How Outcomes-Based Financing can support Early Childhood Care and Education systems

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Executive summary

Early childhood care and education (ECCE) is increasingly recognised as a foundation for lifelong learning and social wellbeing. Yet governments consistently report that improving quality and equity, while also expanding access to quality ECCE services, remains a complex challenge.

Across countries, ECCE systems face persistent structural constraints:

- Workforce shortages, diverse sources of service provision, uneven resources and inconsistent oversight can limit improvements in process quality: the quality of interactions, practices and relationships between ECCE workers, caregivers and children.
- Weak data systems make it difficult to track child development outcomes or service quality.
- Fragmented governance across ministries, departments, levels of government and providers complicates coordination.
- Persistent inequities in access and quality affect disadvantaged children most.

Outcomes-based financing (OBF) is a set of financing approaches that governments and funders are beginning to explore in response to these challenges. By linking some funding to verified improvements in outcomes, such as child development, service quality, or inclusion, OBF can help align incentives across diverse actors within ECCE systems.

However, OBF is not a substitute for public investment or system reform. Its effectiveness depends on how it is designed, embedded in national systems, and aligned with existing governance structures.

It also depends on system readiness: government ownership or policy alignment where scale is intended, data availability or a clear plan to build data systems, economic and political stability, and sufficient market capacity among providers, donors, evaluators and intermediaries.

This note summarises emerging lessons from ECCE initiatives globally and highlights where and under what conditions outcomes-based approaches may help governments address persistent system issues.

Key insights

Evidence from ECCE initiatives globally suggests that outcomes-based financing approaches may help governments and partners:

- Strengthen workforce quality by linking financing to improvements in process quality, workforce support, supervision and professional development.
- Improve data and measurement systems by requiring clearer outcome definitions, targeting data, child development assessment tools, and verification processes.
- Align fragmented actors across ministries, local governments, and non-state providers around shared goals and, where appropriate, pooled or aligned budgets.
- Embed equity in financing structures by making disadvantaged children visible in data and by designing payment metrics that recognise the additional effort required to reach and support them.

These benefits are most likely to emerge when outcomes frameworks are carefully designed, proportionate to system capacity, and integrated into national systems.

Decision checklist ↘

Outcomes-based financing can support improvements in ECCE systems only where both the problem and the enabling conditions are sufficiently clear. The following questions can help policymakers and programme designers assess whether, when, and how OBF may be appropriate.

- [ ] **Is there a clearly defined problem that OBF can help address?**
  OBF is most relevant where there is a compelling problem at the outcome level, such as weak accountability, poor coordination, uneven service quality, equity gaps, or limited focus on results. It is less suitable where the main barrier is insufficient core financing or infrastructure.

- [ ] **Can meaningful and measurable outcomes be identified?**
  OBF depends on being able to define and measure outcomes that reflect the problem the programme is trying to address. During programme design, payment metrics are generally stronger where they reflect holistic child development, process quality, structural quality, equity and inclusion, rather than narrow or easily measured proxies alone.

- [ ] **Are data systems usable, or can OBF realistically strengthen them?**
  OBF relies on data for targeting, monitoring, verification, evaluation and learning. Existing data systems do not need to be complete, but there needs to be a credible plan to collect, verify, govern and use data without creating unsustainable parallel systems.

- [ ] **Are governance and regulatory arrangements workable?**
  OBF is more feasible where rules allow multi-year commitments, outcome-based payments, clear contracting roles, and coordination across ministries, local governments, donors, evaluators and providers.

- [ ] **Is there sufficient market and implementation capacity?**
  OBF depends on capable providers, commissioners, funders, evaluators and intermediaries. Where capacity is limited, early programmes may need stronger technical support, realistic payment metrics and a learning-oriented design.

- [ ] **Is there sufficient government ownership or policy alignment?**
  Government demand is especially important where OBF is intended to operate at scale, use public systems, improve oversight, or integrate with national data and financing arrangements. In smaller or non-state models, government buy-in may still support alignment with policy priorities, even where government is not the direct outcome payer.

- [ ] **Is the political and financing context stable enough?**
  OBF is more feasible where funding commitments, leadership, and implementation timelines can withstand political, administrative, or budgetary changes.

- [ ] **Is a phased or adaptive approach possible?**
  Given ECCE system complexity and the costs of measurement and verification, OBF is often best introduced through appropriately sized pilots or sequenced programmes that build evidence, capacity and trust over time, rather than moving immediately to national scale.

Context: Issues in ECCE systems

Early childhood care and education (ECCE) provides a critical foundation for lifelong learning, wellbeing, and economic productivity. High-quality early learning supports children's cognitive, socio-emotional, and physical development and improves school readiness.

Despite growing recognition of its importance, ECCE systems often struggle to deliver these benefits at scale. In many countries, access to quality ECCE services remains a persistent challenge, and improvements in quality and equity have not kept pace with policy ambition or demand from families and communities.

ECCE systems are structurally complex. ECCE has early learning at its core, but is closely linked to other domains of child development, including health, nutrition, protection, and responsive caregiving. Responsibility for these services is therefore often distributed across ministries and levels of government. In some contexts, responsibilities are also divided across age groups, with services for younger children managed by one ministry or agency and pre-primary education for older children managed by another.

Service delivery is also diverse. Public preschools operate alongside private providers, NGOs, faith-based organisations, community centres, and home-based programmes.

While this diversity can expand access, it also creates challenges for coordination, consistent quality standards, and accountability.

Other constraints reinforce these issues. Workforce shortages and uneven workforce quality undermine the quality of educator-child interactions and can contribute to high child-to-adult ratios, reduced individual attention, or limited capacity to serve all children who need ECCE services. Data systems rarely capture reliable information on educator practice in ECCE settings, process quality, or holistic child development outcomes. Public funding remains limited in many contexts, particularly in low- and middle-income countries, limiting the ability of governments to expand and improve ECCE systems.

Together, these factors create a central policy challenge: how to expand access to quality ECCE while improving quality and equity across structurally complex systems.

System issue	**What this means in practice**
Workforce and process quality	Uneven initial training, continuous professional development, low pay, limited coaching and supervision systems, and uneven capacity to provide quality interactions and support for all children
Weak data systems and limited use of data	Limited information on educator practice in ECCE settings, process quality or child development outcomes
Fragmented governance across ministries and levels of government	Responsibilities split across education, health, and social protection systems, across age groups, and across national and local governments
Expansion pressures	Lack of system capacity to provide quality services to all children who are eligible or in need
Persistent inequities	Disadvantaged children least likely to access high-quality services

What is Outcomes-Based Financing?

Outcomes-based financing (OBF) refers to a set of financing approaches in which a portion of funding for the provision of services, such as ECCE services, is linked to the achievement of agreed and verified results, rather than solely to inputs or activities.

Traditional public service contracts typically pay for inputs, such as learning materials or ECCE centres, or for the delivery of specific activities, such as training sessions. While these types of contracts support service provision, they do not necessarily ensure that services lead to the intended outcomes of the service, such as improvements in children's development or service quality.

Under OBF models, governments or funders make payments to organisations that deliver services, such as public agencies, NGOs, or private providers, contingent on whether specified outcomes are achieved. For ECCE services, these outcomes may include improvements in children's development outcomes, process quality, structural quality, or increased participation of disadvantaged groups.

OBF sits within the broader family of results-based financing (RBF) approaches. RBF can link payments to outputs or outcomes, while OBF focuses more specifically on outcomes: changes in behaviour, service quality, or beneficiary wellbeing. Some models directly incentivise service providers through performance-based contracts. Others involve investors who provide upfront capital and are repaid only if outcomes are achieved.

Importantly, OBF is not a single instrument. Different contractual arrangements may be used depending on how ECCE services are financed and delivered. Its rationale is to shift at least part of the focus from spending on inputs and activities toward whether services achieve agreed outcomes, while allowing implementers some flexibility to adapt delivery. This also shifts performance risk: the risk that payments, revenue, or reputation are affected if agreed results are not achieved.

Box 1. Clarifying inputs, activities, outputs and outcomes in OBF design

A key challenge in designing OBF is distinguishing between inputs, activities, outputs, intermediate outcomes and final outcomes.

- Inputs are the resources required to deliver a programme, such as training materials, trainers, funding, facilities or learning materials.
- Activities are what is delivered, such as training sessions, coaching visits or caregiver sessions.
- Outputs are immediate deliverables, such as educators completing training or centres receiving coaching visits.
- Intermediate outcomes are changes that result from activities, such as improved professional practice, more consistent implementation of quality standards, or stronger centre management.
- Final outcomes are changes in children's development, participation, wellbeing or school readiness.

What counts as an outcome depends on the part of the system being incentivised. For example, improved training quality may be an outcome for a contract with a training institution, while child development outcomes may be more appropriate where providers work directly with children and caregivers.

Financing and provision arrangements in ECCE systems

ECCE systems commonly combine public and non-state provision. Outcomes-based instruments therefore operate differently depending on who finances services and who delivers them. The table below is a simplified way of showing how financing and provision arrangements can affect which actors are incentivised. It should not be read as implying that each instrument is exclusive to one cell.

Financing source	Public provision	Private/non-state provision
Public financing	Public-Public: Government funds public ECCE services or public agencies. Relevant RBF/OBF instruments: performance-based transfers; results-linked funding to public agencies or subnational governments	Public-Private: Government funds services delivered by NGOs, community organisations, faith-based organisations or private providers. Relevant OBF instruments: outcomes-based contracts
Private/blended financing	Blended-public: Philanthropic or private capital supports public services. This is typically structured as co-financing alongside public systems rather than as a distinct OBF instrument.	Blended-private: Non-state providers are financed through blended capital, including philanthropic grant capital, public outcome payments and/or private investment. Relevant OBF instruments may include impact bonds, outcomes funds, or outcomes-based contracts, depending on the financing structure.

Source: Adapted from Gustafsson-Wright, Smith and Gardiner (2017) and Airoldi et al. (forthcoming)

OBF contracts can incentivise actors at different levels of the ECCE provision system, from direct providers, such as childcare centres or preschools, to indirect providers, including organisations that train ECCE workers, provide coaching, develop assessment tools, or strengthen service quality across multiple centres.

OBF can be complex to design and implement. Measurement systems, verification processes, and contracts require technical capacity, and poorly designed incentives may create unintended behaviours.

For these reasons, OBF is best understood as one tool within a broader set of financing and governance strategies, complementing sustained public investment in ECCE systems.

Where outcomes-based approaches can be used in ECCE systems

The sections below focus less on restating ECCE challenges in detail and more on where outcomes-based approaches may be useful within ECCE systems. Each section distinguishes the system issue, readiness considerations, possible OBF uses, limits and a decision lens.

Use case 1: Workforce and process quality

System issue	What this means in practice	Potential contribution of outcomes-based approaches
Workforce and process quality	Uneven initial training and continuous professional development, low pay, limited coaching and supervision systems, and uneven capacity to support quality interactions with children and caregivers	Incentives linked to improvements in process quality, workforce support, training quality, supervision systems, and retention in underserved areas

The structural problem

Across both high-income and low- and middle-income contexts, access to quality ECCE services remains a persistent challenge. This challenge is shaped partly by several interrelated workforce constraints, including workforce availability and working conditions, initial training and continuous professional development, and coordination of workforce priorities.

In this note, the term ECCE workforce refers primarily to early childhood educators and caregivers, including teachers, assistants, community-based workers and home visitors directly responsible for delivering early learning and care services. Parents and other family caregivers are also central to children's early learning, particularly in home-based models, although they are not always part of the paid ECCE workforce. While ECCE systems also rely on supervisors, trainers, and system-level administrators, this use case focuses on frontline ECCE workers, given their central role in shaping children's development.

The quality of ECCE provision depends partly on the workforce. Service quality also depends on structural conditions, such as safe and adequate spaces, learning and play materials, and manageable group sizes.

Within this broader quality agenda, ECCE workers' knowledge, skills and motivation shape process quality, which refers to the quality of interactions, practices and relationships between ECCE workers, caregivers and children.

Process quality is widely recognised as a key driver of children's development and learning, and can vary across settings and providers.

Workforce shortages, referring to both a limited supply of qualified educators and ECCE workers and a lack of candidates willing to enter or remain in the profession under current conditions, constrain recruitment and retention. In many systems, insufficient staffing increases workloads and reduces support for existing workers, contributing to higher turnover. Low pay and limited professional status can weaken motivation and career progression, while working conditions are often precarious, particularly in privately or community-run centres. Early childhood educators are frequently excluded from broader education career frameworks, creating disparities in professional recognition and accountability.

Training exists but is uneven. Initial and pre-service training varies widely in duration and quality. Continuous professional development is often fragmented or disconnected from practice in ECCE settings. Coaching and supervision systems that support improvements in process quality, particularly educator-child interactions, are often weak. As a result, improvements in access have often outpaced improvements in quality.

Readiness considerations

OBF is more credible in this area where there are at least emerging workforce standards, training or supervision systems, and actors capable of responding to incentives. Where these foundations are absent in the short term, OBF may still support system development, but it would generally be more appropriate for the contract to emphasise intermediate outcomes, such as improved training quality, supervision coverage, or adoption of quality standards, rather than expecting rapid changes in child development outcomes.

OBF responses to workforce and process quality challenges

OBF can support workforce improvement through two complementary pathways.

First, payments can be linked to improvements in process quality, structural quality, or workforce support systems. Where public funding flows to national or subnational governments, departments, or public agencies, performance-based transfers or results-linked funding may incentivise improvements in workforce training, supervision systems, or quality standards. Where funding flows to non-state providers, outcomes-based contracts may tie payments to improvements in observed practice, including more responsive, inclusive and developmentally appropriate educator-child interactions.

Second, OBF can incentivise organisations that work indirectly with the ECCE workforce, including training institutions, coaching providers, or organisations that strengthen service quality across centres. In these cases, payment metrics are likely to be stronger when they emphasise outcomes that are within the organisation's reasonable influence, such as training quality, completion of accredited training, observed improvements in practice, or implementation of supervision systems. Depending on the delivery model and the strength of the causal pathway, later payments may place greater emphasis on child development outcomes where attribution can be credibly established.

Limits and considerations

OBF is not a substitute for system-wide improvements in workforce conditions. However, outcomes-based approaches may contribute to strengthening aspects of workforce systems when they are designed as part of broader public investment and policy reform. Relevant investments include workforce planning, qualification standards, initial and continuous training systems, coaching and supervision structures, and protections for working conditions.

There is also a risk that poorly designed contracts create pressure on frontline ECCE workers. When outcomes are narrowly defined or targets are unrealistic, incentives may encourage a focus on easily measurable indicators at the expense of broader aspects of child development. This may lead to narrowing of practice or prioritisation of children who are easier to support.

In addition, financial performance risk embedded in OBF contracts may indirectly affect the workforce. Where service providers risk losing payments if results are not achieved, this can cascade to frontline workers through increased performance pressure or reduced autonomy, potentially affecting motivation and wellbeing.

To mitigate these risks, governments and programme designers may consider:

- using outcome frameworks that reflect structural quality, process quality and holistic child development
- using intermediate outcome targets and improvement-based measurement, rather than relying only on final outcomes or fixed benchmarks
- aligning incentives with existing workforce policies and standards, including protections for working conditions

OBF can reinforce efforts to improve workforce quality, but it cannot replace sustained investment in workforce systems.

Decision lens

When OBF is likely to help: OBF may address this element of the system where workforce systems, such as training, supervision, and quality standards, are already in place or can realistically be strengthened through the programme, but where incentives and accountability for improving process quality remain weak.

When OBF may be less appropriate: OBF is less likely to address workforce challenges where structural constraints, such as low pay, weak professional status, or the absence of workforce policy frameworks, are the primary drivers of poor quality.

However, outcomes-based approaches may still be appropriate where the objective is to strengthen workforce systems through capable delivery partners as part of broader system reform. In these contexts, strengthening workforce systems through public investment and policy reform is likely to remain an important foundation.

Case study: Impact Bond Innovation Fund (South Africa)

The challenge
In South Africa, many young children rely on early learning support delivered outside formal centres, including through home-based programmes. This involves a broader ECCE workforce of community home visitors who support primary caregivers, including parents, grandparents and other household members, but who often receive limited training and ongoing support.

The programme
The Impact Bond Innovation Fund, launched in the Western Cape in 2017, financed a home-visiting programme targeting low-income families with children aged 3-5. Community home visitors supported caregivers to provide developmentally appropriate stimulation and learning at home.

How OBF addressed the challenge
The outcomes-based contract linked payments to improvements in child development outcomes and participation. While workforce indicators were not directly incentivised, the delivery model required the recruitment, training, and supervision of community home visitors to achieve these outcomes. The OBF structure supported monitoring and adaptation, strengthening workforce practices as a pathway to achieving child development results.

Use case 2: Weak data systems and limited use of data

System issue	What this means in practice	Potential contribution of outcomes-based approaches
Weak data and measurement systems	Limited information on participation, targeting, structural quality, process quality, educator practice in ECCE settings, or child development outcomes	Investment in measurement tools, verification systems, evaluation systems, and clearer outcome definitions

The structural problem

Data systems in ECCE are often underdeveloped and fragmented across ministries and levels of government. While enrolment data may exist, reliable data on attendance, structural quality, process quality, and child development outcomes is frequently lacking.

Measurement tools may be poorly adapted to local contexts or disconnected from national quality assurance frameworks. In some cases, countries develop their own tools, but these are not always aligned across systems. In other cases, valid and reliable child development assessment tools may need to be developed, adapted or tested before they can be used for accountability or payment.

Data collected at the frontline, whether by service providers, inspectors, centre managers or local officials, is often not integrated across providers or used systematically to inform improvement. Policymakers may therefore struggle to monitor both equity and quality, identify effective interventions, and hold systems accountable for outcomes that matter for children.

In some ECCE systems, the challenge is the collection of large volumes of information that are rarely used. This matters for OBF because outcome-based approaches require data that is meaningful, reliable and usable, not simply more reporting. Monitoring frameworks may generate extensive data on attendance, service delivery, or educator practices, yet this information often fails to translate into actionable feedback. When data systems prioritise reporting requirements over meaningful analysis, they can become administrative burdens rather than tools for improving practice.

This creates a dual challenge: some systems lack relevant data for targeting, baselines, verification, evaluation and learning, while others collect data that is not used to improve access and quality of ECCE provision.
The children most at risk of exclusion are often the least visible in administrative data, making it difficult to track whether policies are improving equity in access to and quality of ECCE provision.

Readiness considerations

For OBF, data readiness does not necessarily mean that a complete ECCE data system already exists. It means that programme designers can identify what data is needed for targeting, baseline setting, monitoring, verification, evaluation and learning, and can determine whether existing systems can be used or whether new tools and processes must be built.

OBF responses to measurement and data challenges

Because payments depend on verified results, OBF places data and measurement at the centre of programme design. OBF can help address this challenge by requiring programmes to identify a limited set of clearly defined indicators and verification processes, encouraging more focused measurement systems. It can also mobilise resources to develop or adapt child development assessment tools, quality measures, data platforms, evaluation systems, and verification processes where these are not already in place.

Contracts typically require agreement on:

- which outcomes matter, including outcomes relevant to holistic child development and equity
- how they will be measured
- who collects, manages and verifies the data
- how data will be reported, stored and governed for verification, evaluation and learning

Measurement in ECCE systems involves multiple actors, data sources and data flows. The table below clarifies how data may move from collection to use.

Actor, tool or data source	Data generated	Where the data goes	Relevance for OBF
Government inspectors	Compliance and quality data linked to national standards	Government quality assurance and monitoring systems	May support verification of structural or process quality indicators
Service providers	Routine programme data, attendance, participation, delivery and outreach information	Provider management systems and government or funder reporting systems	Tracks participation, targeting, retention and delivery metrics
Independent evaluators or verifiers	Outcome measurement and verification data	Outcome payer, commissioner, funder, and evaluation and learning systems	Confirms whether agreed outcomes have been achieved
Child assessment tools used by providers, evaluators or verifiers	Child development data across relevant domains	Programme monitoring, evaluation, and where appropriate national measurement systems	Provides evidence of child development outcomes

Limits and considerations

If measurement frameworks for OBF are developed outside government systems, they risk creating parallel reporting burdens.

Measurement and verification processes also require resources and technical capacity. These include data collection, independent verification, evaluation and reporting systems. In contexts with limited data infrastructure, these requirements can place significant demands on systems and providers. Policymakers and OBF designers may need to consider whether these requirements are feasible and proportionate to the expected benefits.

There is also a risk of narrowing measurement to outcomes that are easiest to observe or quantify. Early OBF programmes have often focused on early literacy and early numeracy indicators. However, child development in ECCE is holistic and includes socio-emotional, language, motor, and executive function domains. Outcome frameworks therefore need to reflect this broader understanding of child development to avoid distorting priorities of educators and service providers.

Finally, measurement challenges are particularly acute for children with diverse developmental trajectories, including children with disabilities or those from different linguistic or cultural contexts. If measurement systems are not adapted to capture these differences, they risk reinforcing existing inequities rather than addressing them. This is why the development, adaptation and validation of child development assessment tools can itself be an important objective within an OBF initiative, rather than only a precondition for one.

Decision lens

When OBF is likely to help: OBF may be most useful where minimum data functions exist or can be built into the design, and where there is a need to focus measurement on a smaller set of clearly defined and meaningful outcomes.

Minimum data functions include the ability to identify target populations, establish baselines, monitor participation and quality, and verify results in a credible way. In such contexts, linking payments to verified results can encourage more purposeful data use and strengthen alignment between measurement and programme objectives.

When OBF may be less appropriate: OBF may be less appropriate where data systems are largely absent, unreliable, or highly fragmented and the programme is expected to rely on those systems immediately for payment verification. In such contexts, investing in foundational data infrastructure and measurement capacity may be a more effective priority. However, OBF can also be designed specifically to build data systems or assessment tools, if this objective is explicit, feasible, and resourced.

Case study: Sierra Leone ECCE Outcomes Fund

The challenge
Reliable measurement of child development and service quality remains one of the persistent challenges in ECCE systems. Many countries lack tools that capture holistic development across multiple domains.

The programme
The Sierra Leone ECCE Outcomes Fund is designed by the Government of Sierra Leone in partnership with the Education Outcomes Fund to provide high-quality ECCE services for children aged 3-5 in underserved remote communities.

How OBF addressed the challenge
Because outcome payments depend on verified results, measurement is central to programme design. The initiative combines:

- International Development and Early Learning Assessment (IDELA) to measure children's development across cognitive, language, socio-emotional, and motor domains.
- Composite checklists to assess structural and process quality in ECCE centres, based on national standards with selected elements adapted from international tools such as the Brief Early Childhood Quality Inventory (BEQI).

Both tools were selected through consultation with government stakeholders and adapted to local contexts. The programme also invested in enumerator training and verification processes to support reliable data collection.

Use case 3: Policy fragmentation and poor accountability across ECCE systems

System issue	What this means in practice	Potential contribution of outcomes-based approaches
Fragmented governance across ministries and levels of government	Responsibilities split across education, health, social protection systems, and national and local governments	Shared outcomes frameworks that align actors around common results and, where appropriate, support pooling or alignment of funding

The structural problem

ECCE systems are often characterised by fragmented governance.

Responsibility for early childhood services is often distributed across multiple ministries and levels of government. Ministries of education may oversee pre-primary education, while childcare services, caregiver support, or nutrition programmes fall under ministries responsible for social protection, health, or family policy. In some contexts, local or municipal governments also play a central role in financing and delivering services.

Service delivery through a mix of public and non-state providers can make coordination and accountability more challenging, particularly where providers operate under different funding arrangements, regulatory frameworks, and reporting systems.

Together, these governance and service delivery arrangements can make it difficult to align policy objectives and financing across the system.

Where responsibilities are spread across sectors and levels of government, each with distinct mandates, funding streams, and reporting structures, it can become harder to coordinate key functions, such as expansion, workforce development, and quality assurance, or to link spending decisions to shared outcomes for children.

Readiness considerations

OBF may reinforce existing coordination arrangements or be designed to create a shared outcomes framework where alignment is weak. However, if the aim is system-wide coordination, there is likely to be a need for sufficient government demand, institutional authority and willingness among ministries, departments or levels of government to use a common results framework.

OBF responses to coordination challenges

OBF mechanisms place outcomes at the centre of programme design. By defining a shared set of results, such as improvements in child development, quality of educator-child interactions, or caregiver engagement, OBF can create a common reference point for actors operating across fragmented systems.
In arrangements involving public agencies, performance-based transfers can align incentives between national and subnational governments. A portion of funding may be linked to improvements in quality indicators, access for disadvantaged groups, or verified child development outcomes. Such arrangements may also be relevant for aligning different ministries or departments at the national level where responsibilities for ECCE, workforce development, health or social protection are split.

In public-private arrangements, where funding is public but service delivery is led by non-state providers, outcomes-based contracts can align those providers with national priorities. Governments retain responsibility for setting outcomes and verifying results, while providers have flexibility in how services are delivered.

Several OBF and RBF instruments can bring together or align multiple funding sources, including public, philanthropic, and bilateral development finance. Outcomes funds are one type of OBF instrument that can do this through a shared outcomes framework, but pooled or aligned funding is not exclusive to outcomes funds.

However, experience from existing initiatives suggests that outcomes frameworks alone do not automatically overcome institutional fragmentation. Clear governance arrangements are likely to be important for defining roles in commissioning, financing, measurement, and verification.

Limits and considerations

OBF can help structure collaboration across fragmented systems, but it cannot replace political commitment to coordination. Governments are likely to require mechanisms to align budgets, clarify institutional responsibilities, and ensure that data systems and verification processes operate across ministries. Without these foundations, outcomes-based contracts may remain limited to programme-level applications rather than contributing to broader system reform, even though they can, in principle, be designed to operate at system level.

In practice, OBF is likely to be most effective when it is embedded within broader governance reforms that strengthen coordination across ECCE systems.

Decision lens

When OBF is likely to help: OBF may address coordination challenges where multiple actors are involved in ECCE delivery and either already have some alignment around shared outcomes or are willing to work toward one. Linking financing to common results can help create a shared reference point for coordination and clarify accountabilities across ministries, levels of government, and providers.

When OBF may be less appropriate: OBF is less likely to improve coordination where governance structures are highly fragmented and mechanisms for collaboration are weak, if the objective is system-wide coordination. In such contexts, outcomes-based contracts may still be appropriate at programme level, but they should not be expected to strengthen system-wide coordination unless coordination mechanisms are part of the design.

Case study: ParentChild+ programme (United Kingdom)

The challenge
ECCE services often span multiple sectors, including education, social services, and family support. Fragmentation across these actors can make it difficult to coordinate interventions that support children holistically.

The programme
The ParentChild+ programme, funded through the UK's Life Chances Fund, delivered home-visiting support to families with children aged 2-3 who were at risk of delays in speech, language, and social development.

How OBF addressed the challenge
The outcomes-based contract linked payments to improvements in children's speech and socio-emotional development, as well as caregiver engagement outcomes.

This structure aligned incentives across local authorities, service providers, and partner organisations involved in family support services. The shared outcomes framework encouraged collaboration across early years services and safeguarding teams, helping integrate interventions around child and family outcomes.

Although the programme remained primarily within the education domain, it illustrates how outcomes frameworks can bring together actors across sectors around shared objectives.

Use case 4: Expanding access without compromising quality

System issue	What this means in practice	Potential contribution of outcomes-based approaches
Expansion pressures	Lack of system capacity to provide quality services to all children who are eligible or in need	Financing linked to both access and quality indicators, including incentives for underserved populations

The structural problem

Demand from families and communities for ECCE services is increasing in many contexts, while policy commitments, public funding pressures and demographic pressures require governments to expand provision.

Many countries face pressure to expand access to ECCE services, particularly for disadvantaged children.

Expansion brings complex challenges: infrastructure constraints limit the number of available places. Workforce shortages restrict the ability to maintain quality standards. Regulatory requirements may slow the registration of new centres. Fiscal pressures constrain governments' ability to scale programmes. Traditional input-based financing may struggle to manage this complexity, particularly where public funding is limited, leading to expansion that prioritises numbers over quality.

In many ECCE systems, expansion occurs across a mix of public and non-state provision. In some contexts, governments expand services through pre-primary classrooms attached to public primary schools or government-managed early childhood centres. In others, expansion relies heavily on NGOs, private providers, faith-based organisations, or community-based organisations. This mix of provision can help expand access, but it can also contribute to uneven quality and fragmented accountability across providers.

Equity concerns are closely linked to expansion. Higher-income households may be able to access higher-quality or fee-based services, while low-income, rural or remote households may lack affordable services or any service nearby. Expansion strategies therefore need to consider not only how many places are created, but who can access them and at what level of quality.

Readiness considerations

OBF is more feasible where the main challenge is not simply the absence of infrastructure or workers, but how expansion is financed, regulated and linked to quality. Where supply is severely constrained, public investment in infrastructure, workforce and regulation is likely to remain the starting point.

OBF responses to expansion challenges

OBF does not usually address infrastructure gaps or workforce shortages directly unless these are explicitly built into the design. Its potential contribution often lies in how expansion is financed and managed, particularly in systems where governments rely on a mix of public and non-state providers to scale services. However, OBF could also be applied more creatively to workforce development, provider registration, infrastructure improvement, or other system constraints where the underlying conditions for OBF are present and suitable payment metrics can be defined.

Outcomes-based approaches may encourage expansion strategies that incorporate both access and quality objectives. In practice, this can take several forms:

- Outcomes-based contracts with non-state providers may link public or donor funding to improvements in service quality or child development outcomes.
- Performance-based transfers may incentivise subnational governments to expand services in underserved areas while meeting quality standards.
- Outcomes funds may combine financing for service expansion with payments tied to verified improvements in children's development.
- Outcomes-based contracts with non-state actors that support ECCE providers may link funding to successful provider registration, where registration requires providers to meet minimum standards and complete administrative processes.

Limits and considerations

OBF cannot compensate for structural shortages in infrastructure or workforce capacity on its own. Expansion strategies are likely to be most effective when grounded in sustained public investment and effective regulatory oversight.

Outcomes-based incentives can help shape provider behaviour, particularly among non-state providers contracted or financed to deliver ECCE services, but they are likely to be most effective when combined with broader reforms that strengthen workforce training, provider registration systems, and quality assurance mechanisms.

When integrated into these wider reforms, outcomes-based approaches may help ensure that expansion efforts improve both access and quality.

Decision lens

When OBF is likely to help: OBF may address this element of the system where ECCE systems are already expanding and where the challenge is to improve the quality of that expansion, including for underserved populations.

When OBF may be less appropriate: OBF is less suitable where expansion is primarily constrained by infrastructure, workforce supply, or financing gaps, unless those constraints are explicitly included in the OBF design and can be addressed through credible, measurable and feasible payment metrics.

Case Study: Child-Parent Center Pay-for-Success (Chicago, USA)

The challenge
Expanding ECCE provision often risks prioritising enrolment numbers over quality improvements. Policymakers need to consider whether scaling access also supports child development outcomes.

The programme
The Child-Parent Center Pay-for-Success initiative in Chicago expanded access to high-quality preschool programmes for children from low-income households.

How OBF addressed the challenge
Private investors provided upfront capital to expand preschool services. Outcome payments from government were linked to long-term educational indicators, including reductions in special education placements and improvements in school readiness.

By tying payments to these outcomes, the programme aimed to ensure that expansion of preschool access translated into measurable developmental gains rather than simply increased enrolment. The initiative also incorporated family engagement components and professional development for educators, recognising that improving outcomes required strengthening multiple elements of the ECCE system.

Equity and inclusion as cross-cutting design considerations

Equity and inclusion cut across all uses of OBF in ECCE. They are introduced here as a cross-cutting design consideration because OBF can either reduce or reinforce inequities depending on how outcomes, payments, targeting and verification are designed.

System issue	What this means in practice	Potential contribution of outcomes-based approaches
Persistent inequities	Disadvantaged children least likely to access high-quality services	Payment structures rewarding inclusion and progress of disadvantaged groups

Across all the issues above, a common concern emerges: persistent inequities in access to high-quality provision. Equity and inclusion therefore cut across each of the system issues discussed in this note. The design of financing mechanisms, outcome frameworks, and governance arrangements all influence whether ECCE systems reduce or reinforce existing disparities.

Children from poorer households, rural communities, linguistic minorities, refugee populations, and children with disabilities are consistently less likely to access high-quality ECCE services.

OBF does not automatically promote equity. Its impact depends on whether equity considerations are embedded in outcome definitions, payment structures, and verification frameworks.

Equity-sensitive design features may include:

- explicit targeting and eligibility criteria for disadvantaged groups
- differentiated or weighted payments for outcomes achieved with children who require additional support, where appropriate
- improvement-based targets that reward progress rather than absolute benchmarks
- disaggregated monitoring of outcomes across population groups
- holistic development indicators rather than narrow academic measures

When designed carefully, outcomes-based approaches can help make disadvantaged children more visible within ECCE systems and align resources with outcomes for disadvantaged children.

However, without explicit safeguards, OBF risks reinforcing existing inequities by rewarding providers that serve children who are easiest to reach or support.

Case Study: Rwanda ECCE Outcomes Fund

The challenge
Children with disabilities are often excluded from ECCE systems because they are not identified in data, face systemic barriers to participation, and are less likely to be prioritised by service providers. Standard outcome measures may not capture their development, increasing the risk of exclusion in results-based programmes.

The programme
The Rwanda ECCE Outcomes Fund, led by the Government of Rwanda in partnership with the Education Outcomes Fund, is designed to improve the quality of community-based ECCE services in rural areas while embedding disability inclusion from the outset.

How OBF addressed the challenge
In this programme, inclusion is embedded in measurement and incentive design. Outcome payments are linked to improvements in structural quality, process quality, and child development outcomes.

To reflect the additional support needs of children with disabilities, the per-child payment for improvements in child development outcomes is higher for children with disabilities. This means disability inclusion is reflected in the outcome pricing formula, rather than through a direct payment for enrolment alone.

Inclusion is also integrated across programme implementation, including screening, centre support, and coordination. The VAST lens (Visibility, Attunement, Safety, Togetherness) was used to guide contract design, service provider selection and onboarding, aiming to ensure that children with disabilities are identified, supported, and included while reducing the risk of exclusion in outcomes-based models.

Recommendations

Governments considering outcomes-based approaches in ECCE may wish to consider the following recommendations.

Embed outcomes frameworks within public systems
Outcomes-based programmes are most effective when integrated into existing public financing and governance arrangements. Aligning outcomes with national standards, budget processes, and monitoring systems can help ensure that programmes strengthen public systems rather than creating parallel structures.

Prioritise structural quality, workforce quality and process quality
Improving child development outcomes depends in part on structural quality and on the quality of interactions between educators and children. In practice, outcomes frameworks that include indicators related to safe and adequately resourced settings, process quality, supervision and professional development are more likely to support improvements in child development outcomes.

Strengthen measurement systems that support learning and improvement
Outcome measurement is most effective when it supports learning and improvement, rather than functioning solely as a reporting requirement. Investments in data systems, verification processes, evaluation systems, and measurement tools can enable feedback loops for educators, providers, and policymakers.

Align incentives across fragmented ECCE systems
Because ECCE systems often involve multiple ministries and providers, outcomes frameworks can provide a shared reference point for coordination. Where accompanied by clear governance arrangements that define roles in financing, data collection, and verification, outcomes-based contracts are more likely to support alignment across actors.

Embed equity and inclusion in programme design
Outcomes-based financing does not automatically improve equity. Where payment structures, outcome indicators, and verification systems explicitly prioritise disadvantaged groups, including children with disabilities and those in underserved communities, programmes are more likely to reach those most at risk of exclusion.

Adopt a gradual and adaptive approach
Given the complexity of ECCE systems, governments may benefit from starting with appropriately sized pilots or sequenced programmes and gradually scaling outcomes-based approaches as institutional capacity and evidence grow.

Conclusion

ECCE systems play a critical role in shaping children's development and long-term life opportunities. Yet improving quality and equity within these systems remains a persistent challenge.

OBF offers one approach for addressing these challenges by linking financing more directly to results for children. When carefully designed, outcomes-based approaches can encourage collaboration across fragmented systems, strengthen measurement and accountability, and direct resources toward interventions that improve children's development.

At the same time, OBF is not a stand-alone solution. Its success depends on sustained public investment, strong governance structures, and careful attention to workforce development, structural quality, process quality, data systems, and equity considerations. It also depends on system-readiness conditions: government demand or policy alignment, data readiness, economic and political stability, and market capacity.

For governments seeking to strengthen ECCE systems, the key question is therefore not whether to adopt outcomes-based financing as a replacement for existing approaches, but how outcomes-oriented approaches can be integrated into broader policy and financing strategies to support better outcomes for all children.

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