Collective Learning Initiative for Outcomes Based Finance in Early Childhood Care and Education (ECCE)

Lessons from the 4th Knowledge Session – Where to next for Outcomes-Based Financing in ECCE

18th June 2025

Introduction to the CLI

The Collective Learning Initiative (CLI) on Outcomes-Based Financing for Early Childhood Care and Education (OBF4ECCE), was commissioned by the Education Outcomes Fund (EOF), in 2024, with the aim of building and strengthening connections between stakeholders at the intersection of outcomes-based financing (OBF) and Early Childhood Care and Education (ECCE) to enable and encourage peer-to-peer learning and collaboration.

Over the past year, this community has expanded global knowledge on OBF in ECCE through workshops, interviews, shared reflections, and publication of knowledge products.

On June 18, 2025, in the 4th Knowledge Exchange session, practitioners and researchers working in ECCE and OBF came together to discuss the current status of OBF4ECCE, and what is needed in the field to contribute to ensuring that OBF models are used to improve financing for quality ECCE. This knowledge exchange session brought participants together to reflect on recent shifts and tackle persistent challenges in embedding OBF in complex, fragmented real-world ECCE systems using adaptable models. This document is a synthesis of the discussion and insights that came out of the session.

Summary of Key Insights

1. A Shift Towards Systems Thinking
Participants observed that OBF models are increasingly designed to strengthen whole systems, not just deliver services. New projects are embedding system-level goals — from governance and procurement to data infrastructure — acknowledging that better outcomes require robust institutional foundations.

2. Changing Donor Priorities
Shrinking aid budgets and a focus on value-for-money are pushing funders to see OBF as a way to target scarce resources at measurable results.

3. Equity and Inclusion Front and Centre
There is a stronger push to adapt OBF to reach marginalised children, including inclusive education for children with disabilities and multilingual approaches.

4. Rethinking Evaluation and Learning
With fewer resources for large-scale RCTs, the community is exploring lighter-touch, practical learning loops that keep rigour without stalling projects.

5. Governments as Champions
Some governments are sharing their OBF lessons with peers, building momentum for normalising OBF within national policy frameworks. Yet concerns remain about capacity and the cost of rigorous monitoring under tight budgets.

Detailed Session Take-aways

Recent developments in OBF4ECCE

Participants shared their perspectives on recent shifts and developments in OBF in the ECCE space. Several themes emerged.

a. **Growing emphasis on systems strengthening in OBF**

   A number of participants noted that OBF projects are beginning to embed system-level outcomes into their design and payment structures. This reflects a broader recognition that sustainable improvements in ECCE require more than service delivery. They demand robust infrastructure which may include changes to procurement, governance, and institutional processes, and OBF may have a role to incentivise actors in making these changes.

b. **Shifting donor landscape and implications for OBF**

   Participants pointed to changes in global funding landscapes, including reduced aid budgets and a growing interest in value-for-money models. The further resource crunch in education finance has elevated OBF as a potential tool for targeting limited resources toward measurable outcomes for both donors and national governments.

c. **Greater attention to equity and inclusion**

   There was a noticeable focus on equity and inclusion in new OBF4ECCE projects. Project designers are exploring how OBF models can be adapted to better serve marginalised populations, including through inclusive education approaches, bilingual programming, and disability-responsive outcomes.

d. **Questions around evaluation rigor and sustainability**

   Several contributors observed a declining appetite for highly rigorous impact evaluations, such as randomised controlled trials (RCTs), amid constrained funding environments. In parallel, there is growing interest in sustainability and practical learning loops over academic precision.

e. **Momentum and peer learning among governments**

   Participants discussed that they are encouraged to see that some governments are now recommending OBF approaches to peers based on their own implementation experience, suggesting a gradual normalisation of these models in policymaking circles. One participant observed that governments are increasingly open to OBF as a way to align fragmented funding sources and drive coherence in how programmes are

designed and evaluated. At the same time, others raised concerns about the feasibility of rigorous monitoring or verification processes under shrinking budgets. Others also discussed the limited capacity of officials in assessing whether and which models of OBF could be used within ECCE.

f. **Focus on underlying systemic conditions**

Civil society perspectives highlighted the importance of identifying and strengthening the foundational conditions such as leadership capacity, data systems, and regulatory environments that enable improved outcomes.

g. **Concerns about underutilised ECCE funding**

It was also noted that, in some contexts, even when budget allocations for ECCE exist, they are not fully utilised indicating potential capacity or coordination gaps within government systems.

Critical challenges and opportunities in OBF4ECCE

The session's breakout groups tackled four big themes:

1. **Designing for Quality and Equity in Fragmented Systems:** One of the clearest takeaways was that high-quality, equitable ECCE is impossible without coordination and inclusive design. Many countries have multiple ministries, agencies, and private providers working with disconnected standards, budgets, and goals, making it hard to deliver consistent results for children. The community highlighted several practical ways to close these gaps -

    - **Clear leadership:** Some countries are setting up central bodies to align standards and integrate services across education, health, and social protection.
    - **Shared metrics:** Simple, comparable indicators such as attendance or retention, can help different providers aim for the same outcomes.
    - **Equity by design:** Policies should actively include children with disabilities and those who risk being left out, backed by funding that reflects the higher costs of inclusive practice.
    - **Local expertise:** Designing programmes with national ECCE experts keeps solutions realistic and grounded in local realities.

    Overall, there was a broad agreement that outcomes-based finance can help tie all this together by aligning fragmented actors around measurable goals, driving accountability and shining a light on where coordination still needs to improve.

2. **Risks of Bypassing Government Systems in OBF for ECCE:** The community acknowledged that it can be tempting in some places, to work around weak government systems by setting up parallel OBF projects. In most countries, ECCE services are largely provided by private providers. OBF models like impact bonds or impact-linked loans, can bring in private investors to directly finance private provision with private household paying for the services. While working outside the

government system might deliver quick wins, it risks undermining scale and long-term sustainability. Governments remain essential for reaching children equitably, yet public finance systems are not always set up for performance-based models. This tension makes it even more important to work *with* governments, not around them. Practical recommendations include to -

- **Align with existing tools:** Even where systems are weak, it's better to use approved national standards than build something new from scratch.
- **Find champions:** Building relationships with supportive leaders inside government can help keep OBF aligned with national goals.
- **Don't overpromise:** New financing models shouldn't be trendy distractions — they must strengthen, not fragment, core public systems.
- **Combine models:** Sometimes input-based grants can run alongside OBF, ensuring basic system functions stay funded while outcomes models push for better results.
- A**ssess the role of private investors:** Inclusion of private investors in OBF models is sometimes considered a "given". Participants discussed that not all circumstances require private investors, or in some cases private investment may not be the best "value-for-money" approach. Government financial management systems could be designed to incorporate OBF models that do not require private investors.

The conclusion was that long-term success hinges on strengthening public systems, not creating parallel structures that undercut national ownership.

3. **Driving System Reform and Market Development:** Many agreed that OBF can push broader reform but only where it is intentional and embedded in public systems for the long term. OBF can support reforms like -

- **Stronger policies and standards:** Tying payments to national policies, like mandatory preschool years, helps put rules into practice.
- **Smarter and innovative budgets:** Linking budgets to outcomes can help countries get more value from limited resources, but effective legal frameworks must evolve to enable this.
- **Better-trained workers:** Contracts can be used to raise professional standards and training for ECCE staff.
- **Aligned curricula and materials:** Outcomes-focused procurement can shape what children actually learn.
- **Longer-lasting impact:** Investments should leave behind skills, shared data, and better governance not just pay for short-term targets.

However, all of this takes patience and realism. System reform means transaction costs, political ups and downs, and sometimes slow progress. The community called for better documentation of what works and also honest narratives that manage expectations about what OBF can realistically deliver.

4. **Navigating Fragile Systems:** In fragile or under-resourced settings, it was emphasised that flexibility is vital, however it must be balanced with clear standards to avoid unintended costs or declines in quality. Designing flexible yet credible models involve -

    - **Putting families first:** Programmes need to fit around real caregiver lives, encompassing working hours, transport and affordability.
    - **Keeping quality high:** Flexibility must still guarantee minimum standards so parents can trust services.
    - **Building for the long term:** Flexibility should build local capacity, not create inconsistency that can't be sustained.

    Above all, the community stressed that lasting change requires trust, patient partnerships, and realistic expectations. Without investment in coordination, regulation, and learning, OBF risks staying stuck at pilot stage rather than transforming entire systems.

Spotlight Initiatives

Bogotá's City-Led OBF Programme
A new city-run programme in Bogotá aims to boost attendance and service quality for 5,000 young children in ECCE. It embeds OBF within public structures, with USD8.7 million in results-based payments through 2025 — a signal that OBF can move beyond donor pilots to local ownership.

Education Outcomes Fund (EOF) Expands in Africa
EOF's large-scale ECCE programmes in Sierra Leone, Rwanda, and South Africa are scaling enrolment, improving service quality, and tracking child development using blended evaluation approaches. A series of technical briefs is being developed, drawing on experience from these programmes, to support the field of measurement tools, pricing outcomes, and disability inclusion for OBF projects in ECCE.

Closing Reflections

The discussions challenged assumptions about flexibility, private finance, and governments, bringing sharper focus to the fact that OBF is not a catch-all solution. However, the participants reflected that with thoughtful design, government buy-in, and strong local partnerships, OBF can help align fragmented actors, boost accountability, and drive real improvements in how children, caregivers and families experience care and learning.

For everyone working to expand access to quality ECCE — funders, governments, providers, and communities alike — the message is simple: no one can go it alone. Building fair, effective and holistic systems for young children demands shared vision, clear outcomes, and a commitment to learning and adapting together.

Still, open questions remain on co-funding, evidence-sharing, balancing investor participation, and amplifying underrepresented voices. CLI's next steps include deepening shared learning, refining practical guidance, and strengthening collective capacity to use OBF

not just as a project tool, but ensure that it creates a pathway for lasting, equitable system change in early childhood care and education.