



# Evidence Review of Outcomes Based Finance for Early Childhood Care and Education

Prepared by the Government Outcomes Lab, NORRAG and Ecorys in partnership with the Education Outcomes Fund, a UNICEF hosted fund, and with the support of the LEGO Foundation

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# Executive summary

The 2023 Sustainable Development Goals Report cautions that, “despite slow progress, the world is falling far behind in achieving quality education” (UN DESA, 2023:61). If additional measures are not taken, an estimated 300 million students will lack basic numeracy and literacy skills by 2030 (UN DESA, 2023). Early childhood care and education (ECCE) is a particularly neglected sector, especially in low-income countries.

Outcomes-based financing (OBF) has been proposed as a potential mechanism to support high-quality service provision and to attract financing to ECCE programmes (OBF4ECCE). Since the initial experimentation with the impact bond financing model in Utah and Chicago in the US ten years ago, the OBF approach in ECCE has seen a slow spread. Stakeholders continue to express interest, as is evident in several projects that have been explored.

The evidence around OBF4ECCE is starting to emerge, albeit still limited. The primary purpose of this review is to gather and organise the existing evidence to inform the design of future programmes. The review also identifies a substantial gap in existing knowledge.

## Main emerging patterns

- **Context for OBF4ECCE programmes:** in programmes to date, access and quality of ECCE in a particular country and target population are the driving concern. However, there is no indication that specific ECCE policy contexts are being systematically targeted, beside some indication that policy and regulatory support for OBF or Public-Private partnerships in education are enabling factors.
- **Rationale:** rationales vary considerably across projects, and it is not clear if all actors involved in the programmes are aligned around the same rationale.
- **ECCE intervention design:** ECCE provision between the ages of 0-8 years requires a multisectoral approach encompassing education, health, child protection, housing etc. Many projects recognise the multidimensional nature of learning and included considerations on the need to include wider community support. Yet existing OBF4ECCE programmes did not prioritise overcoming the barriers to bring actors from the various social development sectors under singular programs. This may be an area to focus on in designing future programs.
- **OBF design and actors:** information about the actors involved and funding committed is usually available. There is, however, little information on the costs incurred by actors to participate in an OBF4ECCE project, e.g. in conducting negotiations. Given that these projects are often criticised for their high transaction costs, it would be beneficial to gather and share this information in future programs and assess their cost-effectiveness vs traditional financing approaches.
- **Measurement:** Despite the emphasis on ECCE's holistic nature, most indicators focus primarily on pre-primary education achievements in childcare centres. These early learning indicators in all projects included literacy measures at the minimum with others also including some other development domains. There is a significant knowledge gap around the cost of measuring outcomes, results verification and programme evaluation.
- **Challenges and enabling factors:** from the documents reviewed, the challenges and enabling factors are those usually surfaced for OBF in other sectors: political will, regulatory frameworks, experienced service providers, availability of funding are enablers. The complexity of the OBF mechanism is a challenge.
- **Lessons learned:** lessons learned could be found in the documents prepared by independent researchers. They tended to focus on two issues: the ability to attribute the verified outcomes to the OBF4ECCE programme and the importance of engaging with the wider ECCE ecosystem. The challenge is balancing simplicity with rigour in identifying an easily verifiable and agreed-upon measurement for a complex goal.

## Call for action

We invite all interested stakeholders to share their contributions to interpret and complement the findings presented in this review. Please feel free to contact the authors via [jonathan.davies@bsg.ox.ac.uk](mailto:jonathan.davies@bsg.ox.ac.uk).

# Introduction

The global education crisis is alarming. It was estimated that almost 260 million children worldwide were not in school before the COVID-19 pandemic (World Bank, UNESCO, UNICEF et al. 2022). This figure has significantly worsened because of the pandemic, exacerbating the crisis and very slow progress has been made since (UNESCO, 2023). Thirty-three million children, mostly in low-income countries, who are aged one year prior to primary school entrance age, have not received any form of organised pre-primary education, despite evidence showing the value of school readiness before entering primary school for long-term education and employment outcomes (UNESCO, 2022a). Ensuring that the youngest population receives quality early childhood care and education will be essential for meeting the Sustainable Development Goal 4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

Donor aid for early childhood education was especially adversely affected during the pandemic (Theirworld, 2023). Advocates have been calling for at least 10% of the education aid to be directed to early childhood education, and in 2022, 147 United Nations member states signed the *Tashkent Declaration and Commitment to Action for Transforming Early Childhood Care and Education* with a commitment to spending 10% of the domestic education budget on pre-primary education (UNESCO, 2022b). The aid spent on pre-primary has started to increase between 2021 and 2022, especially due to a significant increase in pre-primary aid provided by the World Bank, but it is still falling short of the desired 10%. In 2022, the proportion of education aid spent on pre-primary was 1.4% (Theirworld, 2024). Advocates for better provision of early childhood care and education have also been exploring funding modalities to ensure that the available funds are used more effectively and efficiently (UNESCO, 2022).

Outcomes-based financing (OBF) instruments like impact bonds, which focus on linking financing to outcomes, are seen as one mechanism for upholding high-quality service provision in this highly privatised education sub-sector. A growing body of evidence on OBF models has emerged over the past decade, which still needs to be contextualised for the early childhood care and education (ECCE) space to inform sustainable practices. Innovations and implementation of OBF approaches is a dynamic space with new models being created and implemented in new contexts to address a growing array of social challenges. Inclusive and participatory research and dialogue are key to ensuring learning is captured and shared with the global practice community effectively. This evidence review seeks to share the emerging evidence in relation to the use of OBF in ECCE.

## Aims and objectives

The aim of this evidence review is to inform the **co-creation of a collective learning initiative (CLI) focused on the use of Outcomes-Based Financing programmes in Early Childhood Care and Education to address systemic barriers to universal ECCE**. We will use the term **OBF4ECCE** to refer to these programmes.

The co-creation of the CLI is a long-term plan that has been tentatively envisaged taking place in three phases. Phase 1 focuses on taking stock of current experiences of practitioners engaged in OBF4ECCE. Phase 2 will focus on including a deeper group of stakeholders to learn from past and ongoing experiences and Phase 3 on supporting the emergence of a self-sustaining community of practice to inform when and how OBF can contribute to better educational outcomes for younger children in an effective and cost-effective way. The evidence review is part of Phase 1.

The evidence review has three objectives. First, **to take stock on the documented, existing experiences of OBF4ECCE** by surfacing, collating, and analysing available documents. The analysis is being informed and complemented by bilateral interviews and convenings, and the collective experience of the research team. Its second objective is **to support the development of useful knowledge products** to disseminate existing insights and lessons. The third objective is **to provide an analysis of knowledge gaps to inform the design of a learning agenda** and future efforts to bridge the most pressing knowledge gaps through the CLI in the medium- to long-term.

## Methods

The evidence review was organised in three steps (a) surfacing and collating; (b) coding, data preparation and mapping, (c) dialogue and interpretation with the practice community.

### *Surfacing and collating*

To define the scope for this review we articulated clear definitions for ECCE and of OBF. These definitions are provided below.

For this evidence review, **we define Early Childhood Care and Education (ECCE) as learning opportunities for children aged 0-8, including early stimulation, education, guidance, and developmental activities, and incorporating the importance of holistic support at this stage of development, which encompasses additional care domains such as health, nutrition, sanitation, hygiene and protection.** It takes place at home and in the community and is provided through organised services and programmes that target children directly or indirectly (i.e. targeting their parents and other primary caregivers in order to improve their care and education practices vis-à-vis their own children). ECCE also supports primary caregivers in enhancing their own and their children's well-being through micronutrient supplementation, psychosocial support, parental leave, and childcare. Quality ECCE provision looks different in different cultural and country contexts and leverages a variety of resources to meet the specific needs of each child (UNESCO, 2016; UNESCO, 2022; UNESCO, 2021).

Building on this understanding of ECCE, to be included in this review projects had to:



- have an **“education” component**, with explicit results targeting learning outcomes and opportunities for early learning<sup>1</sup> (linguistic and cognitive development indicators).
- **targets children aged 0-8** at the pre-primary level in preparation for primary school (i.e. prior to Grade 1).
- are **delivered either directly or indirectly** (i.e., the project could target their primary caregivers or teachers).
- may include home-based, centre-based or community-based interventions.

The analysis may also refer to Early Childhood Development (ECD) where the larger non-education-specific context needs to be described since some of the programmes analysed are situated within the larger national or international ECD framework. ECD refers to the holistic healthy development of children from birth up to the age of 8, encompassing services in various domains - health, nutrition, social protection and stimulation to support motor, cognitive, language, socio-emotional and self-regulatory skills and capacities (UNCIEF, 2023)- and not necessarily with education as the primary domain.

For **OBF** we adopted the definition developed by GO Lab for Outcomes-based contracting, i.e. **“a mechanism whereby service providers are contracted based on the achievement of outcomes. This can entail tying outcomes into the contract and/or linking payments to the achievement of outcomes.** In international development, these approaches are more commonly referred to as results-based financing”<sup>2</sup>. This definition intentionally excludes projects which provide incentives to individuals (e.g. conditional cash transfers or individual teacher’s pay bonuses) or to whole systems (e.g. debt swaps or results-based aid).

**Impact bonds** are a sub-set of OBF. They incorporate the use of private funding from investors to cover the upfront capital required for a provider to set up and deliver a service. The service is set out to achieve measurable outcomes established by the commissioning authority (or outcome payer), and the investor is repaid only if these outcomes are achieved. Impact bonds encompass both social impact bonds and development impact bonds.<sup>3</sup>

We sourced a long list of potential projects for inclusion based on the shared resources of GO Lab, NORRAG, Ecorys, and Education Outcomes Fund (EOF) and identified 68 OBF programmes in ECCE across 36 countries. For projects meeting the inclusion criteria, we collated our shared source documents and complemented them by running searches on the main Google Search Engine and Google Scholar.

**A total of 22 projects met the chosen definitions of ECCE and OBF and were included in the evidence review.** A summary of the projects can be found in Table 3.

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<sup>1</sup> Examples of interventions and programs in opportunities for early learning include telling stories and reading books to a child; smiling and talking to a child; playing simple games such as peekaboo; playing with age-appropriate toys; and activities that encourage children to move their bodies, use their senses, and explore their environment.

<sup>2</sup> As defined in the GO Lab Glossary at <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#o>

<sup>3</sup> As defined in the GO Lab Glossary at <https://golab.bsg.ox.ac.uk/knowledge-bank/glossary/#i>

**For these 22 projects, we identified 105 unique, relevant documents**, ranging from project factsheets, evaluation and progress reports, websites, case studies, consolidated databases, peer-reviewed academic literature, working papers, and donor-funded analytical reports. Some of these documents contained information for multiple projects (see Table 1). The list of key documents can be found in the Bibliography at the end of the report.

*Table 1: Number of documents review per project, and for wider context*

Project name	Number of documents
Chicago Parent-Center Pay for Success Initiative	23
West London Zone	11
Programa Primero Lee	9
Utah High Quality Preschool Program SIB	8
ParentChild +/- Family Lives LCF	7
Impact Bond Innovation Fund	5
Play2Learn+	5
Uzbekistan Early Childhood Education Social Impact Bond	4
Tennessee High-Quality Pre-K	3
Child Development Centers	3
Programa Integrado de Promocao da Literacia (Integrated Literacy Programme)	2
Sierra Leone Outcomes Fund	2
Rwanda Outcomes Fund	2
Jordan Early Childhood Development DIB	1
Nairobi City County DIB	1
Northwest Oregon Kinder Ready Collaboration	1
Start from the Beginning - Chinese Supporting Scheme for Non-Chinese Speaking Students (NCS) in Kindergarten	1
Alexandria ECD SIB	1
Future of Hope Addis Ababa	1
Namibia Early Childhood Development Social Impact Bond	1
Northern Kenya DIB	1
South Africa Outcomes Fund	0
Wider context	16

### *Coding, data preparation and mapping*

We used our cumulative knowledge of the literature on the critical issues in financing quality ECCE and on the use of OBF in development and education sector to identify key themes and variables affecting the use of OBF4ECCE to improve ECCE programmes' equity, efficiency, effectiveness, and quality.

We combined coding frameworks developed by GO Lab, Ecorys and NORRAG based on literature reviews to analyse OBF projects in the education sector. An ECCE expert contributed relevant themes to complement the coding to better capture the uniqueness of the ECCE

sector. The coding was organised around the life cycle of an archetypal OBF4ECCE project. Duplicates were removed and some variables merged or split for clarity.

The resulting coding framework consisted of 91 variables summarised in the table below.

*Table 2: Coding framework themes*

Theme	Theme details
Context	Information relating to the ECCE context, such as ECCE levels, participation, equity, policy, existing financing arrangements and reforms, as well OBF contextual factors, such as auxiliary resources or reforms, the regulatory framework and levels of acceptability of OBF.
Rationale	Information on what social challenge(s) the projects were aiming to address and why, why the target population was selected, and reasons underpinning the use of OBF.
Design	Covers the ECCE design features (such as project objectives, target populations, sectors, outcomes and measurements) and OBF design features (instrument used, rationale for outcomes selection, payment structures, actor identification processes, costs).
ECCE intervention	Provides details on the nature of the intervention, the programme dosage, structural and process quality, intervention selection processes and any innovations.
Actors	Information on the types of actors involved in the projects and their roles.
Factors influencing launch	Includes factors relating to levels of interest amongst actors, capacity of service providers and wider political and economic influences.
Implementation	Information on the success factors and challenges in implementation, and any effects the use of OBF had on the implementation of the ECCE intervention.
Results	Details on results achieved by projects, investment returns, and wider impacts of the project (e.g. on ecosystems, partnerships).
Sustainability	Information about the sustainability of the results, any continuation of OBF, and any scaling up or replication of the OBF projects.
Lessons learned	Any other lessons learned identified in the evidence base.

### *Dialogue and interpretation with the practice community*

This phase consisted of eleven bilateral interviews, discussion at two stakeholders' convenings and invited feedback on the evidence review from stakeholders. Participants for the interviews and convenings were identified through existing contacts of the authors and the commissioners of this report. In inviting participants, we aimed to capture the direct experience of designing and delivering OBF programmes in ECCE globally. Insights from these discussions and feedback have been embedded in the final version of the evidence review. Continued discussions around the review findings will be an opportunity to identify additional interested stakeholders and invite them to co-create a community of practice.

## Limitations

This evidence review is not a systematic literature review. The documents included were selected from those available to the research consortium (GO Lab, NORRAG and Ecorys) who have conducted substantial research on outcomes-based finance and/or education programmes over the past 10 to 15 years. Targeted searches on Google, conversations with the ECCE team at the Education Outcomes Fund and with participants of the Collective Learning Initiative complemented the search of documents. It is, hence, possible that some documents have not been identified.

As for all desk-based research, it is limited by what is documented in writing. Tacit knowledge that is not easily codified is rarely captured in written documents. The bilaterals interviews, dialogue and interpretation with the practice community were used to mitigate this limitation to some extent. The main body of the report focuses on the insights from the evidence review. The complementary insights from the interviews and stakeholders' feedback are highlighted separately in relevant sections.

The next sections of this report provide the findings from the evidence review, structured around the main themes presented above. At the end of the report, we provide reflections on the overarching findings and gaps in the evidence.

# Findings

To guide the reader, we open by providing a schematic overview of the 22 OBF4ECCE projects included in the review and a heat map to illustrate the themes for which we could retrieve and synthesise information. We then proceed by sizing and synthesising the findings, theme by theme, highlighting what the evidence currently suggests as well as the identified knowledge gaps.

## Overview

Table 3 below provides a summary of the OBF projects included in our sample.

Table 3: Summary table of included OBF4ECCE projects

Project Name	Delivery Locations	State of Development	Type of OBF	Launch date	Target population	Targeted number
Alexandria ECD SIB	Alexandria, Virginia, US	Cancelled	Impact bond	N/A	Children (3-4 years old)	100 children in first year, 50 children per year thereafter
Child Development Centers	Colombia	In delivery	Payment by Results	2022	Children (0-5 years old) served by Child Development Centers	3,000
Child-Parent Center Pay for Success (Pfs) Initiative	Chicago, US	Complete	Pay for success / Impact Bond	2014	Chicago Public School children (4 years old) eligible for free or reduced lunch	2,618
Future Hope of Addis	Addis Ababa, Ethiopia	Cancelled <sup>4</sup>	Payment by Results (no pre-financing) and performance-based aid	2023	Children in Addis Ababa between 0-6 years old	All 1.6 million children in Addis Ababa
Impact Bond Innovation Fund	South Africa	Complete	Impact bond	2017	Low-income children (3-5 years old) and their families/caregivers, drawn from the low-income communities of Atlantis and Delft in South Africa, Western Cape Province	2,000
Jordan Early Childhood Development DIB	Amman, Irbid, Jordan	Cancelled	Impact bond	2023	Children (4-6 years old) from lower-income households	N/A
Nairobi City County DIB	Nairobi, Kenya	Cancelled	Impact Bond	N/A	N/A	N/A
Namibia Early Childhood Development Social Impact Bond	Namibia	Cancelled	Impact bond	2023	ECD teachers of 0-6 year olds in 400 ECD centres	45,000
Northern Kenya DIB	Kenya	Design	Impact bond	N/A	Children (3-18 years old), 60% host population, 40% refugees, 60% girls and women, 40% boys and men	N/A

<sup>4</sup> OBF component of the programme was cancelled, but the intervention was implemented.

Project Name	Delivery Locations	State of Development	Type of OBF	Launch date	Target population	Targeted number
Northwest Oregon Kinder Ready Collaboration	Oregon, US	Unknown	Pay for Success	N/A	Children (3-4 year olds) who do not have access to preschool, as well as children currently enrolled in preschool programs that are not high-quality	600
ParentChild+/Family Lives LCF	United Kingdom	Complete	Impact bond	2019	Families with a child aged 2-3 years in Kensington & Chelsea and Westminster who do not meet age related goals on speech and language, and social-personal skills assessed by the Ages and Stages Questionnaire during the national 2-year old checks	198
Play2Learn+	Australia	In delivery	Payment by outcomes	2022	Children (3-4 years old) from low socio-economic backgrounds. To be eligible, children must plan to attend one of the 43 specified schools in the greater Hobart, North and North-West Regions of Tasmania, have a parent who holds a concession card, be at least 3 years old and attending less than 10 hours per week of childcare	300
Programa Integrado de Promocao da Literacia (Integrated Literacy Programme)	Portugal	Complete	Impact bond	2018	Children and their families	444
Programa Primero Lee (Read First Program) - Children literary development impact bond	Chile	Complete	Impact bond	2019	Children in kindergarten, first grade and second grade	982

Project Name	Delivery Locations	State of Development	Type of OBF	Launch date	Target population	Targeted number
Rwanda ECCE Outcomes Fund	Rwanda	Design	Outcomes fund	2024	Children (3-6 years old), attending the three levels of pre-school in informal community ECD centres in underserved rural areas	56,000
Sierra Leone ECCE Outcomes Fund	Sierra Leone	Design	Outcomes fund	2024	Children (3-5 years old)	29,700-63,700
South Africa ECCE Outcomes Fund	South Africa	Design	Outcomes fund	2024	Children aged 0-5 enrolled in low-fee, full-time early learning programmes	N/A
Start from the Beginning - Chinese Supporting Scheme for Non-Chinese Speaking Students (NCS) in Kindergarten	Hong Kong	In delivery	Pay for Success	2020	Kindergartens, Non-Chinese speaking students and their teachers	1,444
Tennessee High-Quality Preschool Program SIB	Tennessee, US	In delivery	Pay for Success	N/A	Low-income children (4 years old)	1,000
Utah High Quality Preschool Program	Utah, US	In delivery	Pay for Success	2013	Low-income children (3-4 years old), who are eligible for free lunch, but only those who score 70 or less on the Peabody Picture Vocabulary Test	3,500
Uzbekistan Early Childhood Education Social Impact Bond	Uzbekistan	Cancelled	Impact bond	2018	Children (3-7 years old) in 140 private preschools in urban areas	N/A
West London Zone	United Kingdom	In delivery	Impact bond	2019	Nursery aged children to 18 years old	N/A



The heat map below (Table 4) provides an overview of the state of the evidence base for the 22 OBF4ECCE projects included in our study. It provides an overall picture, as well as disaggregating between projects that are in design, in delivery, complete, cancelled, or unknown, at the time of reporting (June 2024). The rest of this chapter is structured in relation to these broad themes.

Overall, **gaps are most common in relation to the OBF context** (e.g. wider regulatory or policy factors that gave rise to the use of OBF), **specifics on OBF design features, factors influencing projects' launch, results, sustainability and lessons learned**. The latter three categories are not surprising, given most projects in our sample were not launched or completed at the point of reporting, although even for the 'completed' projects, there is limited evidence available relating to results, sustainability or lessons learned.

Table 4: Heat map of the state of the evidence

	Number of projects where there are evidence gaps (high number = more gaps)					
	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Context: ECCE	13	2	3	2	5	1
Context: OBF	17	3	5	3	6	0
Rationale	10	1	3	2	3	1
Design: ECCE	6	1	1	1	1	0
Design: OBF	15	2	4	3	5	1
Intervention	10	1	2	2	4	0
Actors	10	1	1	3	4	1
Influencing factors for launch	18	3	4	3	6	1
Implementation	11	1	2	3	4	1
Results (including planned investment return)	17	2	4	4	6	1
Sustainability (including sustainability planning)	16	2	4	3	6	1
Lessons learned	17	3	3	4	6	1

Note: colour coding is used alongside numbers in this table, to summarise gaps across the evidence base. Red represents those themes with the highest number of gaps, and green represents themes with the lowest number. Yellow represents the midpoint (50<sup>th</sup> percentile). Colour coding is relative to the total number of projects per column (i.e. the colour grading is different in the 'overall' column, compared to the 'completed' column, as there are fewer cases in the latter).

There are no clear patterns when disaggregating the heatmap by the status of the project (e.g. completed, in delivery, cancelled etc).

## Context

### Overview of the evidence on 'context'

Overall, there is limited evidence available on the context that gave rise to the 22 projects in our sample, especially in terms of the context for the use of OBF (e.g. regulatory framework, auxiliary reforms) and broader acceptability of OBF. There are, however, expectations that the OBF4ECCE can progress the achievement of SDG4.2: *by 2030 ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education*. Though there is no evidence of targeting countries with especially low levels of access or legal framework for compulsory ECCE.

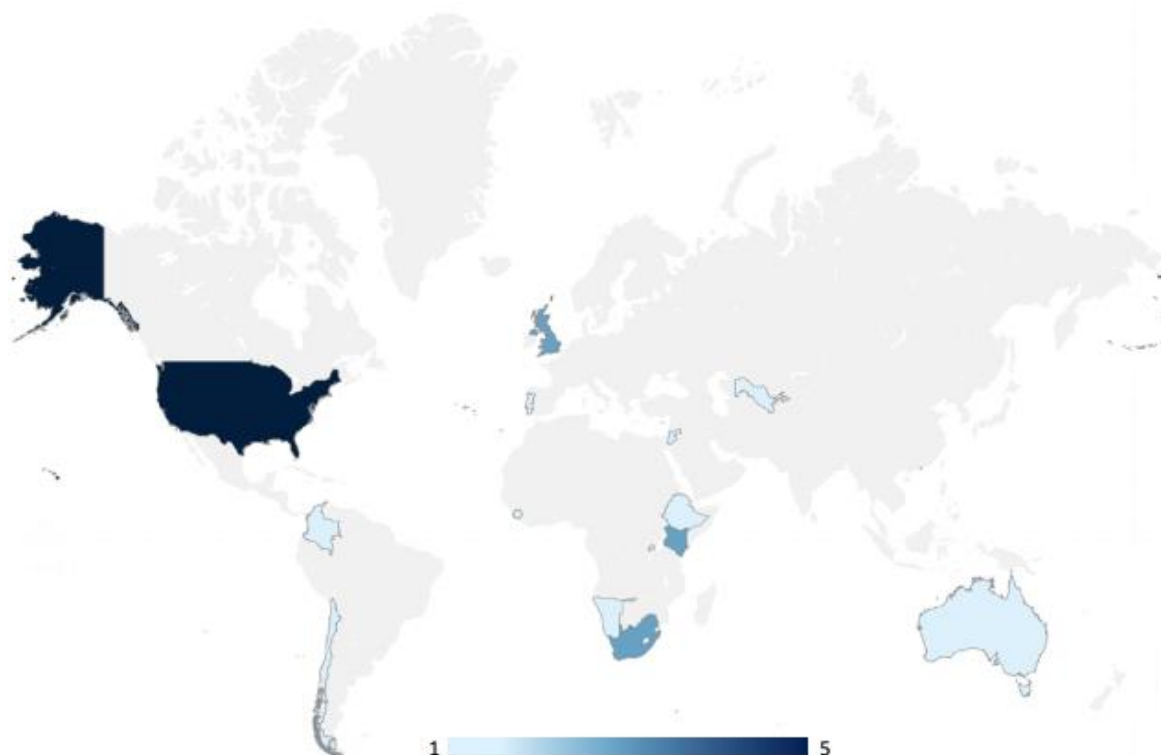
### Average number of projects where there are evidence gaps:

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Context: ECCE	13	2	3	2	5	1
Context: OBF	17	3	5	3	6	0

### Location of projects

Figure 1: Location of projects below provides an overview of the location of the 22 projects. Most of the projects (n=13) are located in the Global South, with nine in the Global North. Of all countries, the United States has the most ECCE projects (n=5).

Figure 1: Location of projects



Around half of the projects had some evidence on the rationale behind the location of the intervention. Some projects were targeted to specific localities or regions where there was an identified challenge relating to ECD provision, such as limited access to ECD, low enrolment rates or low quality of ECD centres. For instance, the ECCE Outcomes Funds currently in design (at the time of reporting) in Sierra Leone and Rwanda are intended to be targeted in areas with the highest need for pre-primary provision (Education Outcomes Fund, nd). In other cases, projects were targeted in more deprived areas, and those with the highest levels of poverty (see Box 1 for more details on the Play2Learn+).

**Box 1: The rationale for targeting interventions: The Play2Learn+**

The Play2Learn+, a Payment by Outcomes contract, was launched in 2022 in Tasmania, Australia. The intervention was delivered by 54 reasons, Save the Children Australia's service delivery arm, and targeted 300 children aged 3 years and their caregivers with 1-1 in-home parent coaching and targeted child development support, as well as assistance to attend universal playgroups run through their local primary school. The programme is being funded by the Australia Federal Government and the Paul Ramsay Foundation, with payments split between fixed payments and outcomes payments related to engagement in early education and improvements in school readiness (Save the Children, 2022b; programme staff feedback).

There was a strong rationale for targeting the service in Tasmania; at the time the project was being designed, the state had the highest proportion of people living in the most disadvantaged areas in Australia. Around two-thirds of children in the state were living in areas of relative disadvantage (Moore and Arefadib, 2022). 54 reasons also had a state-wide service portfolio already in the state, and a strong existing partnership with the Tasmanian State Government education department, who provides linked data for outcomes verification. Informed by Australian and Tasmanian Government data, the Play2Learn+ in Australia targets to three regions in Tasmania, where: parental education levels and income are low and very low, there is a high proportion of families with a First Nations or migrant background and children 0-5 with developmental vulnerabilities on one or more domain (per the Australian Early Childhood Development census; programme staff feedback).

*Legal frameworks for ECCE & ECCE participation*

Outcomes-based financing for Early Childhood Care and Education is argued to potentially address several systemic barriers to achieving SDG 4.2. OBF4ECCE programmes aim to utilise a financial approach of payment linked to pre-agreed targets to incentivise interested stakeholders in improving access, equity and quality of ECCE. These programmes also aim to attract additional financing for ECCE, improve efficiency in spending, and bring together fragmented actors towards common goals.

We did not observe any pattern on the selection of countries for OBF4ECCE programming in relation to national or sub-national ECD policies, or to the existing level of ECCE provision. From the programme documentations, it is difficult to determine the reasons behind targeting certain countries compared to others. For example, in the fifteen countries where OBF4ECCE programming was either implemented or was planned, **we do not observe a pattern in**

**targeting countries that have any legal framework for free and compulsory pre-primary education;** eight had a legal framework for 1-4 years, and seven did not have any legal framework.

Globally, in 2020, for countries where data was available, the **enrolment rate for participation** in one year before the official primary school entry age was 75%. In our dataset for OBF4ECCE countries, **most countries are above this average**, with the exception of South Africa, Jordan, Uzbekistan, Sierra Leone, and Rwanda. Based on data for only 50% of the UN member countries, 75% of the children aged 24 to 59 months are developmentally on track. For most OBF4ECCE countries, the data is unavailable; however, where it is available, only Uzbekistan appears to be above the global levels (Table 5).

**There is no clear pattern for selection of countries for OBF4ECCE programme planning and implementation, however most countries in the sample have pre-primary enrolment rate higher than the global average.**

Table 5: SDG 4.2 indicators for OBF4ECCE countries

OBF4ECCE Programme Country	SDG 4.2.5 Number of years of (a) free and (b) compulsory pre-primary education guaranteed in legal frameworks (2023)	Adjusted net enrolment rate, one year before the official primary entry age, both sexes (%) (latest available)*	SDG 4.2.1 Proportion of children aged 24-59 months who are developmentally on track in health, learning and psychosocial well-being, by sex (latest available)
Portugal	2 years	99.21 (2021)	Not available
China (Hong Kong)	0 years (China)	98.83 (2020)	Not available
United Kingdom	2 years	98.20 (2014)	Not available
Colombia	3 years	97.56 (2018)	Not available
Ethiopia	0 years	93.72 (2022)	Not available
Chile	2 years	91.98 (2022)	Not available
Australia	1 year	91.71 (2022)	Not available
USA	1 year	86.51 (2022)	Not available
Namibia	0 year	77.30 (2022)	Not available
Uzbekistan	4 years	70.36 (2023)	82.61 (2022)
Rwanda	0 years	66.82 (2021)	70.9 (2015)
South Africa	0 year	63.63 (2021)	Not available
Jordan	1 year	51.45 (2021)	70.7 (2018)
Sierra Leone	0 years	40.84 (2020)	51.40 (2017)
Kenya	0 year	Not available	Not available

Data Source: UNESCO (2024). Data Source: Data for the Sustainable Development Goals. <http://sdg4-data.uis.unesco.org/> (Accessed 3 June 2024). \* We note that the many OBF4ECCE programs focus on earlier year, yet the adjusted net enrolment rate one year before official entry in primary school (ANER) is the most reliable and widely available indicator for ECCE.

### *Regulatory contexts affecting OBF*

Our evidence review sought to understand the regulatory frameworks and context for the OBF projects, both in terms of regulatory frameworks that existed prior to project launch, as well as any changes that were needed to enable an OBF project to launch. Such an analysis is important to identify enablers and barriers relating to the regulatory framework, that practitioners may need to consider when developing their own OBF projects.

In general, there was **very limited evidence** on whether and how changes in regulatory frameworks within countries specifically led to the development of OBF projects. There was some evidence on changes in the wider policy framework that enabled the focus on outcomes; for example, in Australia's Play2Learn+ project, the wider policy environment supported its development. In 2021, the Tasmanian Government launched Tasmania's Child and Youth Wellbeing Strategy, which sets out Tasmania's efforts to support better outcomes for all children and young people, with a focus on the first 1000 days (Moore and Arefadib, 2022:9). In Uzbekistan, the model was proposed to enhance the Public-Private Partnership model in pre-school provision (UNICEF Uzbekistan Office, 2022).

In the Nairobi City Country DIB, the regulatory framework prevented the DIB from launching. As Gustaffsson-Wright and Gardiner (2016:20) noted, *"restrictions in PPP [public-private partnership] laws prevented the County government from committing future payments for outcomes through an impact bond"*.

### *Auxiliary resource or parallel reforms occurring alongside OBF*

For less than half of the projects, there was some information available on wider reforms or deployment of resources occurring alongside the projects. This was important to explore, as these additional resources can be crucial for launching OBF projects and could inform if / how ECCE practitioners can employ OBF in their country/local context. Information on wider resource was usually in the following two formats:

- **Availability of capacity / resource to develop OBF:** In several cases, the availability of wider support and capacity to develop projects was mentioned. This was both in terms of wider policy support to develop such programmes as well as support from those involved in projects. Although the progress of the project is unknown, in Northwest Oregon it was noted in the application form for feasibility study funding that the school districts involved were very interested in OBF and were willing to provide capacity and resource to implement the Pay for Success project (US Department of Education, 2016).
- **Availability of funding:** In several cases, additional funding was made available by countries' governments specifically to develop OBF projects. For example, in the UK, West London Zone benefitted from a Central Government-led fund called the 'Life Chances Fund', which aimed to stimulate the development of OBF by providing project development funding as well as top-up outcomes payments to locally-commissioned outcomes contracts (Erskine et al., nd). As highlighted earlier, the Northwest Oregon project applied for development funding from the Central US Government to pay for

a feasibility study (although there is limited available evidence on the impacts of this development funding).

### *OBF acceptability*

The political or social acceptability of OBF amongst key stakeholders (e.g. government officials, implementation teams) could affect the overall feasibility of launching an OBF. Overall, there was very **limited evidence** on the political or social acceptability of OBF arrangements ahead of OBF projects being designed. A report on the West London Zone in the UK highlighted that the local authority commissioners had mixed views on their support for continuing the project (which would be expanded from an impact bond focused on school-aged children to include ECCE incentivised results). While they could see the value of the project in terms of the outcomes it had, they also raised concerns about the challenge of securing funding for an early intervention service in the long-term (Erskine et al., nd). In Chicago, the Social Impact Bond had support from the Mayor, however, some city council members voted against it due to concerns over low risk for the investors, high interest rate, and complicated structure (Tse and Warner, 2020).

### *Wider political and economic context*

Evidence on whether the political, economic and/or regulatory context affected the launch of the OBF was only available in two cases. There were no common themes; i.e. in each case, the political and economic context was unique. For example, in Chicago, Saltman (2017, p3) notes that it was implemented in the context of the Chicago School Reform (which they argued embraced privatisation and corporate models of management). In the Northern Kenyan DIB, the government planned to close the two refugee camps (where the impact bond was focused) in the coming years, which necessitated the support provided through the DIB to support social integration amongst those living in the camps.



## Additional insights from stakeholders

The stakeholders we consulted drew attention to the nature of the ECCE sector, which may make it difficult to become a political priority. They highlighted **cultural norms**, whereby families are still expected to pay for ECCE. They also pointed out the **fragmented nature of ECCE funding and provision**. ECCE falls under the responsibility of multiple ministries including education, health and family planning, and it is provided by different types of actors like community groups, religious groups or private sector providers.

Some stakeholders also indicated that due to the novelty of the OBF approach in ECCE, in the early stages the projects are being implemented in contexts that already has some **political will from the local stakeholders** and an **appetite for innovation in financing ECCE projects**. The assessment of the ECCE access and quality, and the legal framework is potentially conducted after the initial buy-in from local stakeholders on the OBF approach, rather than the other way around. Furthermore, it is possible that in contexts with higher levels of ECCE ennoblement and an existing ecosystem for the sector and a higher level of dissatisfaction with the status quo is conducive to generating political will. Contexts with lower enrolment levels may not have a strong enough prioritisation for innovation in the sector.

## Rationale

### Overview of the evidence on 'rationale'

In general, the evidence base on the rationale underpinning the ECCE intervention and the use of OBF is good, with gaps only for a small number of projects.

The rationale underpinning ECCE was generally heterogeneous across projects. Projects intended to use OBF for various reasons, mainly to expand access to ECCE by leveraging private finance to cover up-front delivery costs; improve the quality of provision; trial interventions in the context of the locality or the OBF model; improve the efficiency of public spending and attract additional funding to ECCE provision.

### Average number of projects where there are evidence gaps:

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Rationale	10	1	3	2	3	1

### Rationale for using OBF in ECCE

Several publicly available documents reviewed for the OBF4ECCE programmes included some discussion of the programme initiators' or designers' rationale for utilising the OBF approach. Understanding the rationale for other projects can help practitioners who are considering OBF for their ECCE project to decide if OBF is appropriate and the reasons why or why not. It may also help to better understand the perspectives of other stakeholders in their context on why

they want to engage in an OBF model. While these documents do not capture all the motivations or rationales used by all stakeholders for engaging in an OBF model, they show **great variation in the rationale**, and not all programmes have the same primary goals (see Table 6 below).

The reasons can be grouped into the following themes:

- **To increase quality of early childhood education:** In several cases, OBF was intended to improve quality by incentivising performance and achievement of outcomes by linking payment to outcomes. This was the key rationale underpinning the initiation of the EOF's Outcomes Funds in Sierra Leone and Rwanda, as well as for the Colombia Child Development Centers (CDCs), where the existing contracting approach for the CDCs was not guaranteeing ECD results or good quality services (Instiglio, 2022). In the UK, the West London Zone's expansion of an existing impact bond to incorporate ECCE was informed by existing data that provided involved stakeholders with the confidence that the OBF arrangement was contributing to improved impact and had ensured they prioritised robust monitoring processes (Erskine et al., nd).
- **To test the feasibility and effectiveness** of new or untested (in the context of the locality) interventions. In several cases the projects were developed to generate learning and inform future projects, and the OBF approach was identified as a potential enabler for this. In South Africa, the Impact Bond Innovation Fund was used to test home-based interventions in regions with low levels of ECD centre access (Rayner and Nkonyeni, 2021).
- **To improve private sector provision of ECCE services:** In Uzbekistan, the SIB was designed to engage private providers for service delivery in urban areas so that government departments could focus on rural regions where there would be a lower incentive for private actors to expand service delivery (World Bank, 2018). In the Child Development Centers project in Colombia the government wanted to use OBF to standardise contracting with existing private providers to improve the quality of provision to all children (Instiglio, 2022).
- **To pilot a new financing model:** In Namibia, the government wanted to test the impact bond approach, and if successful, see if it could be scaled across the country and replicated in other African countries (Impact Bonds Working Group, 2022). For example, in the Utah High Quality Preschool Programme, project partners wanted to use the SIB *"as a 'proof-of-concept' to further educate legislators about the benefits of high-quality preschool in terms of cost savings and child development"* (Tse and Warner, 2020:821). Similarly, a key rationale for the Impact Bond Innovation Fund in South Africa was to test if the SIB model could deliver more effective and efficient funding for early childhood education than traditionally funded programmes (Rayner and Nkonyeni, 2021).
- **To improve the efficiency and accountability of public spending, reducing the risk of wasting resources and enhancing monitoring and evaluation systems:** Several project implementers felt that their spending would be more efficient if they only paid for successful outcomes (rather than paying for activities). This was the rationale



underpinning the Tennessee High-Quality Pre-K SIB, where *“this outcomes financing aligns local spending with community outcomes, enhances accountability, and builds in transparency to human service delivery”* (First 8 Memphis et al., nd:1). Similarly, the planned (but cancelled) Early Childhood Development DIB implementers in Jordan had opted for OBF because it provided an opportunity to improve the accountability and transparency of providers alongside incentivising high-quality provision (Impact Bonds Working Group, 2022). In Tasmania, the Australian Department of Social Services provided the following rationale for the trial of the Payment by Outcome financial model for Play2Learn+, and other programmes funded at same time: whether the contract approach is appropriate and efficient for the specific context, policy focus and social services in general, and how they could improve the design and use of robust outcome measurements (DSS, 2023).

- **To attract additional funding for ECCE provision:** Designers of several programmes specifically wanted to bring more attention to the ECCE and attract additional financing. The Future of Hope programme in Addis Ababa aimed to crowd-in additional donor financing to ECCE with the programme (Impact Bonds Working Group, 2022:2). In Utah, the project partners wanted to secure the state government’s education funding formula to include preschool. They used the SIB to further educate legislators on the cost-saving and child development benefits of high-quality preschool (Tse and Warner, 2020).
- **To expand access to ECCE, by leveraging private financing to pay for upfront costs of delivering provision:** For example, this was the case in the Child-Parent Centers PFS initiative in Chicago, where the city Mayor at the time wanted to expand access to Child-Parent Centers in Chicago, and the impact bond model offered an opportunity to use private financing to do this (Tse and Warner, 2020). This was also the rationale for using the impact bond approach in the planned (although later cancelled) Uzbekistan project, to ensure the availability of upfront capital to fund private sector providers to develop and expand preschool provision in urban regions (UNICEF Uzbekistan Office, 2022).

Table 6: Rationale for using OBF in ECCE

OBF4ECCE project	Rationale for using OBF (as per authors’ summary from available documents)
Child-Parent Center PFS Initiative (Chicago, USA)	Increase access and scaling of evidence-based interventions  Financing scaling without increasing taxes
Child Development Centers (Colombia)	Improve quality of services  Systematise non-state provider service delivery contracting
Northwest Oregon Kinder Ready Collaboration (Clatsop and Tillamook, Oregon, USA)	Increasing access to proven intervention in underserved counties  Provide upfront funding to supplement existing public funding

OBF4ECCE project	Rationale for using OBF (as per authors' summary from available documents)
Utah High Quality Preschool Program (Salt Lake County, Utah, USA)	Secure public funding appropriation for preschool provision
Tennessee High-Quality Pre-K (Shelby County, Tennessee, USA)	Aligning local public spending to community outcomes, enhance accountability, and include transparency in human service deliver.
Impact Bond Innovation Fund (Delft and Atlantis, Western Cape, South Africa)	Deliver more effective and efficient funding for early childhood development with private investment.
Play2Learn+ (Tasmania, Australia)	<p>For provider: Deliver better outcomes by linking payments to outcomes; build learnings for wider service portfolio.</p> <p>For Government – to trial</p>
West London Zone (West London, UK)	<p>Transfer financial risk of non-achievement of outcomes to private investors.</p> <p>Implement a robust outcomes-monitoring system.</p>
Jordan Early Childhood Development DIB (Jordan)	<p>Improve transparency and accountability</p> <p>Align incentives for actors to focus the national priority to expand access and improve quality</p>
Uzbekistan Early Childhood Education Social Impact Bond	<p>Foster public-private partnerships</p> <p>Increase access and quality of pre-school education in urban areas through private providers.</p> <p>Allow the government to focus on rural areas.</p>
Programa Primero Lee (Mejillones and Valparaiso, Chile)	Experiment with the Social Impact Bond model as a new financing approach for social innovation.
Future of Hope (Addis Ababa, Ethiopia)	<p>Focus on results in early childhood development.</p> <p>Improve Coordination and accountability to desired results</p> <p>Generate evidence on cost-effective interventions</p> <p>Strengthen monitoring and evaluation systems</p> <p>Crowd-in additional funding</p>
Sierra Leone Outcomes Fund (Sierra Leone)	<p>Political will to champion innovative finance</p> <p>Implement value-for-money interventions</p>
Rwanda Outcomes Fund (Rwanda)	<p>Finance measurable results</p> <p>Improve effectiveness and value-for-money in ECCE spending</p> <p>Unify evidence on ECCE, and improve the availability of evidence.</p>



## Additional insights from stakeholders

The rationale identified in the documents we reviewed were echoed by the stakeholders we interviewed, with the addition of two potential rationales to tackle the challenges of ECCE financing:

- Allow for **resource pooling** by securing a protected envelope of resources from multiple sources to pay for the outcomes (for the specific programme or for multiple programmes in an outcome fund). This resource pooling is believed to facilitate **alignment of fragmented actors** (e.g. outcome payers on one end and service providers on the other; or department of social welfare, education, and health funding a holistic programme) and interventions across the education continuum and between activities based at home and in the community.
- **System strengthening through improved data collection and management**, linking interventions to results. The system strengthening was presented in terms of the physical infrastructure around gathering data and the change in culture towards result driven management routines.

## Intervention & programme design

### Overview of the evidence on 'intervention and programme design'

In general, there were relatively few gaps on the evidence about the ECCE-related design features (e.g. sector, project objectives, target populations, outcomes measures and results), but more gaps on the OBF-specific design elements. The areas with the biggest evidence gaps included evidence on costs (and whether costs of OBF were considered against other contracting types), and details relating to the intermediary role and ongoing performance management.

#### Average number of projects where there are evidence gaps:

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)	
Design: ECCE	6	1	1	1	1	1	0
Design: OBF	15	2	4	3	5	1	1
Intervention	10	1	2	2	4	0	0

Within OBF programmes, linking financing to outcomes achieved can give service providers more flexibility in managing interventions. Analysing the interventions and programme design choices made in existing programmes can offer practitioners valuable insights into the design elements that could facilitate effective implementation through OBF. The analysis can also help identify potential challenges, gaps, and impediments in designing interventions, helping practitioners anticipate and address issues that may arise during implementation.

In general, there was considerable information available about the policy sectors, target population, intervention modality, and targeted outcomes for the OBF4ECCE programmes. However, the details on implementation process, success factors and challenges were lacking, limiting opportunities for reflection on how to address these challenges in future programmes.

### *Policy sectors*

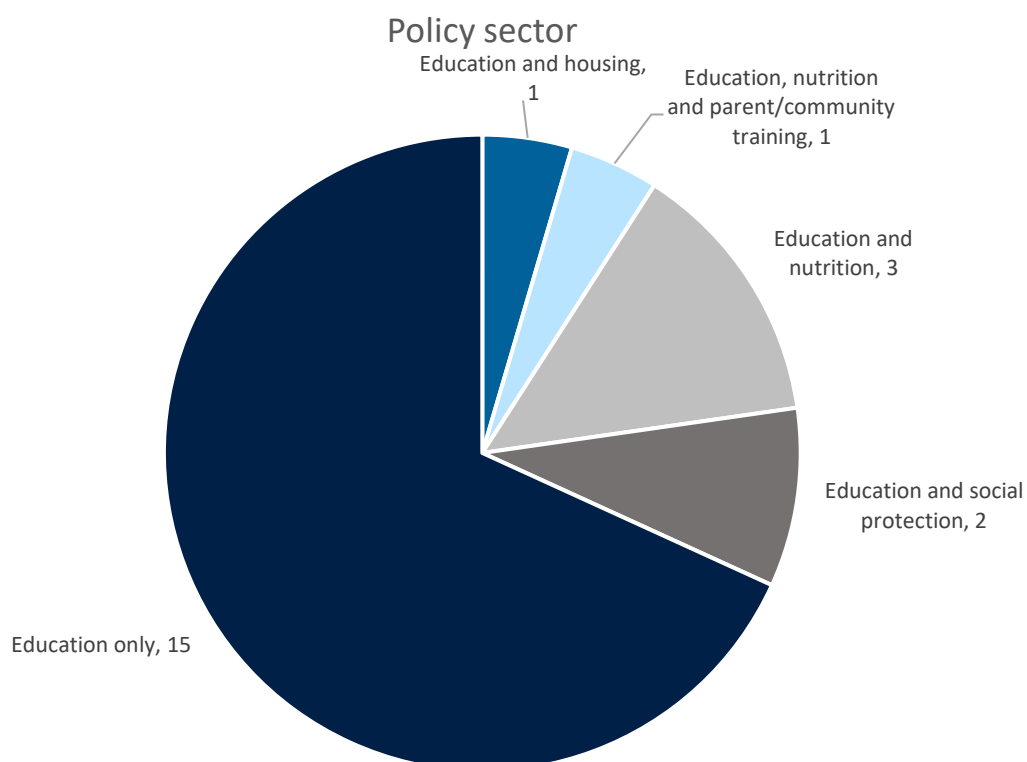
Often the provision of ECCE services can be fragmented across multiple policy sectors in a given context. An OBF approach, with its focus on outcomes for the child, has the potential to align the interests of various policy sectors to the eventual early childhood outcomes. However, **our analysis does not show that programmes typically engaged additional policy sectors beyond education.**

**The majority (14) of the cases focused only on education. Only six cases included additional components in conjunction with education, at least during the design phase (Figure 2).** Five programmes (Rwanda Outcomes Fund, South Africa Outcomes Fund, Sierra Leone Outcomes Fund, Uzbekistan Promoting ECD project and Jordan Early Childhood Development DIB) in the design documents included consideration of nutrition components during the early design phase. In Jordan, the designers also included parents and community training components. The Impact Bond Innovation Fund in South Africa initially included health targets; however, this programme component was never implemented due to coordination challenges with the health sector stakeholders. The ParentChild+ in the UK incorporated safeguarding and child protection within the funded interventions. Tennessee High-Quality Pre-K also included housing and clothing targets for the children being served.

The fragmentation of ECCE across multiple policy sectors is an inherent challenge identified for the provision of holistic programming (UNESCO, 2022a). Many proponents of OBF perceive this financing approach as having the potential to align various departments and ministries within a country towards a unified set of outcomes, targets, and coordinated provision of services. However, **the small number of programmes that include policy sectors in addition to education may be an indication that, at least in these early stages of OBF, the mechanism has not been widely used to tackle the fragmentation challenge.** Indeed, collaboration and reducing fragmentation was not a key rationale for using the OBF instrument in ECCE, despite collaboration being a common theme for using OBF (Carter et al., 2018). Future programmes may need to make a concerted effort to identify the roadblocks in bringing these fragmented actors together under singular programmes.

**In designing future programmes, stakeholders could specifically target the reduction of fragmentation in the ECCE sectors.** While aligning different actions is challenging, additional efforts would be needed to design and implement a holistic approach, which targets multiple policy sectors for the outcomes metrics. When this approach is taken, it is imperative to engage a wide range of stakeholders from different policy areas and organisations.

Figure 2: Policy sector



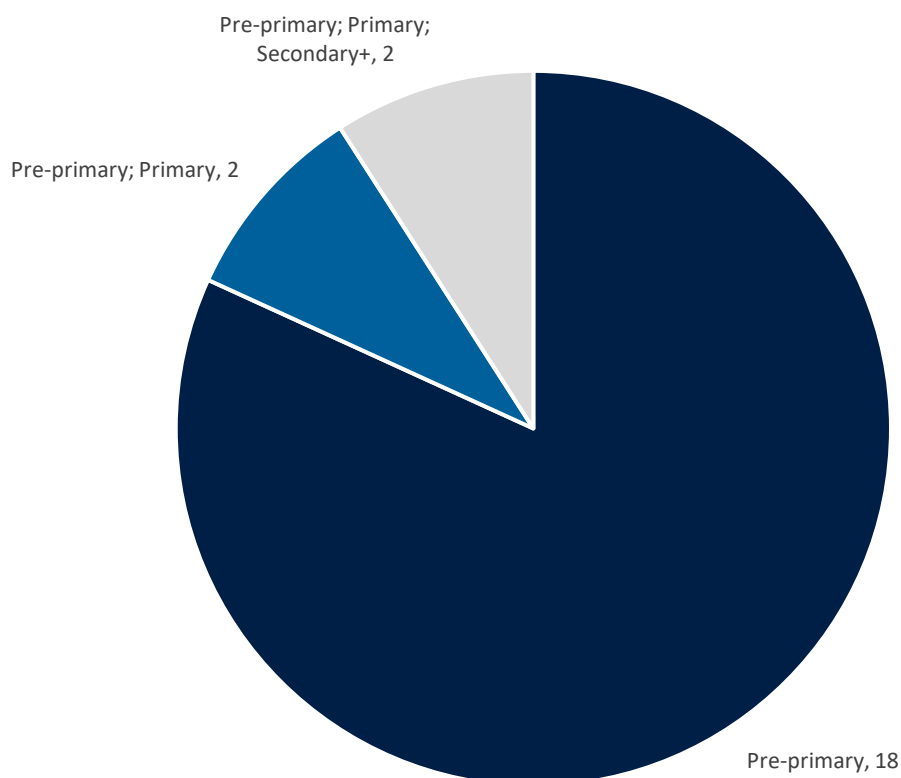
### Education continuum

The availability of high-quality care and education in the first few years of life lays a strong foundation for strong lifelong development. Evidence from diverse contexts has shown that pre-primary education participation is associated with later learning performance (UNESCO, 2022a). **Two programmes**, the Utah High-Quality Preschool Program and Child-Parent Center PfS, **took this long-term impact perspective** and linked payment to primary and secondary school outcomes. In addition (Figure 3), to continue the gains of preschool education, four programmes also considered providing additional interventions in primary (Programa Primero Lee, Programa Integrado de Promocao de Literacia) and secondary (Northern Kenya DIB, West London Zone) schools.

However, **most programmes were limited to interventions and results targets within pre-primary education only**. In our view, **this is potentially due to systemic limitations**. Data collection at the pre-primary level itself is challenging but extending it to a longer period would require additional resources and a willingness from stakeholders to wait for a longer period to observe the results. Stakeholders indicated that often the pre-primary specific focus of projects is due to budget and time limitations that programme designers face. Furthermore, in many countries, pre-primary, primary, and secondary schools are managed by different departments within the education ministry and, in some cases, different ministries.

Coordination of intervention across different departments and ministries again faces the challenge of fragmentation within the social development system.

Figure 3: Education Subsector



ECCE policies contribute to coherence and support communication across ECCE sectors and primary schools. The extent to which the curriculum goals between pre-primary and primary education align with each other in national policies influences how children experience the transition between pre-primary and primary school. It is possible that the programmes that only have pre-primary level education interventions are being implemented in contexts where there is a general lack of policy coherence within the education continuum. It is also possible that the short time frames and budget limitations in pilot OBF programmes may not allow for complex multi-level interventions. **Further discussions on the relationship between interventions and expected long-term impact could assist programme designers in considering design features across education levels.**

### *Targeted Beneficiaries*

Beyond the young children, ECCE interventions could be directed at multiple individuals that work with the early childhood populations. Interventions directed at primary caregivers and families that improve their interaction, behaviour, knowledge, beliefs, attitudes, and practices are critical in creating the optimal environment for early childhood development (Britto et al., 2017). In conjunction with the child's family, ECCE workforce also requires essential and expert knowledge of early childhood development, however most countries lack qualified workforce (UNESCO, 2022a; UNESCO, 2024).

**For eight programmes, we could only identify children as the direct target population** being served. The age ranges varied across programmes, but programmes most commonly targeted 3- and 4-year-olds. This could be due to the selection of programmes for this analysis, which required education interventions that typically take place at the pre-primary level. In three programmes, the age range was broader (from 0 to 5 years in the Child Development Centres in Colombia, from 0 to 6 years in the Future of Hope Addis Ababa and from 0-6 years in Namibia Early Childhood Development SIB).

**However, a majority of the programmes targeted multiple groups of actors - primary caregivers, families, and teachers:**

- The Child-Parent Centers in Chicago provided an integrated service to children, primary caregivers, and families along with professional development for the centre staff.
- The Northwest Oregon Kinder Ready Collaboration programme's feasibility analysis considered interventions for primary caregivers and families, professional development, and teacher training opportunities.
- Tennessee High-Quality Pre-K provided full-day pre-K programmes to children along with family services (access to employment and stable housing, adequate transportation, and high-quality mental health services) and teacher professional development.
- The Impact Bond Innovation Fund in South Africa provided home-based interventions to primary caregivers and families with children.
- Play2Learn+ in Australia and ParentChild +/ Family Lives LCF in the UK targeted low-income families and their children.
- The Start from the Beginning project in Hong Kong targeted children, teachers, and primary caregivers.
- The Namibia Early Childhood Education SIB planned to work with teachers of children aged 0-6 (although this SIB did not launch) by improving teaching and learning materials and providing training for teachers.
- In Uzbekistan, annual training for teaching and non-teaching staff was planned to keep upgrading their knowledge of pre-primary education.
- Future of Hope programme for Addis Ababa planned on taking a comprehensive multisectoral approach by providing coaching, health, and social support for primary caregivers.
- The initial design documents for future EOF programme in Rwanda also called for the provision of capacity-strengthening activities for caregivers.

Overall, it appears that **many programmes have taken a holistic approach by including components that work with primary caregivers, families, and teachers to provide a comprehensive intervention.** It is possible that more programmes included specific interventions where the service providers took a more holistic approach to improving the knowledge and skills of primary caregivers, families, and the ECCE workforce. However, this specific targeting is not explicit in the publicly available documents.

Box 2 below provides an example of a project that took a holistic approach.

**Box 2: The Child-Parent Center (CPC) preschool model**

The Child-Parent Center (CPC) programme was designed to provide an integrated preschool education to three- and four-year-olds that included comprehensive family services. The programme aimed to enhance both academic and developmental outcomes for children by offering half- and full-day preschool options.

Along with children, the programme also actively involved primary caregivers and families. This engagement is facilitated through partnerships with organisations like Metropolitan Family Services, which enhanced parent involvement through additional resources. Each CPC included a dedicated Parent Resource Teacher and a School Community Representative who engaged parents both within and outside the school setting. This model aimed to encourage parents to participate in their children's education, fostering learning at home and addressing various family challenges. To provide continuity CPC co-located Pre-K and Kindergarten classrooms and included a structured communication and planning system. This holistic approach was meant to support children's transition to Kindergarten and promotes long-term educational success.

The CPC model integrated several key components, including learning experiences with small class sizes and certified teachers, an aligned curriculum across grades, and a professional development system for continuous teacher training and support. Collaborative leadership teams, comprising the Head Teacher, Parent Resource Teacher, and School-Community Representative, met regularly to discuss best practices and ensure programme quality.<sup>5</sup>

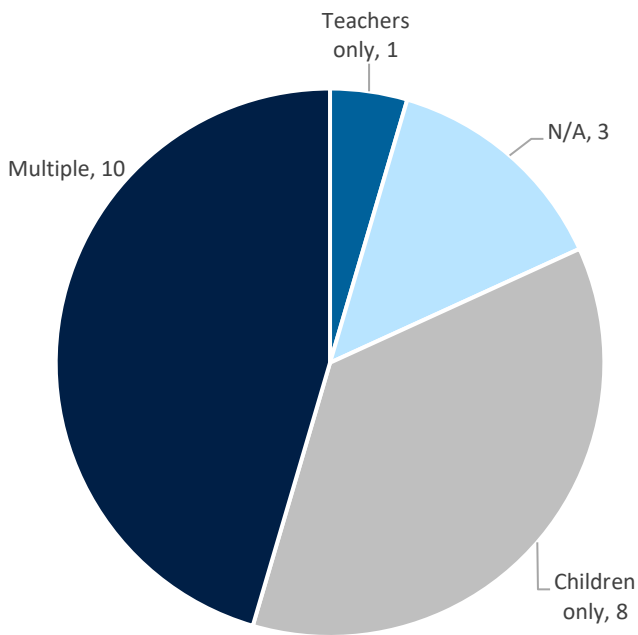
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<sup>5</sup> Golden et al., 2016; Tse & Warner, 2020; Corporation for National and Community Service, Office of Research and Evaluation, 2016; Northern Trust, n.d.; Roddis, 2020; SRI International, 2016; Temple & Reynolds, 2015.

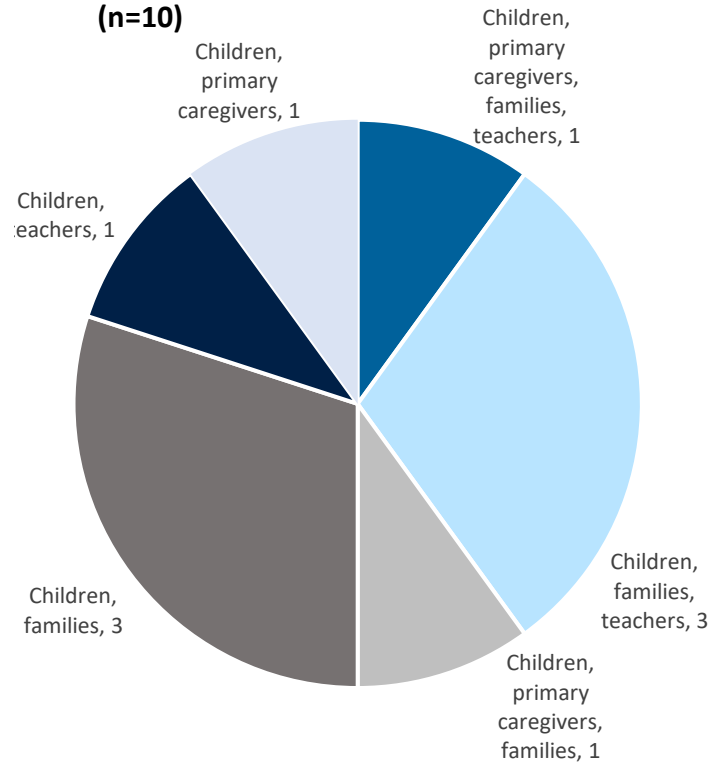


Figure 4: Intervention target group

**Target group of interventions (n=22)**



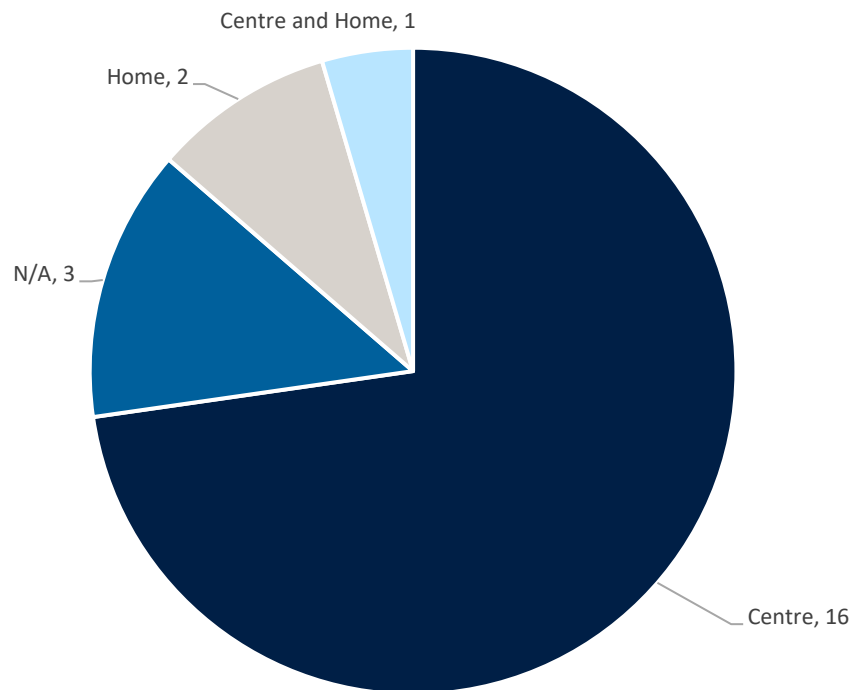
**Interventions targeting multiple groups (n=10)**



*Intervention Modality*

With a holistic approach, ECCE services do not need to be confined to a formal institution. Primary caregivers, families and communities can be engaged in a variety of spaces. **In the programmes examined, there is a pattern of service provision primarily in dedicated childcare centres.** However, a few programmes used either a combination of home-based and centre-based interventions or provided home-based interventions. Within the Parent/Child + programme in the UK, for example, a community-based Early Years Home Visitor conducted home visits for socially vulnerable populations and worked with primary caregivers at home. The Impact Bond Innovation Fund in South Africa experimented with full home-based intervention in a context where there is low availability of ECCE centres. The Programa Integrado de Promocao da Literacia in Portugal also included a home component along with centre-based interventions to support family literacy practice in addition to a centre intervention, perhaps recognising the important role that the home environment plays in developing literacy.

Figure 5: Intervention modality



Many projects moved to online/virtual platforms during the COVID-19 pandemic, whether they were primarily centre-based or delivered at homes. None seemed to have an online modality component as part of the initial project design and was introduced as a response to centre closures during the COVID-19 pandemic.

#### *Service provider selection process*

There can be variations in OBF projects in terms of how service providers are selected, including approaches to procurement. Therefore, we sought to identify the evidence on the processes used in the ECCE context. Half of the projects had some information available about how the service providers were selected. In these cases, provider selection was done in two main ways, varying depending on the type of provider (public or private / NGO).

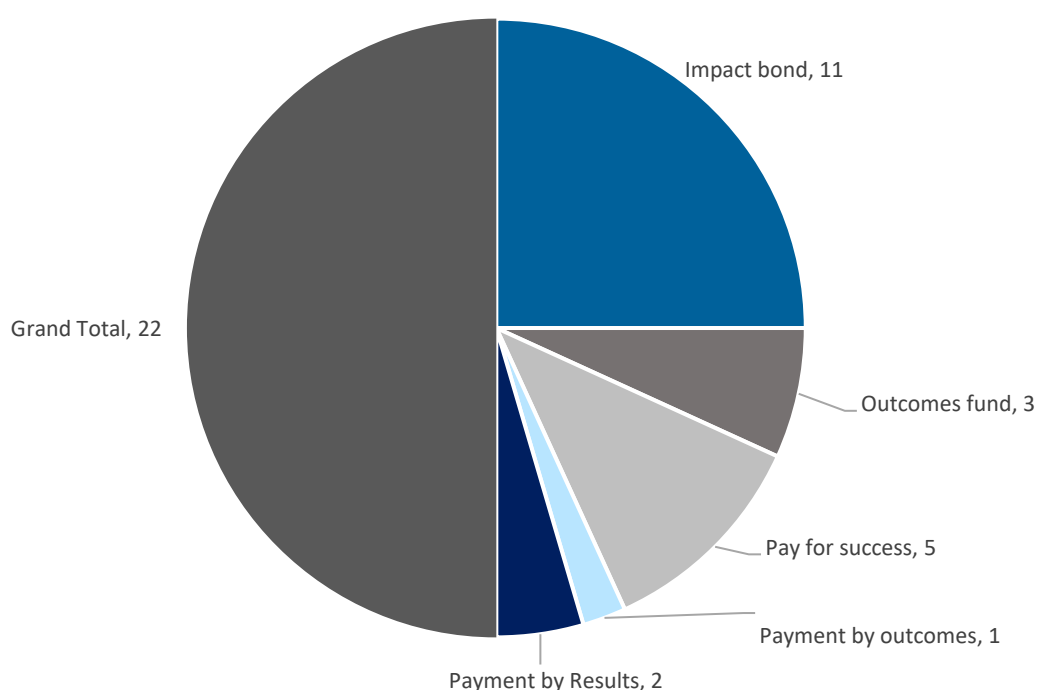
- **Existing sites and expansion:** Some projects, such as the Child-Parent Centers in Chicago and the Utah High Quality Preschool Program SIB, used existing sites and expanded them, while others selected new sites for expansion.
- **Calls for expressions of interest, requests for proposals, public briefing sessions and workshops:** Some projects had open calls for expressions of interest, where service providers submitted their proposals. The criteria for selection included experience working in the relevant location, experience implementing relevant programs, evidence of results of past interventions, experience working with vulnerable groups and in remote areas, experience working with community engagement, and experience implementing at scale with partners. For example, in the South Africa

Impact Bond Innovation Fund, the outcomes funders held public briefing sessions and workshops to release the specifications of the bid.

### *OBF instrument used*

As shown in Figure 6, **half of projects (11) were individual projects structured through an impact bond contract** (i.e. where private financing was used to cover the up-front costs of delivery). **Three projects included in our sample relate to dedicated ECCE outcomes funds**, which have overarching objectives, intended outcomes and funding, but that invite the development of multiple individual outcomes-based contracts under these conditions. All three outcomes funds were initiated or supported by the Education Outcomes Fund, and were in design at the time of reporting, based in Rwanda, Sierra Leone and South Africa (Education Outcomes Fund, nd).

*Figure 6: OBF instrument used*



### *Investor identification*

Similar to service provider selection, there are variations in how investors are recruited or become involved in OBF projects, often influenced by how procurement processes are set up. Overall, there was very limited information available about how investors were identified, but there were two themes in the available evidence:

- **Investors were identified by existing funders, partners or intermediaries:** for example, in the South Africa Impact Bond Innovation Fund, the intermediary mothers2mothers reached out to one of its long-term funders about its interest in the

project (Rayner and Nkonyeni, 2021). In the UK, Bridges Fund Management continued to invest to the West London Zone impact bond's expanded ECCE provision, as the provider (West London Zone) had valued the partnership with Bridges during the SIB set-up phase and the delivery of the previous impact Bond (Erskine et al., nd).

- **Investors were identified by an open call for an expression of interest:** In the EOF's outcomes funds in Sierra Leone and Rwanda, there have been open calls for investors to become involved (Education Outcomes Fund, nd), although at the time of reporting it is too early to assess what has happened or the effectiveness of this approach.

### *Time spent from inception to launch*

Understanding the time to develop and launch an ECCE OBF project is important to ensure that practitioners can consider if potential development timescales are acceptable for helping them to achieve their overall objectives. Only five of the 22 projects had details on the time taken from inception to launch (and timescales ranged significantly, from less than 6 months in one case to 84 months in another, with the average being around 12 months). In some cases, the evidence only provided broad ranges for the development time (e.g. documentation on Future of Hope Addis Ababa project indicates that the time spent was 12-24 months (Impact Bond Working Group, 2022), whereas Programa Primero Lee documentation suggested a set-up time of less than a year (Social Finance, nd).

**Where information on the time from inception to launch was available, a key facilitator during the design period was developing OBF projects based on existing interventions.** For example, the Child-Parent Center PfS programme in Chicago, which the later SIB had been developed from, had been operating since 2002 (Saltman, 2017, p5). In Chile, the Programa Primero Lee SIB's fast development time (less than a year) was in part due to the impact bond being designed around an existing intervention that had evidence of success (Social Finance, 2019). The time spent in designing OBF projects has often been identified as a factor for increasing the transaction costs for implementing novel financial approaches. However, the limited evidence on the reduced time frame with the use of existing intervention may provide some avenues for reducing the design costs.

**For future programmes** in contexts with limited experience in OBF4ECCE, stakeholders should **account for additional resources and funding needed to support the initial development and launch process.**

### *Incentivised results*

In general, the ECCE projects in this evidence review intended to use a range of different outputs and outcomes linked to payment. Table 7 below sets out the five main outcome types used, with examples from specific cases.

Table 7: Incentivised results: types and case examples

Incentivised result type	Case examples
<b>Avoidance of special education and remedial services</b>	<p>Some projects included measures for the reduction in the number of children who need special education and remedial services after attending early childhood programmes. Specific measures identified were:</p> <ul style="list-style-type: none"> <li>• In Utah High Quality Preschool Program SIB and the Chicago Child-Parent Center PfS Initiative, the measure was whether children receive special education services, with a binary (y/n) indicator used.</li> <li>• The Northwest Oregon Kinder Ready Collaboration’s feasibility study was planned to explore the potential use of the outcome of ‘reduced number of children requiring special education services’, but as we do not have access to the feasibility report we cannot assess any conclusions made about this.</li> </ul>
<b>Kindergarten readiness</b>	<p>Some impact bonds pay for the improvement in children's readiness for kindergarten, which includes educational domains (pre-literacy and pre-numeracy) but also other childhood development domains:</p> <ul style="list-style-type: none"> <li>• The Chicago Child-Parent Center PfS Initiative included payments for increases in kindergarten readiness, using the Teaching Strategies GOLD Assessment. The success measure was that the children score at or above the national average (Rohacek &amp; Isaacs, n.d.).</li> <li>• The Impact Bond innovation Fund included an outcomes measure of meeting or exceeding a score of 0.2 standard deviations above the baseline on the ‘Early Learnings Outcomes Measure’ (ELOM) to assess the effectiveness of the programme in preparing children for Grade R (Rayner &amp; Nkonyeni, 2021).</li> </ul>
<b>Literacy, numeracy, socio-emotional skills</b>	<p>Several programmes’ incentivised results relate to measurement of literacy, numeracy and socio-emotional skills.</p> <ul style="list-style-type: none"> <li>• For example, the Chicago Child-Parent Center PfS Initiative measures children’s literacy skills in third grade, as measured by standardised assessments, such as the PARCC exam.</li> <li>• Play2Learn+ in Australia included an outcome measure of improved performance on the Kindergarten Development Check (KDC), a standardised state-wide diagnostic tool assessing kindergarten students against 21 developmental markers across 3 areas, including literacy and numeracy. The performance of the entire cohort of children in the programme is compared to benchmarks for the expected outcomes in the absence of the programme (the counterfactual).</li> <li>• ParentChild+ measures speech and language skills at the Early Year Foundational Stage level.</li> <li>• The Escala Abreviada de Desarrollo (EAD-3) instrument is used in Colombia’s Child Development Centers. It measures four dimensions (gross motor development, adaptive-fine motor skills, hearing and language, and personal-social).</li> </ul>
<b>Quality of ECD centres and process quality</b>	<p>Some impact bonds planned to pay for the increase in the quality of early childhood development centres.</p> <ul style="list-style-type: none"> <li>• For example, the Namibia Early Childhood Development Social Impact Bond planned to include an outcome measure of an increase in the sum of the scores of an ECD centre assessment tool on the learning environment (Impact Bonds Working Group, 2022).</li> </ul>

	<ul style="list-style-type: none"> <li>• The planned Uzbekistan SIB had intended to include a measure related to the quality of SIB preschools’ learning environment as measured by the Measure of Early Learning Environments (MELE) instrument, “which gauges the quality of the learning through several domains, such as play materials and opportunities, pedagogy, teacher-child interactions, environment and physical setting” (USAID, 2020:35).</li> <li>• In addition, EOF’s three outcomes funds (South Africa, Sierra Leone, Rwanda) plan include outcome measures on improving ECCE structural quality and teaching practices. In Rwanda and Sierra Leone, the measures are based on national ECCE standards and international measurement tools; in South Africa, the measures are based on national ECCE standards.</li> </ul>
<b>Enrolment and attendance in ECD programs</b>	<p>Some impact bonds pay for the increase in the number of children who enrol and attend early childhood education (ECE) programs, especially those who are disadvantaged or marginalised.</p> <ul style="list-style-type: none"> <li>• For example, the Impact Bond Innovation Fund (in South Africa) included a measure relating to enrolment, retention and attendance (Rayner and Nkonyeni, 2021).</li> <li>• The Alexandria ECD SIB, Northern Kenya DIB and the Promoting Early Childhood Development Project in Uzbekistan planned to tie payment to enrolment (although all three SIBs did not continue).</li> <li>• Play2Learn+ Australia also includes outcome payment tied to children attending at least 10 Launching into Learning (LiL) sessions in the local primary schools (programme staff feedback).</li> <li>• The EOF’s outcomes fund in Sierra Leone and South Africa also plan to incentivise higher enrolment and attendance.</li> </ul>

### *Rationale for outcomes selection*

One primary rationale for using OBF is to incentivise service delivery actors to focus on pre-agreed desired outcomes for ECCE. Identifying the desired outcome of ECCE, which reflects high-quality provision, is a challenging task on its own. Getting all stakeholders to agree on these outcomes and then establishing a methodology for measuring the outcomes only adds more complexity.

As the previous section indicates, projects used a range of different outcomes and metrics. Factors influencing the choice of outcomes measure included:

- **Availability and quality of data sources and the cost and feasibility of measurement.** For example, the choice of outcomes metrics for the Impact Bond Innovation Fund was influenced by how achievable and measurable they were for providers (Innovative Finance for Education, 2021), and in West London Zone outcomes were identified that could be reliability measured, monitored and attributable to the programme (Government Outcomes Lab, nd).
- **Alignment with national or local standards and policies.** As highlighted in the previous section, some of the measures include a comparison with national scores or other normative data, which had been identified during existing research (e.g. in the Utah High Quality Preschool Program SIB and Tennessee High Quality Pre-K project (First 8 Memphis et al., nd). In other cases, there was a broader policy requirement for such

alignment. For example, the Impact Bond Innovation Fund needed to align with South Africa's existing government policies (Innovative Finance for Education, 2021), and the Jordan Early Childhood Development DIB needed to align with Jordanian national standards (Impact Bonds Working Group, 2022). The EOF's outcomes funds in Sierra Leone in South Africa have also taken the national priority of improving access to ECCE into consideration in setting the outcomes payment linked to enrolment and access (programme staff feedback).

- **Outcome measures developed based on the evidence base for the ECD interventions.** The Child-Parent Centre PfS based its payment structure on the existing evidence that indicated that CPC improves school readiness (Gaylor et al., 2016).

There were some examples where outcomes were excluded, even though they were potentially relevant to projects' ECCE goals, but were difficult to measure, attribute, or agree upon. For example, the Chicago project did not include outcomes related to child maltreatment, juvenile arrest, or adult arrest, because of the challenges of multi-jurisdiction agreements.

#### *Measurement: Results targets linked to payments*

In the programmes reviewed, we observe that **stakeholders often chose multiple targets that were linked to payments**, with the West London and ParentChild+/Family Lives LCF in the UK including the highest numbers at six and eight, respectively. In examining the nature of these results targets, we observe that 52% were a measure of learning outcomes which include education domains like literacy and numeracy but may also include other child development domains that support learning like gross and fine motor skills. This prevalence of focus on learning indicates that ultimately, **most designers were interested in observing the change in learning abilities in the target population**. Some programmes also included participation indicators (like attendance), potentially to encourage improved access for hard-to-reach populations. Only 5% of the programmes used enrolment numbers as a measure, reflecting the recognition that enrolling in a programme does not necessarily translate to active participation. Beyond these child-specific outcomes indicators, some programmes also included measures for structural and process quality. This indicates a contribution to the ecosystem of ECCE beyond the direct intervention with the child.

Figure 7: Number of targeted results per project

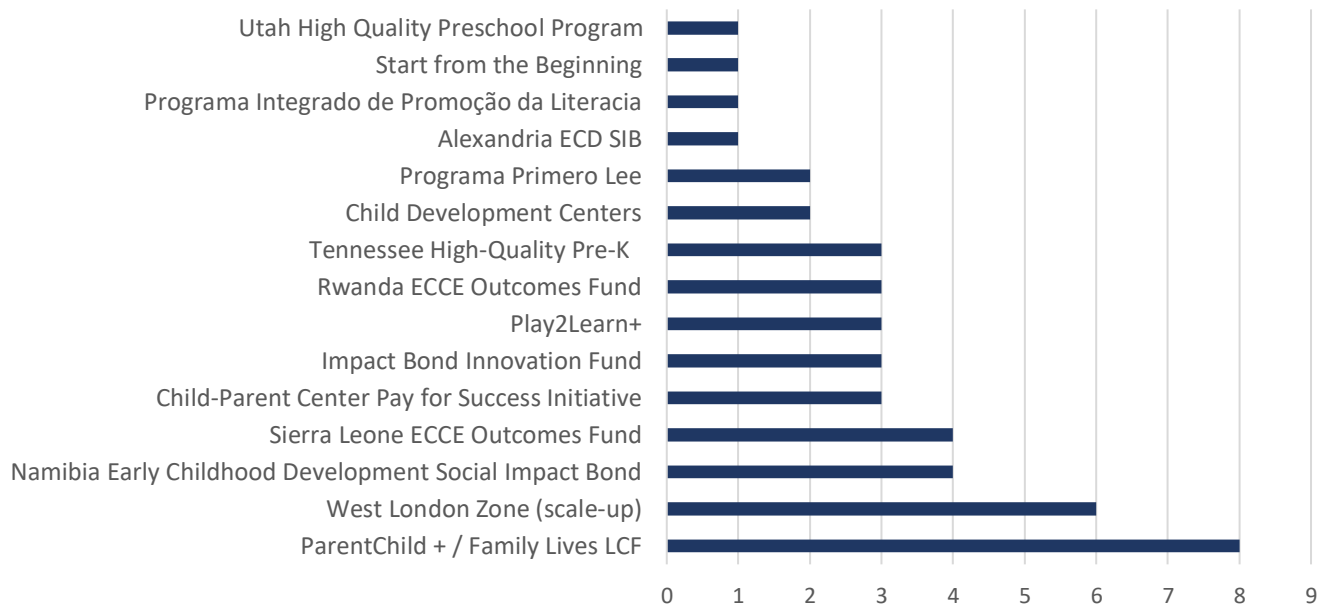
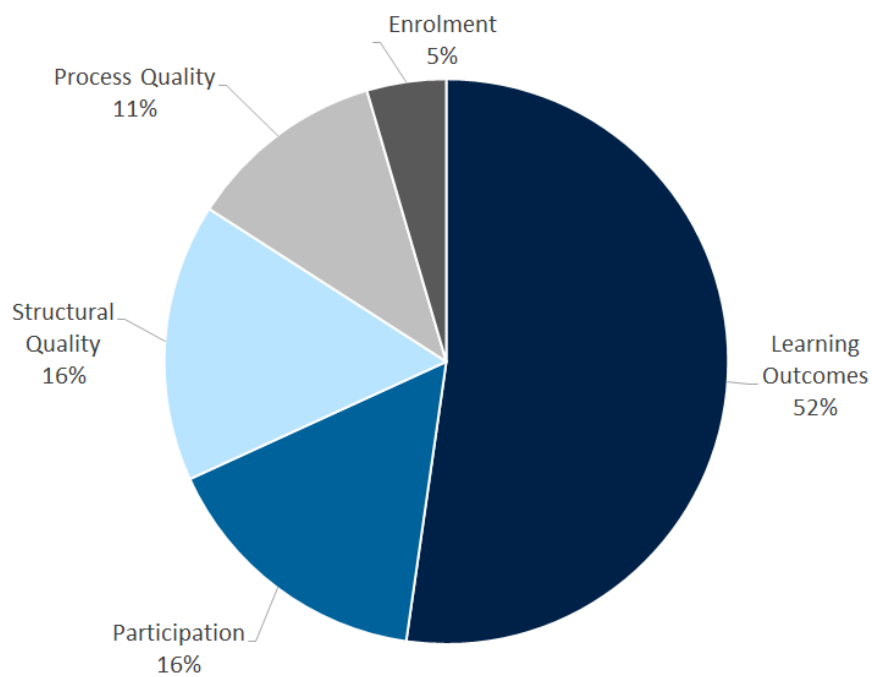


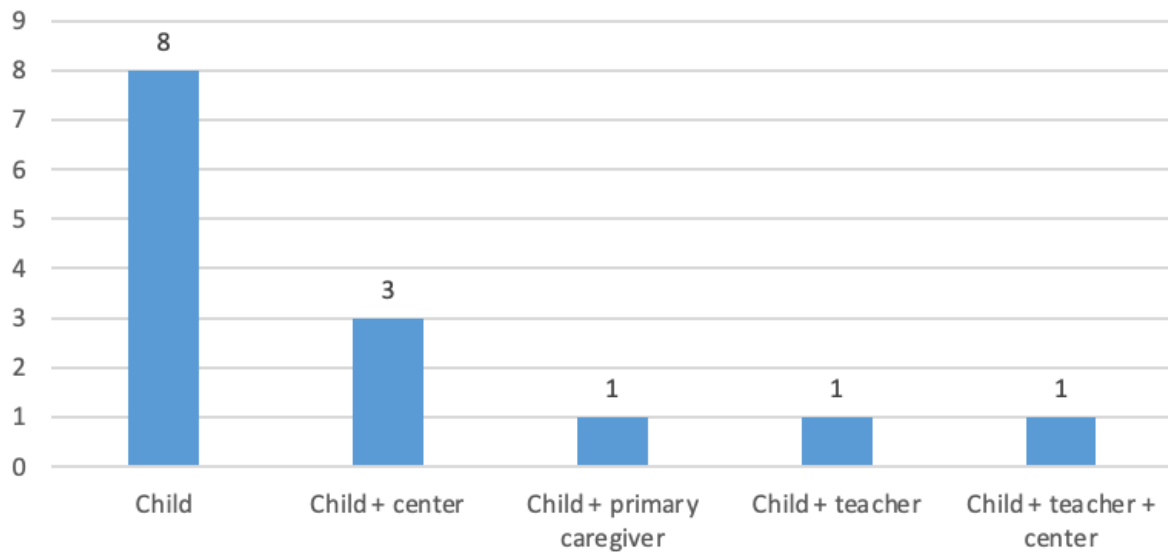
Figure 8: Category of targeted results



Reflecting the comprehensive nature of their interventions, six programmes included results targets for primary caregivers, teachers and the centre in addition to child-specific targets. However, for all programmes, child-specific targets were the primary outcome linked to payments.



Figure 9: Number of result metrics by “type” of targeted programme participant

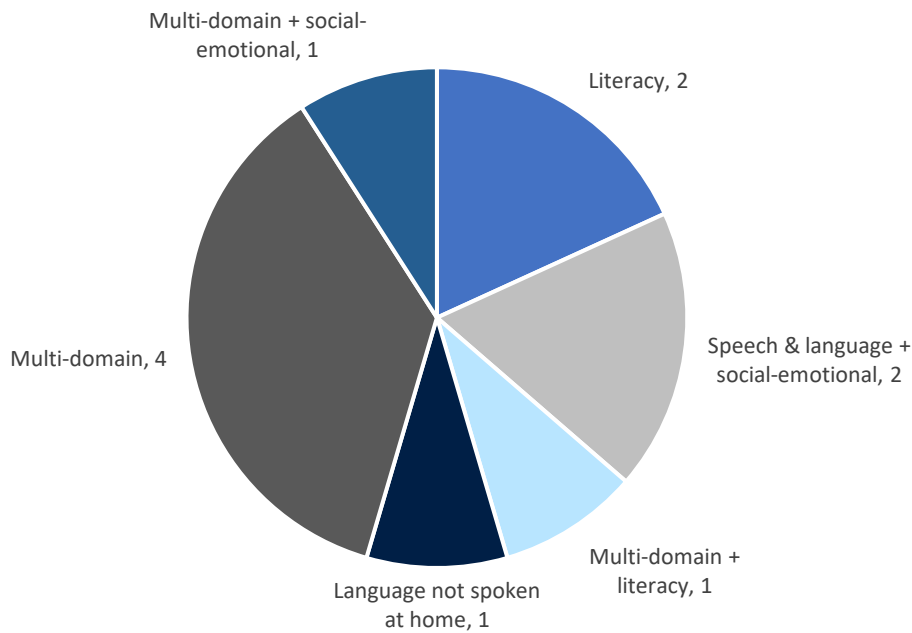


#### Measurement: Assessment tools

For the programmes where data was available, learning outcomes were the most commonly assessed results. Within this, we observe that most programmes used multi-domain assessments (typically assessing language and/or literacy, numeracy, gross motor, and social-emotional); one assessment including hearing, which reflects the holistic cognitive development needs of children in early life.

Two programmes (Child-Parent Center PfS Initiative, Programa Integrado de Promocao da Literacia) assessed only literacy, which could result in a narrow focus on that domain in the curriculum at the expense of the development of other skills that are so important to develop in young children. The West London Zone and ParentChild+ programme in the UK also included social-emotional assessments with strong social vulnerability lenses to the projects. Both projects functioned beyond ECCE centres, with a case worker assigned to each child in one project and support to parents’ well-being in another project.

Figure 10: ECCE domains formally assessed for the 11 projects for which information is available



Identifying context-specific ECCE assessment tools remains challenging due to variations in the conceptualisation of quality ECCE in different contexts. Within the OBE4ECCE programmes analysed, **most utilised pre-existing standardised assessment tools that were widely used within their respective contexts.** Early Years Foundation Stage profile seems to be the standard ECE assessment tool in the UK and was used in both ParentChild + and West London Zone. Ages and Stages Questionnaire and Strengths & Difficulties Questionnaire are other longstanding tools and were used in the UK ParentChild+ project. The US programmes included the Peabody Picture Vocabulary Test, Brigance IED-III and Istation, which are among the many commercially available standardised tools commonly used in the country.

The Child Development Centers programme in Colombia used the EAD-3 (Spanish acronym for Abbreviated Scale of Development). In South Africa, the Impact Bond Innovation Fund settled on the ELOM (Early Learning Outcomes Measure), which had recently been developed for use in ECCE centres. The tool was used for a home visiting programme, which was not the intended use of the assessment. However, the tool had been developed within South Africa, and it was potentially attractive to have a locally developed assessment.

**The choice of assessments in lower-income countries may have been more difficult due to a limited number of tools developed and used within those contexts.** Adapting tools often developed in the Global North or in higher-income contexts is costly and time-consuming and would likely have posed another layer of complication (and cost) to the project. In Rwanda, the programme proposed IDELA because it was previously used in the country. IDELA was developed by Save the Children and has been used in at least 16 African countries in the past. IDELA is also being considered for use in Sierra Leone. The programme documents reviewed do not clearly outline the discussion process among stakeholders regarding the selection of specific assessment tools.

Many factors could have influenced the choice of assessment in various contexts, including the lack of resources to create and test customised assessment tools, comparison of results of OBF programmes with other existing interventions, and regulations on testing. However, most programme documents do not provide reflections on the factors considered in the choice of assessment tools. Additional discussions on these factors could benefit the practitioner community with selecting the most appropriate assessment tools for measuring programme outcomes.

### *Equity*

While all programmes specifically targeted vulnerable and low-socioeconomic populations, **no indicators were explicitly tied to equity in any of the projects**. The Northern Kenya DIB planned to include children from the refugee community, and in the EOF's fund for Rwanda, there are plans to specifically include children with disabilities and development delays. One could envision equity-focused indicators such as payment based on enrolling a certain number of children from the lowest income quintile or vulnerable communities or attainment of a certain level for the most disadvantaged children, but there were no indicators of these kinds in any of the projects. Equity appears to be built into the projects by including only populations facing inequities.

### *Result verification approaches*

The approaches that OBF projects take in verifying their results can vary substantially, with the choice influenced by factors such as methodological feasibility, funding availability for independent verification, and stakeholder interest. In general, there was limited information about the ECCE projects' verification method selection process and planned results verification methods. Where it was mentioned, the methods ranged from:

- **Simple follow-up on achieved outcomes**, via contacting and undertaking home visits with participants, as in the South Africa Impact Bond Innovation Fund.
- **Descriptive studies using normative data or standardised tests to compare the average outcomes of the OBF intervention cohort with averages at the national-level**: The Chicago Child-Parent Center PfS project compared Children's Teaching Strategies GOLD scores with national norms, as well as Third Grade Literacy scores using the Partnership for Assessment of Readiness for College and Careers (PARCC)) (Gaylor et al., 2016). Similarly, the Programa Primero Lee project in Chile used pre-existing standardised tests to assess children's attainment (Elsby et al., 2022).
- **Quasi-experimental designs using comparison groups, matching the intervention cohort with a comparable cohort, using methods such as propensity score matching, to then compare outcomes and assess impact**: alongside the aforementioned descriptive studies, The Chicago Child-Parent Center PfS also used propensity score matching analysis to identify an appropriate comparison group that had not received CPS preschool in either school or community-based settings to measure the impact of the programme on placement of children in special education (Gaylor et al., 2019).

With the exception of the planned but cancelled SIB in Uzbekistan (USD 670,000, or 10% of the total project cost), no information on the cost of results verification was provided in the programme documents.



### ***Additional insights from stakeholders***

*The stakeholders we interviewed considered **measurement challenges a significant barrier** to using OBF as well as to prioritising ECCE. The lack of valid, reliable, affordable, integrated measurement and data system make outcome measurement challenging. Stakeholders noted that in many contexts evaluation costs for ECCE are substantially higher than primary education given the lack of existing measurements. However, it is even more important to include robust experimental and quasi-experimental impact studies in these contexts to get a better understanding of which interventions lead to the desired results.*

*This difficulty also leads to the low visibility of the economic and social returns of ECCE, which tend to manifest in the longer term and are difficult to track back and attribute to access to high quality ECCE. As a result, funds, when available, tend to privilege expansion of provision rather than improvement in its quality, which is more difficult to measure.*

*In some cases, inclusion of enrolment metrics for outcome payments is required to incentivise improving ECCE reach for low access populations. Inclusion of multiple process, output and outcome indicators also has the potential for gaining a better understanding of the linkage between various activities and the desired results. However, stakeholders discussed that in OBF programmes sometimes a mix of output (enrolment, centre opening) and outcome (learning gains) need to be included to manage the risk and cashflow needs of the investors and service providers.*

## Payment structures

Table 8: Project investment commitment, potential outcome payment and planned returns

Project Name	Total investment commitment (local currency)	Total investment commitment (USD)	Maximum potential outcome payment (local currency)	Maximum potential outcome payment (USD)	Planned or actual internal rate of return
Alexandria ECD SIB	USD 800,000	800,000	-	-	-
Child Development Centers	-	-	COP 20,000 million - 25,000 million	5.1 million - 6.4 million	-
Child-Parent Center PfS Initiative	USD 16.6 million	16.6 million	USD 25 million	25 million	Planned 5%-6%
Future Hope of Addis			-	-	-
Impact Bond Innovation Fund	ZAR 7.5 million	397,182	ZAR 20.4 million	1.1 million	Variable, up to a maximum of 16% based on the performance of the service provider
Jordan Early Childhood Development DIB	-	-	-	-	-
Nairobi City County DIB	-	-	-	-	-
Namibia Early Childhood Development Social Impact Bond	-	-	USD 5.4 million	5.4 million	-
Northern Kenya DIB	CHF 25 million	28 million	-	-	Maximum 5.1%
Northwest Oregon Kinder Ready Collaboration	-	-	-	-	-
ParentChild+/Family Lives LCF	GBP 100,000	127,903	GBP 1.11 million	1.4 million	-
Play2Learn+	-	-	AUD 7.6 million	5.1 million	-
Programa Integrado de Promocao da Literacia	EUR 270,400	294,261	-	-	-

Project Name	Total investment commitment (local currency)	Total investment commitment (USD)	Maximum potential outcome payment (local currency)	Maximum potential outcome payment (USD)	Planned or actual internal rate of return
Programa Primero Lee		-	CLP 300 million	333,000	Social investors received payments of 85% for the achievement of the results established at the beginning
Rwanda ECCE Outcomes Fund			USD 10 million	10 million	-
Sierra Leone ECCE Outcomes Fund	-	-	USD 8.5 million - 14.5 million	8.5 million - 14.5 million	-
South Africa ECCE Outcomes Fund	-	-	-	-	-
Start from the Beginning - Chinese Supporting Scheme for Non-Chinese Speaking Students (NCS) in Kindergarten	HKD 39 million	5 million	HKD 28.8 million	3.7 million	-
Tennessee High-Quality Preschool Program SIB	-	-	-	-	-
Utah High Quality Preschool Program	USD 7 million	7 million	-	-	Planned 5% (max return is 7.26%, and 6% average annual return)
Uzbekistan Early Childhood Education Social Impact Bond	-	-	-	-	-
West London Zone	GBP 1.2 million	1.5 million	GBP 16.24 million	20.8 million	-

Around half of the projects included some details on the payment structure used or planned. Payment structures refer to the flow of payment from investors (if involved) to service providers and from outcomes funders to service providers, and what conditions need to be met (e.g. achievement of outcomes, delivery of activity) for these payments to be made. Of the projects with details on payment structures, we identified two types of payment structures (with some variations in the first category depending on the presence of an intermediary), summarised in Table 9: Payment structures used.

Table 9: Payment structures used

Payment structure	Projects
<ul style="list-style-type: none"> <li>Investor(s) provide upfront capital for service set-up and delivery</li> <li>This goes direct to service providers or via an intermediary</li> <li>Outcomes funders pay once results achieved and verified</li> <li>All payment contingent on results achieved</li> </ul>	<ul style="list-style-type: none"> <li>Chicago Child-Parent Centers</li> <li>Utah High Quality Preschool Program SIB</li> <li>Play2Learn+</li> <li>Promoting Early Childhood Development project (cancelled)</li> <li>Start from the Beginning</li> <li>Future Hope of Addis Ababa</li> <li>Sierra Leone (planned)</li> <li>Rwanda (planned)</li> <li>Northern Kenya DIB</li> </ul>
<p><b>No investor involvement:</b></p> <ul style="list-style-type: none"> <li><b>OBF without investors - Outcome payers provide some funding up front, although full payment is contingent on the achievement of outcomes.</b></li> </ul>	<ul style="list-style-type: none"> <li>Child Development Centers in Colombia, where 20% of payment is tied to the achievement of results</li> <li>Play2Learn+ in Tasmania Australia had 33% of the payment tied to the achievement of results and 66% of the payment was for covering the programme's operational costs</li> </ul>

### Financial risk transfer

A major argument for using OBF in the education sector is for the government to transfer the risk of intervention failure onto either the private investor or the service provider, as the government (or other outcomes payer) would only pay for the programme if the pre-agreed results are achieved (Elsby et al., 2022; Patrinos & Tanaka, 2024).

Details on the financial risk transfer across the projects were fairly limited, and two main themes emerged from the evidence:

- All of the financial risk is transferred to investors:** in several US projects (the Chicago Child-Parent Centre PfS Initiative and the Utah High Quality Preschool Program SIB), and the Impact Bond Innovation Fund in South Africa, the evidence indicated that all of the financial risk was shifted to investors because no payments would be made unless children achieved the specified outcome (Golden et al., 2016; Temple and Reynolds, 2015). In the Chicago project, different investors hold different levels of risk; Goldman Sachs and Northern Trust are senior lenders (i.e. they are repaid first), and the JP Pritzker Foundation is the subordinate lender (i.e. they are repaid second) (Temple and Reynolds, 2015).

- **Some sharing of the financial risk:** in some cases, the financial risk was mainly with the investors, but there was some shared risk. For example, in the West London Zone project, the provider was exposed to some financial risk, but the exact extent is unclear (Erskine et al., nd, p50). In the Northern Kenya DIB, which did not launch, investors were expected to be repaid upon achievement of pre-defined outcomes, with a 20% maximum capital loss, i.e. 80% of their capital would have been protected (The Lutheran World Federation, 2021).

### *Costs of implementation*

Understanding the costs of OBF is crucial for informing practitioners' cost-benefit analyses of using OBF compared to other contracting approaches and whether the potential benefits of using OBF will outweigh the costs of implementing the approach. Data on the costs (or projected costs) for projects was extremely limited, with a lack of evidence indicating whether the projects considered the costs of OBF vs another contracting type during the design phase. An exception was in the Impact Bond Innovation Fund, where some evidence on the costs of the design phase (see Box 3).

#### **Box 3: The costs of the design and development of the Impact Bond Innovation Fund in South Africa.**

Rayner and Nkonyeni (2021) provided details on the funding for the design and development phases of the impact bond. The total funding was R 3.8 million (or approximately USD 253,000),<sup>6</sup> which was provided by multiple organisations, including Innovation Edge, The LEGO Foundation and the Discovery Trust Fund. Of this total, around R 182,000 (USD 12,000) was for legal fees. No further details are available on what the other costs were.

There was also little evidence on the costs of verifying the results across the projects. The World Bank (2018) provided details on the estimated costs of the independent evaluator's operating activities in the planned Promoting Early Childhood Development Project in Uzbekistan (estimated at around USD 670,000 (or about 10% of the total cost (i.e. USD 6.85 mil) of the project).

No other costs identified for most of the projects, although in Utah, the Nonprofit Finance Fund (2019) recorded several costs such as transaction coordinator fees and technical assistance provider fees.

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<sup>6</sup> Exchange rate at June 2016 – most funding was dispersed over 2015 and 2016. Exchange rate information from: <https://www.exchange-rates.org/exchange-rate-history/zar-usd-2016-06-16>



## Actors

### Overview of the evidence on 'actors'

Generally, there is fairly good coverage in the evidence base on the different actors involved in the ECCE OBF projects. As to be expected, there are more evidence gaps for projects in design, cancelled or unknown, as not all of these projects have (at the time of reporting) or had (when they were cancelled) got to the stage of having specific actors in place.

### Average number of projects where there are evidence gaps:

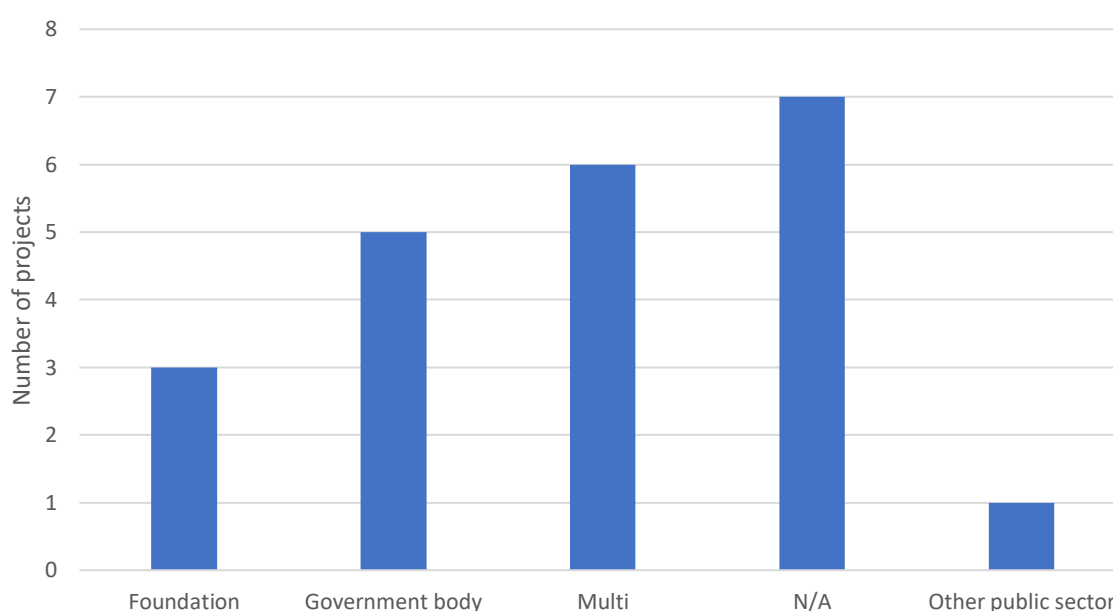
	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Actors	10	1	1	3	4	1

### Outcomes funders

Outcomes funders in OBF projects can be public (e.g. local or central government) or non-public (e.g. foundations) and can have different interests or objectives for engaging in OBF. Information on the type of outcomes payer was available for 15 projects (see Figure 11):

- In a third of these projects, a **government body was responsible for outcomes payments** (this ranged from national to regional/local government bodies).
- In six projects, there were **different types of outcomes funders**. For example, the West London Zone project's outcomes payers included the UK Government, local authorities, and charitable foundations.
- In three projects, **foundations** were the outcomes payers.
- In one case (Alexandria ECD SIB in the US), the **school district (or 'other public sector')** paid for the outcomes.

Figure 11: Outcomes funder types



## *Service providers*

Since compulsory ECCE has become a recent priority for many governments, the provision of ECCE services is considerably dominated by non-state providers. Non-state providers for ECCE encompass a wide range of entities that either provide direct interventions or sometimes auxiliary services to direct ECCE providers (government and non-government entities). They can include for-profit commercial service providers or not-for-profit entities, such as community organisations, mission-driven non-government organisations, and religious groups (church, madrassa, etc.).

Many nations are using non-state actors as deliberate partners in rapidly expanding provision to ECCE. The latest UNESCO ECCE landscape review notes that ECCE provision by non-state actors has increased from 28.5% in 2000 to 37% in 2019 (UNESCO, 2024). In most cases, the households are paying for this provision rather than the state. The dominance of service provision by non-state actors, especially where families pay for the services (even when it is to not-for-profit entities), exacerbates the exclusion of children from low socio-economic classes and regions. Hence, children from the richest families were 2.5 times more likely to attend ECCE in the private sector than their peers in the poorest families (Baum, 2021). Public demand in many countries shows favour for a substantial increase in public funding for ECCE, especially to address equity issues (UNESCO, 2024).

In those OBF4ECCE programmes where public funding is used to incentivise non-state actors to align their provision to the national policy and priorities has the potential to continue the expansion of ECCE with public funding but not necessarily public provision. However, aligning non-state actors on a common set of goals and outcomes is a complex task. As the UNESCO landscape review notes, it is difficult to capture administrative data on the multitude of non-state actors who may not have any official registration. Additionally, there is no consistent evidence on the quality of non-state provision as it varies by provider and context (UNESCO, 2024).

However, in the OBF4ECCE programmes analysed, there was **no evidence of consistent engagement of non-state actors as service providers** where the data was available. Where information was available, there was no clear pattern on the types of providers that deliver ECCE interventions in OBC contracts.

- Public sector providers in two cases were already delivering the services before the SIB was designed (i.e. Child-Parent Centers in Chicago and Future of Hope Addis Ababa in Ethiopia), and part of the purpose of the SIB was to expand or strengthen provision already delivered by these organisations.
- In three cases, the non-profit sector provided the ECCE intervention.
- In two cases, different types of providers were operating under the contract. For example, the Utah High-Quality Preschool Program SIB included both private and public education providers.

## *Investors*

Similar to outcomes funders and services providers, there can be considerable variation in the types of investors that engage in OBF projects. Information about the investors and investor types was available in the documentation for 10 projects, summarised in Table 10 below.

Table 10: Summary of investor types in projects

Investor type	Number of cases (n=9)	Case examples
Foundations	3	The investor in the Programa Integrado de Promocao da Literacia in Portugal was the Fundação Aga Khan Portugal.
Mix of investor types	3	In three projects, there were a <b>mix of investor types</b> providing the upfront working capital. For example, two projects in the US (Chicago Child-Parent Centers and the Utah High Quality Preschool Program) had investment from a bank (Goldman Sachs) and foundations (in both cases, the J.B Pritzker Foundation, and in Chicago, the Northern Trust).
Investment fund	2	There were two projects that had investment from <b>an investment fund</b> (managed on behalf of impact investors); the West London Zone CIB (where investment from 18 investors was managed by an Investment Fund Manager) and Programa Primero Lee (where investment was channelled from five investors through the impact investment platform Doble Impacto) (Elsby et al., 2022).
Bank	1	In the Uzbekistan Promoting Early Childhood Education, the design envisaged to have the investment from <b>a bank only</b> , although there is very limited information and the investor had not been confirmed (Roddis, 2020). Eventually, the SIB element of this project was cancelled.

### Interest in OBF from key actors

Within OBF projects, there are typically a range of key stakeholders, such as outcomes payers (including government, but also other public sector and non-public sector actors), investors and service providers. These actors can have different levels of interest in, and motivations for, engaging with OBF. While there is generally limited evidence across the cases in the levels of interest in OBF, there is more evidence on the level of interest amongst government actors. Table 11 provides more details on how this interest has varied across and within projects.

Table 11: Interest in OBF from government actors

Level of government interest	Case examples
General government interest	In some cases, only the outcome funder or government's interest in OBF is documented – for example, UNICEF Uzbekistan Office's (2022) report on the Promoting Early Childhood Development project noted that there was interest because OBF was a new approach in the country, which had not used private financing for the social sectors beforehand. Similarly, the Sierra Leone Outcomes Fund EOI (Education Outcomes Fund, nd) noted that the government had a willingness (supported by Ministers) to explore innovative finance mechanisms to grow the sector.
Mixed interest from government	In the Chicago CPC project, at the government/political level, while the Chicago Mayor wanted to use an innovative financing approach to expand ECD provision, Spielman (2014) in Tse and Warner (2020:824) notes how five city councillors voted against launching the SIB, due to its <i>"low risk, high interest rate, and complicated structure"</i> .
No government interest	In Chile, Programa Primero Lee was launched without government involvement because it showed no interest in a SIB. According to Pellizzari (2023), there was limited government interest in SIBs until Piñera became President in 2018.

In several cases, there is evidence on the views of different stakeholders, highlighting how interest in OBF can vary across and between actors involved in the same project. For example, the Play2Learn+ project provides an example of where the various actors had different motivations for opting for OBF. In this case, the Australian Government wanted to test if OBF would deliver better outcomes compared to other forms of contracting (Moore and Arefadib, 2022), the Paul Ramsay Foundation, the second outcomes payer, wanted to develop the evidence base on how philanthropy could be used in innovative financing approaches (The Sector, 2022), and the service provider (54 reasons) already delivered the similar programmes across the country and was well-placed to trial a more targeted approach under a Payment by Outcomes contract (Probono Australia, 2022).

### *Investor appetite*

As highlighted, most of the projects were set up as impact bonds, and thus required interest and willingness from investors to provide the investment required to cover the upfront costs of delivering the projects. Where evidence was available, we identified that investors across the projects had several motivations for participating in OBF, including:

- **Positive impact:** In the Impact Bond Innovation Fund, Investors were motivated by the belief that they can make a positive difference in society while earning a good investment performance for pension fund members (Raynor and Nkonyeni, 2021).
- **Recycling of funds:** For the same project, it was identified by Khan (2021) that the potential for capital repayment and interest payments represented an opportunity to recycle funds into other social projects, ultimately ensuring that the investors' social spending could go further.
- **Positive public relations:** Saltman (2017) noted that in the Chicago case, investing in OBF provided positive public relations, good will, and image boosting for investors.
- **Rarity of opportunity:** The opportunity to invest in certain areas, such as early education, was a selling point for investors in the Impact Bond Innovation Fund (Khan, 2021).
- **Potential for larger transactions in the future:** The potential for pilots to lead to larger transactions in the future was also a motivating factor for investors in the Tennessee High-Quality Pre-K project (First 8 Memphis et al., nd).

### *Additional actors*

While, as highlighted previously, key actors involved in OBF are typically outcomes payers, service providers and (depending on the OBF type) investors, there are also other actors involved, who often have a particular role in supporting project set-up and/or delivery. For 11 projects, there was information on additional actors involved. These types of actors can be broadly summarised into the following groups:

- **Technical assistance providers:** in several cases there were organisations involved in the contract that provided ECCE-specific technical assistance for delivery (such as the Metropolitan Family Services in the Child-Parent Center PfS contract, and Voices of Utah Children and Granit School District in the Utah High Quality Preschool Program SIB).
- **Project management / transaction co-ordination:** often there was a dedicated organisation (sometimes structured as a 'Special Purpose Vehicle') that was responsible for overall project management and managing the financial flows/transactions between the parties involved

(this was mainly the case in the impact bonds, for example the Impact Bond Innovation Fund and in the planned, but later cancelled, Uzbekistan Promoting Early Childhood Education SIB).

- **Evaluators:** evidence from some of the projects (e.g. Rwanda Outcomes Fund, Child-Parent Center PfS, and Start from the Beginning) highlights the involvement of independent evaluators to validate the results that trigger outcomes payments.
- **Others:** other types of actors involved in OBF projects include consultants involved in conducting feasibility assessments (e.g. in Primero Programa Lee) and designing trials (e.g. an organisation was involved in the co-design of the payment by outcomes trial in Play2Learn+).



### Additional insights from stakeholders

*In bilateral interviews, stakeholders noted that careful **considerations need to be made about the engagement of various actors and the specific purpose they serve in relation to programme management and costs.** In some instances, inclusion of separate project management/transaction co-ordination maybe required to fill the OBF management capacity gap within the service providers. On the other hand, service providers with substantial experience in contracts management may not require an additional layer of supervision.*

*Several stakeholders also brought up the need for **more attention and involvement of frontline ECCE workers within the OBF contracting decisions.** Their experience on ECCE service delivery should be taken into consideration in the development of payment metrics and structures. There should also be measures taken to ensure their capacity strengthening in the management of service delivery within an OBF approach, which may be considerably different from their previous experience.*

## Enablers and barriers

### Overview of the evidence on ‘enablers and barriers’

The evidence base regarding the factors influencing the launch of projects (e.g. interest from key stakeholders, as well as wider factors such as political or economic factors) is relatively poor. Most projects had gaps in the evidence base.

**Average number of projects where there are evidence gaps:**

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Influencing factors for launch	18	3	4	3	6	1

### Service provider capacity

The availability and capability of the service provider market to deliver the ECCE intervention or be involved in OBF is an important consideration for practitioners considering developing ECCE OBF projects. In the documents we reviewed, there was limited information about the capacity of local

service providers to deliver the service at the point when the OBF was being developed. Where information was available, the provider was already delivering the intervention prior to the project launch. For example, most of the Child-Parent Centers in Chicago were expanding existing delivery through the SIB; in Play2Learn+, Save the Children was already delivering a similar service model (Play2Learn) across Australia; and in North Kenya DIB, LWF had already been an implementing partner in the refugee camps for over 30 years.

**The availability of a vibrant ecosystem of service providers with experience designing and delivering context-specific ECCE interventions or adapting successful interventions to new contexts is essential for OBF contracting.** OBF approach is meant to allow service providers the flexibility to use their existing expertise and experience to implement the intervention to reach the outcomes. **Bringing in new service providers would require additional funds to be dedicated to capacity building of service providers.**

### *Additional enabling factors*

Additional enabling factors supporting the launch of the OBF projects included:

- **Actors involved in the projects already having previous experience of collaboration** (e.g. in the Utah High quality Preschool program SIB – noted in Brookings, 2015).
- **Commissioning research to provide an evidence base for the intended outcomes** (as in Play2Learn+, as noted in Moore and Arefadib, 2022, p9).
- **Having experienced intermediaries who had developed OBF elsewhere:** For example, in Programa Primero Lee, it was noted that Instiglio (the intermediary) had already been working on several projects in the Latin American region, and had been instrumental in galvanising interest from local actors (Pallizzari, 2023).

### *Challenges during the design phase*

Evidence on the challenges with the OBF design was available for seven of the projects. The main themes relating were:

- **Budget constraints for setting up OBF projects:** some of the projects faced difficulties in securing enough funding and for meeting the deadlines for launching the intervention. For example, the Child-Parent Center PfS had to drop some of its planned services because the funders dropped out due to budget cuts and time pressure (SRI International, 2016).
- **Complex and lengthy contracting and negotiation processes:** in several cases, the reviewed literature notes that some of the projects, which involved multiple stakeholders with varying interests and expectations, created challenges in reaching agreements and finalising the contracts. For example, the Impact Bond Innovation Fund took a long time because when the SIB was supposed to go live, another SIB (with different implementing and government parties but the same investors and intermediaries) collapsed. This meant that the contracts for the ECCE SIB had to be renegotiated, as investors were expecting a larger investment amount with risk spread across two initiatives, which were not settled until August 2018. This meant that the SIB started in Nov 2017 at its own risk (Intellidex, 2021). The complexity of the process has been insurmountable in some cases. For example, in Uzbekistan, the complexity of the SIB development process led to the SIB aspect of the Promoting ECD project being cancelled (UNICEF Uzbekistan Office, 2022) – see Box 4 for more details.

- **Limited or low capacity or engagement from service providers and government partners:** Some OBF projects faced challenges in finding and working with reliable and capable service providers and government partners who lacked the necessary skills, resources, or commitment for the project. For example, the Namibia Early Childhood Development SIB, which was developed by Instiglio and a foundation, encountered difficulties in engaging with the government and the ECCE service provider landscape in Namibia (Impact Bonds Working Group, 2022) and was eventually cancelled. The Future Hope of Addis Ababa project required high levels of support from the government to develop the capacity of the implementing actors, as well as strengthen coordination across implementation partners (Impact Bonds Working Group, 2022:22); the intervention proceeded without using the OBF model.
- **Defining the target population and the outcome measurement criteria:** The Chicago Child-Parent Center PfS had challenges with establishing clear rules for selecting the beneficiaries and assessing the impact of the intervention. The programme developers adopted strategies for overcoming such challenges, such as not including children with severe disabilities in the cohort as their outcomes would likely be different to those of the wider cohort, and also adopting a 'sufficient dosage threshold' to ensure that outcomes were only being calculated for the children who had received enough of the intervention for the programme developers to expect to see an impact. This threshold was set at 66% attendance across the school year (Gaylor et al., 2016). These challenges were not insurmountable, and the project completed delivery in 2018.
- **COVID-19 affecting the timescales and launch:** in the Jordan Early Childhood Development DIB, COVID-19 disruptions pushed the feasibility study back to late 2021, meaning that at the time of the evidence being published (i.e. Impact Bonds Working Group, 2022) there was limited progress with the impact bond, in terms of outreach to potential investors or outcomes funders.

In addition, the EOF Sierra Leone Outcomes Fund Expression of Interest documentation notes the potential challenges with designing the impact bond as a randomised control trial (RCT) due to the challenging political landscape and government priorities of achieving universal access to education; this makes it difficult to set up an RCT which would require random assignments to a control and treatment group (Education Outcomes Fund, nd).

#### Box 4: Insurmountable challenges during project design: the Uzbekistan Promoting Early Childhood Development project

As part of wider ECE programming in Uzbekistan, the government wanted to trial the use of a social impact bond, to foster public-private partnerships and increase the availability of up-front working capital for private providers to improve ECD access and quality. The SIB was intended to be launched in 2019, to cover five regions of Uzbekistan, that would be selected depending on poverty levels in the region (World Bank, 2018).

After several years of development, the SIB element of the ECE programming was ultimately cancelled due to insurmountable challenges relating to capacity and legal complexities, specifically relating to:

- High transaction costs, particularly for the lead contractor and evaluators during the initial stages.
- Legal and technical complexities, due to the wide-ranging nature of the SIB. The SIB was intended to build preschools, promote learning, develop materials and hire and train teachers. Ultimately, this was far too many activities, which required too many stakeholders for a SIB structure to accommodate. (UNICEF Uzbekistan Office, 2020).

## Implementation

### Overview of the evidence on 'implementation'

In general, there was fairly good evidence regarding the implementation of projects (such as status of projects, their launch and (actual or expected) end date, but little evidence on any reflection on implementation and if the inclusion of OBF affected the implementation of the ECCE intervention.

### Average number of projects where there are evidence gaps:

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Implementation	11	1	2	3	4	1

Most projects (including some of those in design phase) had information on actual (or expected) launch and end dates (as summarised in Table 3 earlier in this chapter). However, for those projects that had been implemented, there was little qualitative evidence on how implementation went, in terms of the challenges, success factors and impact of the OBF on the implementation of the ECCE project.

### *Success factors in implementation*

The ability to use upfront working capital flexibly to respond to the needs of service delivery was a key success factor identified, where evidence was available. For example, in the Impact Bond Innovation Fund, Rayner and Nikonyeni (2021) highlighted that a key facilitating factor for delivery was that they could bring in more staff members and pay them more than other projects to support



staff retention and increase the level of support they could provide. Similarly, the funding allowed the development of educational resources for both teachers and the students that they support in the 'Start from the Beginning' project in Hong Kong (Director of Bureau: Secretary for Innovation, Technology and Industry, 2023). In Utah, all actors involved already knew each other, facilitating the implementation process (Brookings 2015).

### *Challenges in implementation*

In general, programme documents had little discussion on the implementation process and the challenges faced by the implementation partners. As many programmes encountered school and centre closures due to the COVID-19 pandemic, which required some major intervention design change, and in some cases additional discussions on expected outcomes, we were able to extract some analysis on challenges in implementation during the pandemic.

To address the COVID-19 challenge some programmes could adapt to provide remote support (e.g. through providing virtual sessions, as in the ParentChild+ SIB, the Tennessee High-Quality Pre-K project, Impact Bond Innovation Fund), other projects became unfeasible to deliver and were cancelled (e.g. Programa Primero Lee in Chile). To overcome the challenges posed by social distancing restrictions during COVID-19, the 'Start from the Beginning' project team in Hong Kong implemented several changes, including introducing online classes and content, liaising with social welfare organisations to ensure that participating families had free access to the internet at home, and ensuring regular communications between teaching assistants and parents via videos delivered through SMS texts (Director of Bureau: Secretary for Innovation, Technology and Industry, 2023).

Box 5 below provides an overview of the key implementation challenges experienced by the Impact Bond Innovation Fund in South Africa). Most of the challenges identified were related to the implementation of the intervention rather than the implementation of the OBF.

### **Box 5: Implementation challenges in the Impact Bond Innovation Fund**

The Impact Bond Innovation Fund was an impact bond launched in South Africa, running from 2017 to 2020. The project aimed to increase access to early learning programmes for children from the poorest families in the Western Cape. The intervention included training home visitors, who then were expected to visit around 25 families each week, spending 45 minutes with each family to support them with parenting and early stimulation strategies (Rayner and Nkonyeni, 2021). Upfront investment from three investors provided the working capital for the Foundation of Community Work to deliver this intervention. The South African Department of Social Development and ApexHi Chairtable Trust then made payments based on the outcomes achieved (Khan, 2021).

A number of challenges were experienced during the implementation of this project:

- High turnover of staff due to experiences of crime and witnessing violence during home visits
- Children and caregivers struggling to engage for the home-visiting sessions (which were 45 minutes long)
- Service providers needing to go beyond their expected role to provide support to caregivers for their own wellbeing
- Needing to provide further capacity-building to service providers so that they could deliver services to the requirements of the impact bond (Raynor and Nkonyeni, 2021).

Practitioners could benefit from additional discussion on typical challenges that various actors face during the programme implementation, especially in adopting new intervention management practices that may be required by actors to increase the focus on outcomes, or in managing multiple actors, policy sectors, intervention domains, assessment tools, etc. Reflections and lessons from practitioners with previous experience would be beneficial for future programme design and scaling up of existing programmes.

#### *Effect of OBF on implementation*

Evidence on the effect of OBF on implementation was sparse, with only two themes emerging:

- **Using funding flexibly:** being able to use funding flexibly allowed organisations to adapt to needs, for example by recruiting more staff members, paying existing staff more, and developing specialised resources to help train staff (as in the Impact Bond Innovation Fund, and the Start from the Beginning project).
- **Increased scrutiny of performance management:** in the Chicago project, Carolan and Boroughs (2018) noted that using an innovative contracting approach brought a level of public visibility to the project, which may have incentivised stakeholders' scrutiny of the implementation and performance of the service.

Whilst there are only limited examples, they are consistent with wider evidence of how OBC instruments affect implementation.



### Additional insights from stakeholders

In the bilateral interviews, stakeholders noted that when actors are new to the OBF approach, **additional implementation management time without the pressure to show early results** should be built in at the beginning of the programme. Management of interventions through OBF structures requires setting up of new systems for data and evidence and requires additional capacity building of service provider staff. This may result in slow progress towards the incentivised outcomes in the beginning with accelerated progress as the programme proceeds.

## Results

### Overview of the evidence on ‘results’

Overall, there are significant gaps in the evidence base on results (e.g. project results, investment returns, wider effects). This is largely due to very few projects being complete at this stage (and are therefore not in a position to report on results), although even where projects were complete, there were some gaps in the evidence base, particularly on details such as investment returns and wider effects.

#### Average number of projects where there are evidence gaps:

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Results (including planned investment return)	17	2	4	4	6	1

### Results achieved

There is little evidence on results achieved to date as most projects have not been completed, or the outcomes tracking period was still ongoing. In addition, it is difficult to compare results across projects because of varying measures and approaches to reporting responses. However, where results are available, in most cases they met or exceeded expectations:

- In Chicago, 59% of children participating in Child-Parent Center pre-school during the school year 2014-15, had kindergarten results that met or exceeded national averages (Carnoy & Marachi, 2020).
- Of the Utah Pre-K PFS cohort support between 2013 and 2018 only 10% of the children that were, at the start of the programme, determined to be severely at risk for needing special education services needed these services after the programme. This was estimated to have saved the state of Utah \$2.5 million (Hoeven, 2019).
- The Impact Bond Innovation Fund exceeded its targets for recruitment and retention across all three years, as well as the attendance target for two years (for one year it was under target). Child development targets were not met, but scores improved from Year 1 to Year 2 (Rayner and Nkonyeni, 2021). Khan’s (2021) research on the SIB suggested that some stakeholders involved felt that the use of the children’s development measure (the ELOM) was not appropriate for the home-based programme because the structure needed to provide support in an intensive way was not possible in the context. An interview with a

stakeholder from the intermediary mothers2mothers said, *“They have a lot of other stresses within the household. Something as basic as, for example in Delft, gangsterism – just shooting by gangsters and that kind of thing at any given moment. There's socioeconomic conditions under which they operate. So, ... in the centre based ECD programme you would have almost a bubble or a cocoon of children that are in that centre that are sort of cut off from everything and everything is just centred around them and them being able to do what needs to be done. That doesn't apply to children that are being home schooled, as good as it is in creating the bond between caregiver and children.”* (Khan, 2021:25)

### *Investment returns*

The quality of evidence on investment return is extremely limited, given many projects, even if complete, are still claiming outcomes at the time of reporting, so investment returns are not yet clear. Programa Primero Lee project in Chile, reported actual investment returns, but the information on return was unclear (Fundacion Mustakis, 2022). Impact Bond Innovation Fund reported an Internal Rate of Return of 14% (lower than the maximum 16% allowed) accounting for non-achievement of the child development targets (Rayner and Nkonyeni, 2021).

### *Wider effects (e.g. on ecosystems, partnerships)*

Overall, the availability of evidence on what results were achieved was weak in relation to the wider effects of the project, for example, on the wider ecosystem or partnerships. To an extent this is because projects were in design, delivery or cancelled, so it was too soon to say if they had an effect. Furthermore, the wider ecosystem effects were not discussed in most documents produced by the programme stakeholders. These wider effects were usually only analysed by external researchers. Where there was information available, there were quite different experiences and no common themes:

- In Chicago there was **no evidence of wider ecosystem effects**, with Tse and Warner (2020) noting that there was limited evidence on how the city would fund the expanded CPC slots going forwards, and there were no further plans to do it via a SIB.
- In contrast, in the Impact Bond Innovation Fund, there was evidence that following the SIB, there was **some organisational learning from the provider** (which had since made changes in its operations to ensure that other children and their caregivers will experience better outcomes) (Khan, 2021).
- In addition, there was also a **wider impact on the government's own approach to data collection**, with Khan (2021:30) noting that *“the [government] now has a much better idea about what is needed to ensure effective home visiting programming whereas solid data had previously been scarce. It believes ELOM can help it to define early development and school readiness more objectively and has adopted it as a measure in a separate [government] project (though not in a PbR-type contract). This marks a significant shift in how early learning is being tracked by [the government], away from inputs and outputs (ie, the numbers of children accessing services or numbers of care workers delivering services) and towards actual learning outcomes.”*
- In Utah, the implementation of the PFS pilot led to the Utah state legislatures to pass the High-Quality School Readiness Expansion Bill in 2016, with \$11 million appropriation from the federal government funds towards the expansion of preschool access (Savell, 2022).

- In the Nairobi City County DIB, the project was cancelled due to regulatory restrictions. However, according to Gustaffsson-Wright and Gardiner (2016:20), in 2016, “the county was planning to implement a contract where salary payments for preschool staff will progressively transfer from a non-state education trust fund to the County government, based on outcomes.”

## Sustainability

### Overview of the evidence on ‘sustainability’

There were many gaps in the evidence base on topics relating to the sustainability of projects, in terms of whether the OBF element continued, is results were sustained, and if any projects went on to be replicated or scaled up. As with the ‘Results’ section, this is because many projects had not yet finished at the time of reporting.

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
<b>Sustainability (including sustainability planning)</b>	16	2	4	3	6	1

### *OBF continuation*

Many practitioners may want to understand what happens at the end of the project in terms of whether the use of OBF should be continued or if alternative contracting approaches may be better for achieving their ECCE objectives. Across the sample of ECCE projects, there was no evidence that the use of OBF was continued to finance ECCE provision. In many cases this is because the OBF project either did not launch or was still in delivery. In one case (Programa Primero Lee), OBF was not continued because the original contract was cancelled mid-way through the delivery due to COVID-19. In two cases, there was some evidence that future programmes would implement some aspects of lessons from the OBF4ECCE programmes:

- In Uzbekistan, while the Impact Bond itself was cancelled, UNICEF, alongside the Islamic Development Bank, worked together to invest over USD \$70 million, using a PPP model, to establish 100 preschools across the country, as well as invest additional USD \$7mil to enhance the quality of ECE services (UNICEF Uzbekistan Office, 2022).
- In South Africa, some lessons have been drawn from the Impact Bond Innovation Fund for the EOF outcomes fund to be launched in the future.

### *Sustainability of results*

Understanding the evidence base on whether the ECCE outcomes achieved or or interventions implemented during the OBF programme are sustained beyond the programme can help inform practitioners on whether OBF might help them achieve their objectives in the longer-term. There was no available evidence on the sustainability of the results of the OBC projects. However, there were some examples of how projects *were planning* to support the sustainability of their results. For example, the ‘Start from the Beginning’ project in Hong Kong committed to providing advanced professional training courses for participating teachers, to facilitate them sharing their insights, experiences and achievements from taking part in the OBC project (Oxfam Hong Kong, 2022).

In some projects in design at the point of reporting, there was some evidence that sustainability considerations were being made from the outset. For example, according to the EOI for the ECCE Rwanda Outcomes Fund, sustainability has been built into the design, by the programme focusing on impact at three levels: intervention-level, implementer and system level (Education Outcomes Fund, nd). The Rwandan government has the ambition to use the OBF programme to formalise community-based ECCE space, especially with transitioning ECCE teachers to government payroll with the recognition of their training through the OBF programme. However, it is too soon to comment on the effectiveness of this focus.

### Scalability and replication

Our review also aimed to explore any evidence on whether, if, and how projects were scaled up or replicated elsewhere. Models that have been successfully scaled up or replicated elsewhere could be useful starting points for ECCE practitioners looking to implement an OBF project. Overall, of our sample of projects, there was limited evidence available on both scalability and replication.

In terms of the scalability of ECCE intervention:

- In Chicago, the impact bond approach itself was used to scale up the ECCE provision; it did this through expanding delivery in existing sites, as well as creating new sites altogether (Reynolds et al 2017, p1460-1).

In terms of scaling up or replicating OBF:

- In several cases, such as the Impact Bond Innovation Fund, evidence indicated that there was potential to scale up provision but limited appetite due to the perceived complexity of the SIB instrument (Khan, 2021).
- In one case the project had been scaled up or replicated from a previous OBC. For example, In West London Zone, the impact bond with ECCE had been scaled up from a previous impact bond which did not include ECCE, and it also scaled up to two new boroughs. This scale-up was facilitated by the Life Chances Fund (Government Outcomes Lab, nd).
- The Programa Primero Lee SIB in Chile was the only case where there was evidence to suggest it had influenced the development of a later OBF, although this was not an ECCE-specific project (Social Finance, nd).

## Lessons learned

### Overview of the evidence on 'lessons learned'

Similar to the previous sections, there was limited evidence overall on the lessons learned from the OBC projects, again because most had not yet been completed.

	Overall	Completed (n=4)	In delivery (n=6)	In design (n=4)	Cancelled (n=7)	Unknown (n=1)
Lessons learned	17	3	3	4	6	1

Reflecting on the learning through project delivery, the following key lessons learned were identified in the evidence:

- **Ensuring outcomes linked to payment are the most appropriate:** in two cases there was learning about the metrics used. For example, in the Child-Parent Center PfS, Reynolds et al (2017:1492) noted that the use of the special education reduction as a success measure was only “partially consistent with CPC evidence”, whilst there were other evidence-based preventative effects (e.g. child maltreatment, juvenile arrest, and adult arrest) that were not included in the outcomes linked to the payment due to issues around multi-jurisdiction agreements across different partners (Reynolds et al., 2017, p1462). In the Utah pre-school SIB, *“nine early-education experts who reviewed the Utah Pre-K program for The New York Times reported a number of irregularities in how the programme’s success was measured, that they found to have led an overstatement of the effect that the investment had achieved in helping young children avoid special education.”* (Tsang, 2015).
- **Ensuring a clear link between the intervention and intended outcomes:** a key learning in the Uzbekistan Promoting ECD project (where the SIB element was ultimately cancelled) related to the complexity of the SIB design, where it was seen as being far too sweeping in nature (in terms of building preschools, promoting learning, hiring and training teachers). The key learning was to ensure that future ECCE programmes are designed so there is a more linear connection between the activities and the expected results (UNICEF Uzbekistan Office, 2022:2).
- **Ensuring proportionality between the intervention length / dosage and linked outcomes and repayment period:** In the Child-Parent Center PfS, Tse and Warner (2020) noted that the relatively short intervention period, and the subsequent 15-year outcome payment period, raised questions among city councillors and other researchers about whether the outcomes payers are overpaying for the service and its outcomes.
- **Ensure that the interventions address the diversity in the target population:** In Child-Parent Center PfS, the implementers acknowledged that there were significant cultural differences across different sites, especially in English language and literacy skills of the community. This required additional considerations on targeted interventions and assessment of results (Nonprofit Finance Fund, 2019, p. 63).
- **Ensuring that the cost-saving benefits of the intervention can be attributed to the OBF mechanism:** Carolan and Borough (2017) in their analysis of the Child-Parent Center PfS also highlighted that while the Social Impact Bond model may have the potential *“to bring much needed resource to some of the most effective programs serving families and children; yet [SIB] is complex and should not be utilized just because it is trendy or innovative (p18).”* In the Utah Pre-K programme, education experts questioned whether the outcomes metrics used would adequately predict later cost-savings for special education. It was argued that there was an overestimation of impact, which would lead to overpayment to the investor. This brought into question the use of SIB as a public-private partnership model itself (Tse & Warner, 2020; Graham, 2018). In Uzbekistan, the analysis of whether the SIB model was the most appropriate approach also highlighted the need to consider the financing approach as complementary to other results-based financing approaches or other development financing modalities (UNICEF, n.d. p2).

- Ensure engagement with the wider ECCE ecosystem:** Through the implementation of interventions, especially measurement and data management approaches, non-OBF-funded interventions could adopt some of the successful practices implemented within the OBF approach. For example, in Tennessee, there was some indication that the designers hoped to *“maintain an outcomes-orientation across all our work because we’ve seen how data and active performance management can help drive better results (Gross, 2021).”* Even during implementation, the OBF funded intervention should be considered to be a part of the larger ecosystem. More and Arefadib (2006) proposed that the Play2Learn+ programme in Australia should be integrated with other services to provide holistic support to families. Additionally, the service provider, 54 reasons also planned to use learnings from the Play2Learn+ programme into other similar ECCE programmes across Australia. The West London Zone programme also identified the critical need to actively engage parents and find the most appropriate modality for this (West London Zone, n.d.).

## Emerging main patterns and gaps

Since the initial experimentation with the impact bond financing model in Utah and Chicago in the US, and the Western Cape in South Africa, the OBF approach has seen a slow spread in the ECCE sector in the last 10 years. However, stakeholders continue to express interest in exploring OBF4ECCE, as is evident in several projects that have been explored (Ethiopia, Jordan, Kenya, Namibia, and Uzbekistan), even if they have been cancelled. Additional projects (Rwanda, Sierra Leone, Kenya and South Africa) are currently under development that could implement learnings from previously delivered and cancelled projects.

The evidence review of the projects designed to date gives us some insights into where, who, and how OBF4ECCE have been implemented. In general, there are very few overall patterns across projects. Yet there are some context-specific insights into conditions under which OBF4ECCE were implemented or cancelled.

The review also identifies a substantial gap in existing knowledge on OBF4ECCE, which requires a strategic effort from stakeholders to engage in better data collection, reporting, and reflections on lessons learned. In this section, we provide a summary of patterns on what we do and do not know from the documentation of OBF4ECCE projects.

### *Context and Rationale*

The evidence review showed that contextual information on access and quality of ECCE was a primary concern for designers in selecting the target population. The current consideration of OBF4ECCE implementation do not provide any clear pattern on ECCE policy context for how the countries have been targeted for programme implementation. Also, there is some indication that projects were implemented in contexts where there was general policy and regulatory support for OBF or Public-Private partnership. Better documentation around the context of the projects and the rationale for choosing a particular geography (in particular with respect to the regulatory framework, wider policy enablers and the political or social acceptability of OBF) would strengthen the OBF4ECCE’s community appreciation of the contexts in which OBF4ECCE is more appropriate.



The rationale for exploring OBF4ECCE varied considerably across projects, ranging from testing ECCE interventions to improve access and quality to experimenting with the OBF approach itself. Very little knowledge is available on whether all actors involved are aligned on the key objectives for OBF4ECCE. It is hence recommended to share more details on the rationale behind OBF design features and wider factors affecting the launch of OBF4ECCE projects. In particular, it would be useful to see more transparency on the service provider and investor identification and selection process.

It does appear that in many projects, a high level of interest from key actors (government and donors) in experimenting with the OBF approach enabled exploration (e.g. Uzbekistan, Nairobi, Sierra Leone) and implementation (e.g. Chicago, Utah, West London, Tasmania). There was very limited discussion in the document we reviewed about the existing government or other donor prioritisation of financing ECCE in the countries where the programmes have been either planned or implemented.

### *ECCE Intervention Design*

The provision of ECCE services is one of the most complex aspects of social development as it requires a multisectoral approach. The siloed social development sectors (education, health, child protection, housing etc.) do not naturally lend to an integrated services delivery for children between the ages of 0-8 years. OBF has the potential to help align diverse actors around common outcomes (Terway, Burnett, Druex-Frotte, 2021); however, surprisingly, none of the projects presented alignment of multisectoral actors as their primary objective for utilising the OBF approach.

Future programmes may need to make a concerted effort to identify the roadblocks in bringing these fragmented actors together under singular programmes.

Most of the projects that included learning outcomes for the target population only conducted intervention within pre-primary school, and only tackling the education sector. However, many projects still included interventions that tackled a multidimensional approach to learning (language and/or literacy, numeracy, gross motor, and social-emotional skills). Most interventions included the consideration of the larger community support in providing a comprehensive intervention for ECCE by working with caregivers, families, communities and teachers.

### *OBF Design and Actors*

Most project documentation provides information about the types of actors who were involved like outcomes payer, investors (in impact bonds), service providers, evaluators, management or financial intermediaries, etc. For most projects there is also information available on funding committed by outcomes payer or the upfront capital provided by investors in relation to the pre-agreed outcomes targets. However, very little information was available on the costs incurred by other actors to engage in the OBF4ECCE. Given that OBF programmes are often critiqued for high transaction costs, sharing of this information will be beneficial for future designers in engaging new actors and assess the cost-effectiveness of using OBF against other traditional financing approaches in a resource-constricted space as ECCE.

Most project documents only provide information on the final agreements on the OBF design and the actors involved, which does not give us enough information on the complex negotiation process between actors or the key factors that lead to contract finalisation.

Project use a range of result indicators to capture the outcomes. Despite the emphasis on the holistic nature of ECCE, indicators mostly focused on pre-primary education achieved in childcare centres. Of special note, while all programmes specifically targeted vulnerable and low-socioeconomic populations, no indicators were explicitly tied to equity in any of the projects.

As assessment tools for outcomes, programmes often use the existing context-specific tool that has been previously used in other ECCE interventions in the Global North. However, finding an appropriate context-specific assessment tool has been challenging in the Global South, where sometimes tools developed in higher-income countries have been used.

Children in low-and middle-income countries grow up in diverse cultures, face greater equity challenges and can be in drastically different developmental trajectories and characteristics than children in high-income countries. The assessment tools from high-income countries may not be valid for the unique context in these countries (UNESCO, 2024). The lack of assessment tools highlights the additional challenges OBF (and ECCE generally) face in working in lower—and middle-income countries, where ECCE most needs to be strengthened.

Additional discussions on the factors influencing the choice of assessment tools could benefit the practitioner community with selecting the most appropriate assessment tools for measuring programme outcomes. There is a significant knowledge gap in terms of the cost of the outcome verification and programme evaluation.

### *Challenges & enabling factors*

The evidence on challenges and enabling factors for the use of OBF in the ECCE sector, although limited, echoes finding for OBF in general. Political will, the regulatory framework, experience of service providers and availability of funding are enabling factors. The OBF also seems to have enabled a more flexible use of funding and an agile delivery compared to more traditional approaches (although the evidence is sparse). Again, this confirms insights on the use of OBF in other sectors.

Most of the challenges discussed in the documents we reviewed reflect challenges in the delivery of quality ECCE. There is little coverage of the challenges of the OBF mechanism when implemented in ECCE, beside a general concern around its complexity and the difficulty of introducing new actors in the system, in particular investors. Again, these challenges are not unique to ECCE.

### *Lessons learned*

The few available lessons learned are provided by independent research. The documented lessons pertained the ability to attribute the verified outcome to the OBF4ECCE programme and the importance to engage with the wider ECCE ecosystem. The attribution challenge referred to the ability of the metric to accurately capture the outcome and to the assumptions around longer-term outcomes for programme participants and for future public expenditures (claimed cost-savings).

The challenge of balancing simplicity with rigour is a common challenge to OBF approaches. The search for easily verifiable and agreed-upon measurements of complex goals is intrinsically challenging.

Much untapped insights may reside with stakeholders involved in the design of OBF4ECCE that were cancelled. Although it may be difficult to share a candid view of barriers in a published, attributable document, independent researchers may be able to gather insights from these projects that can be synthesised for the community as recommendations.

As more projects are launched and implemented, there will be increasing opportunities to generate learning, both in terms of effectiveness of the OBF instrument in ECCE, and in terms of the enabling factors, challenges and lessons learned to improve future projects. Gathering and reporting data using consistent methods for reporting will accelerate the learning - for instance how to report investment returns (e.g. IRR, MM), how to report results (e.g. numbers of, and percentage, engaged in interventions; numbers of, and percentage, achieving outcomes, estimated and actual savings) and how to report on wider effect (e.g. effect on the wider ecosystem, effects on the partners involved). The OBF4ECCE community, engaged in a systematic learning agenda, can play a catalytic role to focus research activity and ensure data routinely gathered for the design and implementation of a project could effectively serve the learning agenda.

# Appendix

## Summary of knowledge & knowledge gaps

Theme	What do we know?	What is the knowledge gap?
Rationale/Context	Highly contextualised and diverse rationales for using OBF in ECCE Identification of general ECCE access and quality challenges Government prioritisation of ECCE but lack of funds	Actor alignment or common understanding of OBF4ECCE approach In depth analysis of ECCE challenges Existing government or other financing for ECCE
Actors	Names and types of actors, including additional actors not directly involved in the contract	No information on actor budgets/funds beyond the investor and outcomes funder
OBF Contract/Design	For most launched projects: information on payment structure, results, investment, outcomes payments etc. Time from inception to launch For most “unlaunched” projects: Discussion on challenges in OBF design or project launch	Contract and design negotiation process between actors: Challenges, enabling conditions, success factors, lessons learned
Investment	Investment amount Investment return Planned outcomes payment	Long-term economic and social benefits (exceptions: Chicago and Utah) Investor and outcomes payer identification process Analysis of financial risk transfer from outcomes payer to investor
ECCE Design/Intervention	ECCE sectors and domains Where the intervention was delivered, to whom (child, parent, etc.), programme “dosage” (full-day, half-day, etc.), structural, process, system level intervention Existing evidence for intervention effectiveness	Challenges with ECCE intervention design or implementation (exception: COVID challenges) Curriculum design, staff recruitment and retention
Results verification	Some information on results verification/evaluation methods (experiment, quasi-experiment, etc.) Assessment tools used	Cost of evaluation

Results of the intervention	Information on targeted results achieved for completed projects	Little information on the contribution of OBF on achieving results No information on unintended results/effects on partnerships, ecosystem
Equity measures	Data on target population, usually addressing equity challenges No specific equity-related incentives	No information on specific equity indicators used to examine the target population
Challenges	Some information on caregiver capacity challenges Pandemic operation challenges Complexity in OBF design	For launched projects, only external reports for Chicago, South Africa discuss challenges Little discussion on implementation challenges
Lessons learned or Recommendation	Some external research on the projects shares insights on lessons applicable broadly Recommendations from unlaunched projects	Little reflection from completed projects on lessons learned or recommendations for future projects
Success/enabling Factors	Only in two projects: South Africa: flexibility with service delivery Hong Kong: implementing existing intervention	Little reflection by projects on what made the projects successful
Sustainability	Some considerations made for continuation Sustainability of education outcomes for children served	If any successful OBF project implementation led to continuation (exception: West London Zone) Discussions on financing sustainability beyond the project

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