations are linked to their achievement of pre-determined and verified results.
 - ✓ In the case of impact bonds, an impact investor (e.g., a private investor or a foundation) is involved in the RBF programme and bears the financial risk while the implementer is still responsible for delivering the pre-defined results.
 - ✓ Outcomes funds contract multiple implementers to achieve a set of pre-defined results. Outcomes funds can pool funding for outcomes from one or more funders. They can comprise several impact bonds or other performance-based contracts.



SECTION 2:

The case for OBF in ECCE

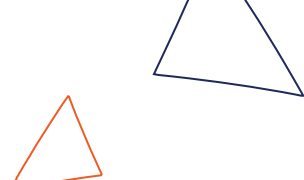
Part 1: Learning from RBF programmes in ECCE

There is about a decade's worth of experience of RBF in ECCE, using a range of models including impact bonds, performance-based aid/loans and performance-based transfers (see Figure 2). These RBF programmes have been designed to incentivize various results, including new curriculum development, construction of new facilities and improvement of learning environment quality, as well as children's developmental outcomes related to early literacy and numeracy skills and socioemotional learning (see Annex I for details).

Our preliminary analysis of the 35 RBF programmes in ECCE⁸ highlights two critical observations, which demonstrate the under-tapped potential of the RBF approach in ECCE.

1. **Outcomes for young children have not yet been included in the incentivized results (also known as payment metrics) of RBF programmes in ECCE in low- and lower-middle-income countries. Metrics concerning process quality have not yet been included as a core and common part of RBF programmes in ECCE.**

In low- and middle-income countries, RBF programmes in ECCE have typically been more focused on system-level outputs (e.g., monitoring and evaluation systems, standards, curriculum) and expanded access through new construction and repurposing of existing facilities. In high-, middle- and low-income countries, enrolment rates (and to a lesser extent attendance rates) have been frequently used as a payment metric of RBF programmes. Across all income groupings, there has not been a strong emphasis on process quality⁹ of the ECCE programmes when compared with structural quality.¹⁰ Children's developmental outcomes have been used as a payment metric only in upper-middle-income and high-income countries. In most of these cases, the payment metrics concerned literacy or numeracy skills. Socioemotional learning outcomes were used as a payment metric in only two RBF programmes.

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- We believe that outcomes are the most challenging but also the most important measure of the performance of a programme. Recently developed tools have the potential to measure developmental outcomes of children reliably and with reasonable financial and human resources, thus making it possible for future RBF programmes to test the potential of including children's outcomes in their payment metrics.
 - Given the significance of process quality (including the quality of child-to-child and child-to-caregiver interactions) for ECCE's impact on children's developmental outcomes, its limited inclusion in the payment metrics emerges as a major shortcoming. The recent development of cost-effective tools to measure process quality opens new possibilities for improving the effectiveness of future RBF programmes in ECCE.

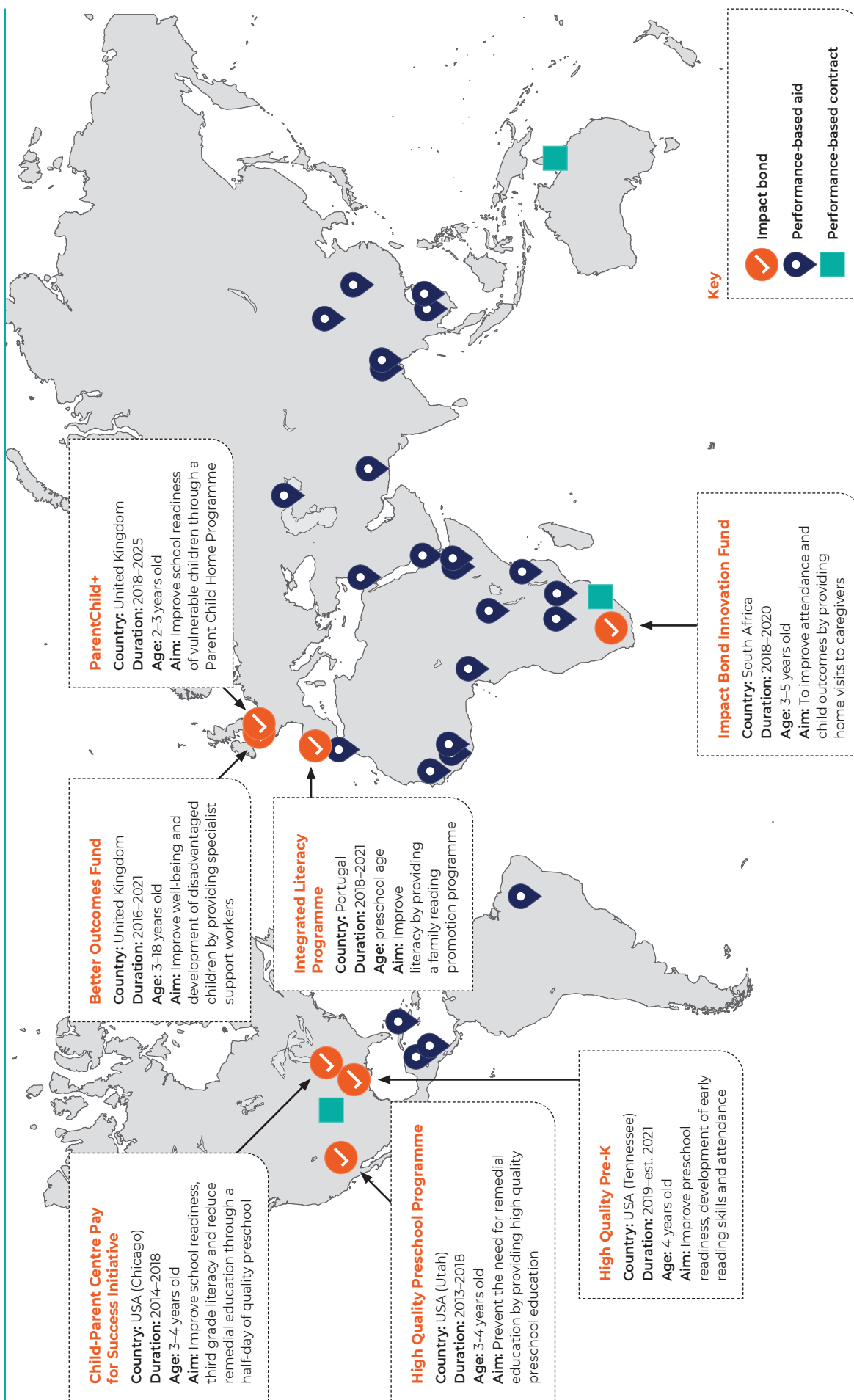
2. **RBF programmes in ECCE are yet to widely utilize RBF models as a tool for establishing more effective partnerships with non-state actors for the equitable scaling up of quality ECCE services. Some promising RBF models, such as outcomes funds, have not yet been utilized in ECCE.**

In low- and middle-income countries, RBF programmes in ECCE have generally been designed to incentivize public implementers or central/local governments, not non-state implementers. Several RBF models can be used by governments as tools to enhance their regulatory functions, which can be potentially relevant, especially for those countries with a sizeable presence of non-state ECCE implementers.

The RBF models used in ECCE to date include performance-based contracts, performance-based aid/transfers and impact bonds. Although we identified seven impact bonds in ECCE, we found no **outcomes funds** focused on ECCE to date. Outcomes funds enable contracting of multiple implementers under a common outcomes-focused funding framework. By doing so, they allow governments and donor organizations to collect context-specific information on the impact, implementation complexity and cost-effectiveness of different ECCE models. Governments and donor organizations can then use this information to choose between programmes for the scale-up phase and make their investment decisions accordingly.



Figure 2. Overview of RBF models used in ECCE programmes





Part 2: A closer look at ECCE

Recent scientific advances in our understanding of early brain development have further confirmed the **importance of early childhood as a foundational phase for both school readiness and performance and for lifelong learning and well-being**.¹¹ Quality ECCE programmes have been shown to have a positive impact on various elements of system efficiency in primary education, including reduced repetition rates¹² and meeting minimum proficiency standards in literacy and numeracy in early grades.¹³ More generally, investments in well-designed and effectively implemented early childhood programmes have broadly been found to have higher social and economic returns than investments in programmes targeting later stages of life.¹⁴

While recent calculations of the cost of inaction have put an additional spotlight on the urgency of more and better investments in ECCE,¹⁵ most governments and donor organizations have yet to place ECCE at the top of their social policy and education agendas. In most low- and middle-income countries, access to ECCE services remains limited and inequitable.¹⁶ Relatedly, most governments' budget allocations and donor organizations' aid allocations do not yet reflect the high social and economic returns on investing in early childhood and the cost of their inaction.¹⁷



Challenges facing governments for the provision of effective ECCE services

- Pro-equity allocation decisions and high-quality services¹⁸ are paramount to ECCE's ability to deliver on its promise for improving young children's holistic development and primary school readiness. Yet, policymakers are forced to make difficult trade-offs between quality, equity, availability and cost containment. In some countries, these trade-offs have resulted in **availability and cost containment being prioritized over quality and equity in ECCE services**. In other countries, in pursuit of progressive universalism,¹⁹ governments are struggling with scaling up programmes while preserving their focus on quality and equity.
- Policymakers face a broad set of options with regard to ECCE delivery models, yet they have access to **limited context-specific information on the impact and cost of various delivery models and their design elements** (e.g., programme duration, intensity, location, scope of services, target groups, fee arrangements). The dearth of information on cost-effectiveness stands as an impediment to making better investments.²⁰
- **National and international stakeholders are yet to converge in their prioritization of their desired outcomes from ECCE services**. While most ECCE service models are expected to have some positive impact on the optimal development of young children, their school readiness and their parents' labour-market participation, the scale of different models' impact on each of these three outcome areas varies. In selecting an ECCE service model, this variation of impact across outcomes would need to be considered to ensure alignment with the government's prioritization of outcome areas.
- In the **absence of diverse sources of financing**, ECCE draws heavily on public spending and is almost always forced into **a zero-sum game, with other levels of education competing over the limited budget allocated to education**, which in many cases results in chronic underfunding of ECCE relative to primary, secondary and tertiary education.²¹
- In many countries, ECCE services for young children and their families are provided by a variety of **non-state actors**.²² With **strong stewardship from a government with adequate regulatory capacity**, the presence of these non-state actors can become an opportunity for the rapid and equitable scaling up of quality ECCE services. In the absence of such stewardship, however, the proliferation of unregulated private ECCE implementers with variable quality of services carries a real risk of inequity, low quality services, and even threatens the safety of children.²³



Part 3: Why OBF in ECCE and why now?

We believe that the **OBF approach and its various models can contribute to better investments with the limited funds available for ECCE services.** The OBF approach can contribute to better investments through several ‘drivers of impact’, all of which are anchored in a government’s ability to use OBF to align all stakeholders and system elements around quality, equity and outcomes for young children.

How can the OBF approach contribute to making better investments?

While a focus on outcomes is a defining feature of all OBF models, different sets of drivers can underlie the potential impact of particular OBF programmes. These drivers are neither mutually exclusive nor fully complementary. Prioritizing one driver could necessitate de-prioritizing another. The ability to adjust levels of prioritization across these ‘drivers of impact’ when designing an OBF programme is what allows OBF models to be adaptable and responsive to the needs of the stakeholders. Examples of drivers of impact we will incorporate into and test in our ECCE programme portfolio are:

- **Focus on outcomes:** The OBF approach can help develop a ‘shared compass’ by facilitating an alignment around a common set of programme outcomes and their prioritization. Using the OBF approach can support a government’s efforts to align all system elements to work together around this shared compass and towards delivering the prioritized outcomes for programme participants.
- **Data-driven adaptation and innovation:** With its focus on programme outcomes, the OBF models can be designed in ways that give implementers the flexibility and the incentive to learn from data and adapt their programmes in new and challenging contexts to achieve the desired outcomes.

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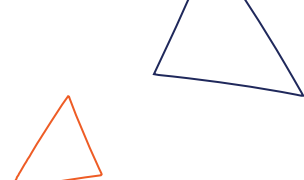
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- **Ability to incorporate equity:** OBF models are structurally suitable to incorporate equity and to prioritize inclusion and equitable outcomes, and a government can choose to incorporate a strong equity angle to the design of the incentives in its OBF programme.
- **Evidence generation and use:** All OBF models necessitate rigorous evaluation of pre-defined outcomes. In addressing a specific policy challenge, the OBF models can be designed in ways that prioritize evidence generation and strengthen the link between evidence generation, synthesis and use in subsequent investment decisions. The OBF approach can contribute to evidence-informed decision-making more broadly by demonstrating the value and feasibility of data-informed programme design and implementation and by strengthening institutional capabilities for data-driven adaptive management.

We believe that the conditions are finally ripe for testing the potential of OBF models for better investments in ECCE programmes. A growing number of governments, funders and implementers are actively looking for more effective and efficient ways of supporting young children's optimal development. In the face of a broader push towards increasing access to ECCE, there is a growing recognition of the need to go beyond access and to align all system-level elements around quality and equity in ECCE. Finally, a rich collection of tools is now available to measure quality and outcomes of ECCE programmes and to calculate ECCE programme costs, both of which are essential ingredients of a successful OBF programme.

While we acknowledge that considerable transaction costs can be associated with designing and implementing a single OBF programme, we are encouraged by the increasing returns that mitigate these costs when an OBF model is scaled up at the national or global level. We believe that this is particularly the case with outcomes funds.

Outcomes funds pool funding from one or more funders and contract multiple implementers to achieve a set of pre-defined outcomes. Payments from the fund only occur when those outcomes are achieved, which can be used to incentivize adaptive management and course correction during implementation. The payment metrics, however, can include a mix of programme activities, programme outputs, intermediate outcomes and final outcomes for programme participants.



By contracting multiple implementers under a common outcomes funding framework, a range of implementers and/or programme models can be evaluated concurrently. The outcomes fund can also be designed so that it supports governments and donor organizations to improve the cost-effectiveness of their spending by testing a wide variety of programme models and generating information on their impact and cost-effectiveness. In addition to creating context-specific information on the impact and cost-effectiveness of ECCE delivery models and design features, outcomes funds can also contribute to the global evidence base on ECCE programmes.

Some lesser-known aspects of outcomes funds

- Outcomes funds can finance both direct service delivery and auxiliary capability strengthening services.
- Outcomes funds can be created under the stewardship of central or local governments.
- Outcomes funds can pool funding from different sectors for the implementation of multisectoral programmes.
- Outcomes funds can be set up so they are flexible on the sources of pre-financing for implementers and can accommodate different implementers being pre-financed by different types of sources.

Additionally, an outcomes fund can be designed to give implementers the flexibility and the incentives to strengthen their programme models through data-driven and results-focused innovation and adaptation during implementation. If used for ECCE programmes with a strong health or nutrition component, an outcomes fund can also facilitate pooling of resources from across sectoral lines in ways that strengthen multisectoral collaboration.

Other applicable OBF models for ECCE include performance-based transfers from national governments to local governments, and performance-based contracts with implementers, which can include results-based subsidy schemes for non-state implementers. Where feasible and appropriate, these models can be used to improve the quality of existing ECCE services, scale up proven programme models while preserving their impact and adaptability, expand provision to remote areas, and support equitable provision by adjusting payment metrics for disadvantaged communities and households.



Measuring what matters in ECCE

Measurement stands at the heart of correctly identifying and effectively scaling up cost-effective and impactful ECCE programmes. Programme-level data matters for monitoring programme fidelity and evaluating programme impact. Combined with reliable data on cost, data on outputs and outcomes give policymakers the necessary information to make better investments that optimally use their constrained budgets.²⁴ Programme-level data, when combined with transparency, may also contribute towards enhanced accountability²⁵ and increased demand for services.²⁶

For OBF specifically, the availability of tools that can reliably measure prioritized outcomes with reasonable financial and human resources is a precondition for effective design and implementation. Thanks to the hard work of several organizations and researchers,²⁷ a rich collection of tools is now available to measure quality and outcomes of ECCE programmes and to calculate ECCE programme costs, both of which are essential (and until recently missing) ingredients of success for OBF (see Table 1). We are particularly excited about the feasibility of measuring process quality of ECCE given its relation to young children's socioemotional outcomes.²⁸

While we celebrate these advances in the field of measurement, we are also cognizant of their limitations. Not everything that matters in ECCE can be measured, and some things that can be measured may be of limited use due to tool-specific challenges concerning psychometric validity and predictive validity. We also recognize that the effect sizes of even 'very effective' models on child development outcomes can be small, which needs to be considered in designing payment metrics.

We believe that OBF programmes can contribute to ongoing efforts to refine these measurement tools. In designing an OBF programme, funders, implementers and evaluators will need to critically examine existing measurement tools both to flag risks of unintended consequences and to assess the costs, risks and benefits associated with each set of tools. And in implementing an OBF programme, these same stakeholders will need to continually assess the challenges posed by the measurement tools and where necessary revisit their fitness-for-purpose. By tracing and capturing these experiences with different measurement tools, we expect to provide pertinent input for their further refinement.

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Table 1. Examples of potential metrics and measurement instruments for ECCE

Type of payment metric	What it includes	Example measurement tools
Child-level developmental outcomes	cognition and executive function; early numeracy and literacy skills; language and communication; socioemotional development; fine and gross motor skills	AIM-ECD; CREDI; IDELA; MELQO (MODEL); eHCI
Structural quality of ECCE services	physical environment (equipment, materials, etc.); caregiver/child ratio; caregiver training	TEACH ECE; MELQO (MELE); BEQI
Process quality of ECCE services	programme curriculum; quality of daily routines; quality of caregiver-child and child-child interactions	
Centre-level intermediate outcomes	attendance rates; transition rates to primary school	



SECTION 3:

Mapping the way forward

Part 1: Principles guiding our work

At EOF, we are aware of the various challenges inherent in the OBF approach and the specific complexities inherent in different OBF models, and we take them seriously. We do not treat the OBF approach and the OBF models highlighted in this concept paper as a panacea to be applied in all contexts and for all problems. Our engagements begin with a critical assessment of the potential added value of OBF over traditional implementation models as well as its cost and potential challenges. Throughout the design and implementation phases, we are guided by the following principles.

1. **Partnerships, trust and transparency:** In our engagements, we prioritize respectful partnerships, building trusting relationships and transparency of processes, results and data. We believe that the promise of the OBF approach for better outcomes for programme participants stems not only from its financial incentives but also from its non-financial incentives.²⁹ We work hard to ensure not only that the right financial incentives are put in place but also that the necessary non-financial incentives are present for successful implementation.
2. **Government stewardship:** While the broader OBF approach is generally agnostic about the role of the government, we are guided by our mandate that prioritizes government stewardship. We serve governments so that they can harness “the capacity and capability of non-state actors”.³⁰ The effects of an OBF programme on government systems is central to how we approach the design and implementation of a programme.

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3. **Equity:** Our Charter commits us to “seek to ensure that no child is left behind, with a special focus on underserved populations”. Our work in education and now in ECCE is driven by a solemn understanding of the individual and society-level consequences of acute socioeconomic inequalities and a recognition of the potential role that equitable ECCE and education programmes can play in mitigating these inequalities. OBF models are structurally capable of incorporating and prioritizing equity as an outcome.
4. **Being mindful of the risk of unintended consequences:** Well-intentioned interventions to incentivize stakeholders for improved service quality and outcomes for programme participants come with the risk of creating perverse incentives. Therefore, assessments about the potential unintended consequences of the OBF approach are an integral component of our design processes and a critical part of our ongoing monitoring efforts.
5. **Reflective implementation and learning while doing:** Inherent to the OBF approach is the recognition that each engagement comes with unique challenges, which require us to reflect, learn, adapt and improve. This is true not only for the direct and auxiliary services provided by the implementers but also for an OBF model applied in a specific context. We are forthcoming about the many unknowns about applying OBF in ECCE and we commit ourselves to reflective implementation and transparent learning processes in our programme engagements.



Part 2: Putting outcomes funds to the test

We extend our **open invitation for collaboration to interested governments, donor organizations, philanthropic organizations, impact investors and implementers for jointly designing, funding and implementing OBF programmes.** Building on our strategic partnership with the LEGO Foundation, which began in 2021 and was formalized in May 2022, we have initiated new engagements with governments in Rwanda, Sierra Leone and South Africa. In 2023 and 2024, we plan to further these engagements and initiate new ones to support interested governments in the design and implementation of context-appropriate outcomes funds that address the challenges that are at the top of their ECCE agendas. We expect these policy challenges to be context-specific and diverse, targeting both direct services and auxiliary capability strengthening services.

We recognize that designing and successfully implementing outcomes funds can pose real challenges. However, we firmly believe that the very challenges faced in designing and implementing an effective outcomes fund (such as identifying and prioritizing programme objectives and outcome measures, strengthening outcome monitoring systems and articulating a learning agenda) are also the reasons that make it a worthwhile effort. Once launched, **these outcomes funds will present an opportunity for furthering our understanding about the scope conditions and the contributing factors for the successful utilization of outcomes funds for ECCE.** They will also allow us to critically assess the value added by the OBF approach and particularly the outcomes funds for ECCE programmes.

We believe that, under the right conditions, the OBF approach can help align system elements of ECCE programmes around prioritized outcomes and by doing so deliver better results for young children and better value for money for governments and funders. Our experience with designing outcomes funds in the education sector gives us a strong starting point to predict what these 'right conditions' would be. We will also continue to examine and learn from others' experiences with implementing various OBF models in ECCE. Through our intentional design and reflective implementation processes, the upcoming outcomes funds will help further refine our understanding about the scope conditions and the contributing factors for the successful utilization of outcomes funds particularly and the OBF approach more broadly in ECCE. We believe that this more refined understanding will allow us to make a stronger and more rigorous case with governments, donor organizations and impact investors for scaling up outcomes funds in ECCE.



Part 3: Formulating and pursuing a joint learning agenda

Our invitation for collaboration extends beyond partnerships for designing, funding and implementing OBF programmes and includes formulating and pursuing a joint learning agenda. We extend our **open invitation for collaboration to think tanks, research institutes and individual researchers for jointly formulating and pursuing a learning agenda**. We are particularly interested in the following OBF-focused topics and ways of learning.

- With key stakeholders engaged in past and ongoing RBF programmes in ECCE, collectively reflecting on lessons learned from these RBF experiences.³¹
- A critical analysis of cost and impact data from past ECCE programmes to advance our approach to data collection and analysis for cost-effectiveness of ECCE interventions.
- A learning agenda focusing on the opportunities and challenges around measurement and measurement tools for ECCE service quality and child development outcomes in OBF for ECCE.³²
- A reflective learning process around system-level effects of OBF programmes in the ECCE subsector as part of our commitment to focusing on the long-term effects of the OBF programmes we support.
- A critical testing of the impact mechanisms through which OBF contributes to better investments in ECCE, including but not limited to focus on outcomes, data-driven adaptation and innovation, ability to incorporate equity, and evidence generation and use.

As part of the ECCE-focused part of this learning agenda, we would like to join the ECCE community's ongoing learning efforts around the complex challenges hindering the advancement of the ECCE agenda – both as a thought partner and as a research partner. More specifically, we are interested in joining forces with research institutes, think tanks and individual researchers and together using our OBF programme portfolio to focus on some of the critical gaps in our knowledge about ECCE programmes:

- Produce policy-relevant and context-specific information about implementation complexity, impact and cost of different ECCE programme models.
- Examine closely the links between different components of ECCE service quality (both structural quality and process quality) and the effects of different components of ECCE service quality on selected outcomes for programme participants.

Ultimately, we want to position EOF as a conduit between the public sector, the non-profit sector, the private sector and the social impact investment sector for devising partnerships for public purpose that respond more effectively to the bottlenecks hindering the scaling up of equitable, quality ECCE programmes. **We believe that our organizational mandate, sectoral expertise and institutional set-up position us well to grow into this role of a conduit, a gatherer and a facilitator of partnerships for public purpose.**



ANNEX I:














Overview of RBF programmes in ECCE

Table A-1 RBF programmes in ECCE

<div><div></div>Performance-based contract</div> <div><div></div>Performance-based aid or transfers</div> <div><div></div>Impact bond</div>			Lower-income countries										Lower-middle-income countries							
Indicators tied to variable funding			Ethiopia	Ethiopia	Ethiopia	Liberia	Liberia	Liberia	Malawi	Mozambique	Rwanda	Sierra Leone	Zambia	Bangladesh	Bangladesh	Cambodia	Cameroon	Djibouti		
Programme detail	Centre vs home based		Centre	2017–19	Centre	2017–25	Centre	2018–22	Centre	2021–23	Centre	2015–16	Centre	2015–19	Centre	2015–18	Centre	2018–23	Centre	2015–25
System-level outputs	Establishment of M&E system																			
	Development of standards / curriculum																			
	Establishment of quality assurance process																			
Expanded access	Centre construction																			
	Introduction of ECCE in existing facilities																			
	New teachers trained (pre-service) ¹																			
	Communications strategy to parents																			
ECCE setting outputs <small>(School, center, or home)</small>	Provision or availability of materials																			
	Teachers trained (in-service)																			
	Infrastructure quality standards met																			
	Improved admin and/or HR procedures ³																			
	Centre rehabilitation																			
Process quality	Quality of classroom interactions																			
	Enrolment rate																			
Children's outcomes	Attendance rate ²																			
	Equity criteria of enrolment or attendance																			
	Grade repetition rate																			
	Years of remedial education avoided																			
	Literacy and/or numeracy skills																			
Develop-mental	Social emotional learning (SEL)																			

Note: Based on analysis of 35 ECCE-focused results-based financing programmes. Programmes are alphabetically ordered within each income group. (1) Includes teachers previously working in primary. (2) Attendance rate for centre- or school-based programmes, or home visitation success rate for home-based programmes. (3) Includes measures of whether ECCE programmes meet quality criteria.

Table A-1 - continued

			Lower-middle-income countries (cont.)							Upper-middle-income countries							
																	
			Centre	Both	Centre	Centre	Centre	Both	Centre	Centre	Centre	Centre	Both	Centre	Home		
			2020-25	2021-24	2017-22	2016-22	2020	2019-24	2013-17	2012-19	2020-25	2021-26	2012-19	2017-22	2018-20		
Programme detail	Centre vs home based	Start/End year	Establishment of M&E system	✓				✓	✓		✓	✓					
			Development of standards / curriculum	✓	✓	✓											
			Establishment of quality assurance process		✓	✓									✓		
Expanded access	Centre construction	Centre construction	✓							✓							
		Introduction of ECCE in existing facilities															
		New teachers trained (pre-service) ¹		✓	✓						✓						
ECCE setting outputs	Communications strategy to parents	Communications strategy to parents	✓	✓									✓				
		Provision or availability of materials															
		Teachers trained (in-service)	✓											✓			
Structural quality	Infrastructure quality standards met	✓		✓	✓							✓					
	Improved admin and/or HR procedures ³				✓							✓					
	Centre rehabilitation	✓									✓	✓					
Process quality	Quality of classroom interactions												✓				
	Enrolment rate		✓											✓			
	Attendance rate ²																
Children's outcomes	Equity criteria of enrolment or attendance													✓			
	Grade repetition rate																
	Years of remedial education avoided																
Developmental	Literacy and/or numeracy skills															✓	
	Social emotional learning (SEL)															✓	
			Programmes in China emphasize establishment of professional development systems and include pilots of play-based learning							In this programme in South Africa, 10% of funding tied to improvements in new developmental metric (Early Learning Outcomes Measure)							

Note: Based on analysis of 35 ECCE-focused results-based financing programmes. Programmes are alphabetically ordered within each income group. (1) Includes teachers previously working in primary. (2) Attendance rate for centre- or school-based programmes, or home visitation success rate for home-based programmes. (3) Includes measures of whether ECCE programmes meet quality criteria.



Table A-1 - continued

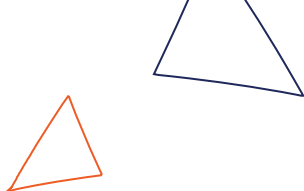
			High-income countries									
			Australia	Portugal	UK	UK	USA	USA	USA	USA	USA	Total
			Both	Centre	Home	Home	Centre	Centre	Centre	Centre	Home	
Programme detail	Centre vs home based		2022	2018–21	2016–21	2019–25	2013–18	2014–18	2019–171	2022–23		
	Start/End year											
System-level outputs	Establishment of M&E system											7
	Development of standards / curriculum											7
	Establishment of quality assurance process											3
Expanded access	Centre construction											6
	Introduction of ECCE in existing facilities											1
	New teachers trained (pre-service) ¹											6
	Communications strategy to parents											3
	Provision or availability of materials											4
ECCE setting outputs (School, center, or home)	Teachers trained (in-service)											12
	Infrastructure quality standards met											9
	Improved admin and/or HR procedures ³											7
	Centre rehabilitation											2
	Quality of classroom interactions											2
Children's outcomes	Enrolment rate											15
	Attendance rate ²		✓		✓	✓			✓	✓		8
	Equity criteria of enrolment or attendance											4
	Grade repetition rate											2
	Years of remedial education avoided						✓					2
Developmental	Literacy and/or numeracy skills		✓	✓	✓	✓		✓	✓			7
	Social emotional learning (SEL)				✓	✓		✓	✓			6

Note: Based on analysis of 35 ECCE-focused results-based financing programmes. Programmes are alphabetically ordered within each income group. (1) Includes teachers previously working in primary. (2) Attendance rate for centre- or school-based programmes, or home visitation success rate for home-based programmes. (3) Includes measures of whether ECCE programmes meet quality criteria.



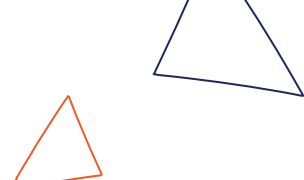
Endnotes

- ¹ With respect to the SDG global indicator 4.2.2, three in four children globally participate in organized learning the year before they are expected to start primary education. In sub-Saharan Africa, Northern Africa and Western Asia, however, this figure is only about one in two. (Global Education Monitoring Report Team, *Global Education Monitoring Report, 2021/2: Non-state actors in education: who chooses? who loses?* UNESCO, Paris, 2021, pp. 244–245. <https://unesdoc.unesco.org/ark:/48223/pf0000379875>, accessed 24 August 2023).
- ² In the [Tashkent Declaration and Commitments to Action for Transforming Early Childhood Care and Education](#) (United Nations Educational, Scientific and Cultural Organization, Tashkent Declaration and Commitments to Action for Transforming Early Childhood Care and Education, Tashkent, 16 November 2022), the international community and non-governmental stakeholders committed themselves to “promote and support international innovative financing mechanisms, with State consent, that mobilize additional, more equitable and efficient allocation of financial resources for ECCE and/or the scale-up of cost-effective and evidence-based ECCE interventions”. Relatedly, the Declaration recognizes the role of innovative financing mechanisms in securing additional investments for ECCE services and allocating them more equitably and efficiently.
- ³ Karboul, Amel H. E., Emily Gustafsson-Wright and Max McCabe, ‘Partnerships for Public Purpose: The new PPPs for fighting the biggest crises of our time’, The Brookings Institution, 27 May 2021, www.brookings.edu/articles/partnerships-for-public-purpose-the-new-ppps-for-fighting-the-biggest-crises-of-our-time/, accessed 23 August 2023.
- ⁴ We recognize that the definitions and scope of policies/programmes associated with the terms ECD, ECCE and ECE may differ across countries and organizations. We follow the conceptual framework put forward in the Global Partnership Strategy for Early Childhood, 2021–2030 (United Nations Educational, Scientific and Cultural Organization, Global Partnership Strategy for Early Childhood, 2021–2030, UNESCO, Paris, 2022. <https://unesdoc.unesco.org/ark:/48223/pf0000380077>, accessed 24 August 2023). Accordingly, we use ECD as a term to capture a multisectoral approach to the holistic development of the child from conception to 8 years that brings together health; nutrition; water, sanitation and hygiene (WASH); education; social protection; and child protection. We use ECCE as a term to capture policies and programmes anchored on pre-primary education, early learning, early childhood stimulation and parenting support, which may or may not have health, nutrition, WASH or protection components.
- ⁵ United Nations Children’s Fund, *A World Ready to Learn: Prioritizing quality early childhood education*, UNICEF, 2019, www.unicef.org/media/57926/file/A-world-ready-to-learn-advocacy-brief2019.pdf, accessed 24 August 2023.

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- 6 Our work in ECCE is founded on the understanding that a young child's readiness for primary school includes but goes well beyond early literacy and numeracy skills to encompass a broad range of developmental skills and abilities in different domains, including social and emotional skills, physical well-being and motor development, approaches to learning, language development and cognition, and general knowledge. See: United Nations Children's Fund, *School Readiness: A conceptual framework*, UNICEF, New York, 2012.
 - 7 These definitions draw upon a wealth of publications including EOF-GSG Primer (The Global Steering Group for Impact Investment (GSG) and Education Outcomes Fund, *Tying Funding to Results: A primer in results-based finance to support a just covid recovery and foster impact-driven economies*, EOF and GSG, February 2021. <https://gsgii.org/reports/tying-funding-to-results/>, accessed 24 August 2023); Instiglio-GPOBA-World Bank Effective Results-Based Financing Strategies (Instiglio, Inc., *A Guide for Effective Results-Based Financing Strategies*, The Global Partnership on Output-Based Aid, World Bank, Washington, 2018. <https://documents1.worldbank.org/curated/en/265691542095967793/pdf/A-Guide-For-Effective-Results-Based-Financing-Strategies.pdf>, accessed 24 August 2023); GO Lab Glossary (Government Outcomes Lab, 'Glossary', <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/>, accessed 24 August 2023).
 - 8 These 35 programmes include both complete and ongoing RBF programmes in ECCE. They were identified using various databases, including the Brookings Institution Global Impact Bond Database, INDIGO Impact Bond Dataset and Outcomes Fund Directory, NORRAG Impact Bonds Database on the education sector and our own online search. The inclusion criteria are that the interventions focused on pre-primary education, early learning opportunities, early childhood stimulation and/or parenting support with a particular focus on early learning opportunities. Programmes with health, nutrition, caregiver responsiveness, safety and security interventions were only included if the intervention incorporated early learning.
 - 9 Process quality concerns children's daily interactions in ECCE settings, including with staff/teachers, space and materials, other children, their families and the wider community. See: Sim, Megan P. Y., et al., *Starting Strong Teaching and Learning International Survey 2018 Conceptual Framework*, OECD Education Working Paper No. 197, Organisation for Economic Co-operation and Development, 11 March 2019. [https://one.oecd.org/document/EDU/WKP\(2019\)5/en/pdf](https://one.oecd.org/document/EDU/WKP(2019)5/en/pdf), accessed 24 August 2023; Early Learning Partnership, 'Measuring the Quality of Early Learning Programs', Guidance Note, World Bank, August 2016. <https://documents1.worldbank.org/curated/en/474431473958525937/pdf/108285-REVISED-PUBLIC-ELP-GN-MeasuringQuality-CEP.pdf>, accessed 24 August 2023.
 - 10 Structural quality refers to those programme features that are related to the physical environment, the group of children and the caregiver/teacher (e.g., group size, caregiver-child ratio, space per child, caregiver certification). See: Sim, et al. *Starting Strong Teaching and Learning International Survey 2018 Conceptual Framework*; Early Learning Partnership, 'Measuring the Quality of Early Learning Programs'.
 - 11 UNICEF, *A World Ready to Learn*.
 - 12 UNICEF, *Build to Last: A framework in support of universal quality pre-primary education*, New York: UNICEF, 2020, www.unicef.org/reports/build-to-last-2020, accessed 24 August 2023.
 - 13 UNICEF, *A World Ready to Learn*.



- ¹⁴ Berlinski, Samuel, and Norbert Schady, 'More Bang for the Buck: Investing in early childhood development', ch. in *The Early Years*, Berlinski, S., Schady, N. (eds) Palgrave Macmillan, New York, 2015, pp. 149–178. https://doi.org/10.1057/9781137536495_6
- ¹⁵ A summary of the findings from the cost of inaction calculations focused on ECCE can be found in Richter, L.M., et al. 'Measuring and Forecasting Progress in Education: What about early childhood?' *npj Sci. Learn.*, vol. 6, no. 27, 2021. <https://doi.org/10.1038/s41539-021-00106-7>.
- ¹⁶ The World Inequality Database on Education (WIDE) provides disaggregated figures (by wealth quintiles, gender, rural–urban, among other categories) for the percentage of children attending any type of pre-primary education programme, for ages 3–4 and for the one year before the official entrance age to primary. Attendance figures for ages 3–4 in low-income and lower-middle-income countries disaggregated by wealth quintiles are available for 19 countries for the 2014–2019 period and show sizeable gaps between children living in households in the wealthiest quintile and those in the poorest quintile in many but not all countries. Countries with sizeable wealth-based differences include Cameroon (2% vs 69%), Guinea-Bissau (3% vs 47%), Sudan (7% vs 60%), Kyrgyzstan (12% vs 50%) and Malawi (27% vs 67%). Countries with relative wealth-based equality include Algeria (96% vs 95%), Kenya (95% vs 94%), State of Palestine (95% vs 95%), Ghana (94% vs 100%) and Rwanda (91% vs 97%).
- ¹⁷ Computations using data available from low-income countries from 2007 to 2017 show that 1.9% of government expenditure on education is distributed to pre-primary education (compared with 46.9% for primary education in low-income countries and 6.5% for pre-primary education in lower-middle-income countries; see UNICEF 2019, *A World Ready to Learn*). In 2019, the overall share of education aid by bilateral and multilateral donor organizations spent on pre-primary education was 0.9% (Zubairi, Asma and Pauline Rose, *One-year Update: A better start? A Theirworld Report*, Research for Equitable Access and Learning Centre, University of Cambridge, October 2022. <https://theirworld.org/wp-content/uploads/2022/11/Theirworld-ECE-A-Better-Start-2022-single-page-FINAL.pdf>, accessed 24 August 2023). These figures need to be interpreted in light of the troubling impact of the COVID-19 pandemic on public spending on education and development aid and the limited availability of data. Despite considerable improvements in data availability for public expenditure, just 1% of countries reported their 2020 spending according to level of education (United Nations Educational, Scientific and Cultural Organization and The World Bank, *Education Finance Watch 2022*, UNESCO and The World Bank, 2022. <https://thedocs.worldbank.org/en/doc/5c5cdd4c96799335e263023fa96db454-0200022022/related/EFW-2022-Dec21.pdf>, accessed 24 August 2023).
- ¹⁸ United Nations Children's Fund, the Education Commission and the LEGO Foundation, *Add Today Multiply Tomorrow: Building an investment case for early childhood education*, 2022, www.unicef.org/reports/add-today-multiply-tomorrow, accessed 23 August 2023.
- ¹⁹ UNICEF defines progressive universalism around the following central concept: "disadvantaged children must gain at least as much as their better-off peers at each step of the process in order for universal pre-primary education to be achievable". In practice, this could mean providing "a minimum one-year package of quality pre-primary education for all children first, including through alternative and targeted programmes to reach difficult-to-reach children, and gradually expand the number of years included in this package, as the pre-primary system grows". (UNICEF, *A World Ready to Learn*, p. 50).

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- ²⁰ Gustafsson-Wright, Emily and Dayoung Lee, 'Getting both costs and effectiveness right to improve decisionmaking in education', The Brookings Institution, 23 December 2021, www.brookings.edu/articles/getting-both-costs-and-effectiveness-right-to-improve-decisionmaking-in-education, accessed 23 August 2023.
- ²¹ See note 17.
- ²² These non-state actors include, but are not limited to, non-profit providers, for-profit providers, faith-based or community-based providers. (See: van Ravens, Jan, et al., 'The Preschool Entitlement: A locally adaptable policy instrument to expand and improve preschool education', RTI Press, RTI Press Occasional Paper No. OP-0082-2301, 2023 www.rti.org/rti-press-publication/preschool-entitlement, accessed 23 August 2023; Global Education Monitoring Report Team, *Global Education Monitoring Report*, 2021/2).
- ²³ Global Education Monitoring Report Team, *Global Education Monitoring Report*, 2021/2.
- ²⁴ Gustafsson-Wright and Lee, 'Getting both costs and effectiveness right'.
- ²⁵ Making information on programme costs and outcomes publicly available may enhance accountability as it may put implementers, programme participants and communities in a better position to demand more impactful or more cost-effective service models.
- ²⁶ If data show programme quality and outcomes to be positive, information availability may then help overcome parents' and primary caregivers' hesitancy about the value added of ECCE programmes.
- ²⁷ Table 1 provides a list of these measurement tools, including CREDI (Harvard T.H. Chan School of Public Health), AIM-ECD (the World Bank), IDELA (Save the Children), MELQO (UNESCO, UNICEF, Center for Universal Education at Brookings and the World Bank), eHCI (Professor Sally Brinkman), TEACH-ECE (the World Bank), BEQI (ECD Measure).
- ²⁸ While, in general, research suggests that high process quality in childcare is related to more social competence in children, there are also several studies that find no effects for socioemotional outcomes (Melhuish, Edward, et al., 'A review of research on the effects of Early Childhood Education and Care upon child development', CARE project, Curriculum Quality Analysis and Impact Review of European Early Childhood Education and Care (ECEC), 2015.
- ²⁹ Non-financial incentives can stem from intrinsic purpose-driven motivation, relational considerations and reputational concerns, among others.
- ³⁰ EOF Charter 7.1.
- ³¹ Such a series would be building on The Brookings Institution report (Gustafsson-Wright, Emily and Sophie Gardiner, 'Using Impact Bonds to Achieve Early Childhood Development Outcomes in Low- and Middle-Income Countries', The Brookings Institution, 16 February 2016, www.brookings.edu/articles/using-impact-bonds-to-achieve-early-childhood-development-outcomes-in-low-and-middle-income-countries, accessed 24 August 2023), and the preliminary analysis undertaken by EOF on which the findings shared in this concept paper were based.
- ³² Potential risks, challenges and limitations include the risk of perverse incentives, the challenge of setting appropriate targets and technical limitations with 'pricing' outcomes.

