

Outcomes Funds for Education

Outcomes funds are a valuable funding model for outcomes-based partnerships with non-state actors in the education sector.

Outcomes funds differ from more common forms of contracts used for the delivery of social services, such as fixed-price contracts or cost-reimbursable contracts, as outcomes funds pay only if pre-specified outcomes are achieved.

Rather than focusing on activities, such as the implementation of an education programme, or outputs, such as the number of teachers a programme trained, **outcomes funds prioritize the achievement of outcomes**, such as improving literacy and numeracy skills.

Often created under government stewardship, outcomes funds **pool funding from multiple sources** (which could include government and non-state actors) to **contract multiple service providers** to achieve **pre-specified outcomes**. Outcomes funds enable the development of **multiple outcomes-based contracts** under a common framework.

Different service providers may implement different education interventions and **adapt and innovate** their intervention models while the programme is ongoing. The outcomes of the programmes are **evaluated by an independent evaluator** and **payment is only made upon the successful achievement** of the pre-specified outcomes.¹

Outcomes funds can **enhance the effectiveness of government partnerships with non-state actors** to achieve government policy priorities at different levels of education, including early childhood care and education, primary education, and technical and vocational education and training. Outcomes funds can target policy priorities such as improved early learning outcomes, increased attendance for out-of-school children or increased number of young people finding sustained employment.

¹ A common misconception is that outcomes fund payment disbursement is binary or based on reaching a threshold. However, outcomes fund payment disbursement should always be on a scale.

Key steps for designing and implementing an outcomes fund

- 1 Defining outcomes and designating funding** – one or multiple actors (government and/or non-state) pool funding. The pre-specified outcomes are chosen, along with the evaluation approach and data that will be used to measure and evaluate these outcomes.
- 2 Selection and contracting** – service providers apply with their proposed education intervention and those that are selected are contracted to achieve the pre-specified outcomes. This stage can also include the selection of impact investors who can aid in pre-financing the service providers to implement their interventions (*see box*).
- 3 Programme implementation** – service providers implement programmes with the flexibility to adapt and adjust the interventions as they go. Data are collected throughout the programme's implementation, monitoring progress and effectiveness, which informs adaptation.
- 4 Verification of results** – an external independent evaluation is carried out over the course of the programme to measure the impact of the various interventions on pre-specified outcomes. This also helps identify the most effective interventions and best practices.
- 5 Payment** – if outcomes are achieved, service providers and, where relevant, impact investors (*see box*) are paid a price per outcome. Payment can include a premium for specific outcomes, such as outcomes for particularly vulnerable populations.

Pre-financing to support interventions

Service providers may require upfront capital to deliver the education interventions. This can be provided by impact investors, which provide the upfront capital to run the interventions and are only paid if the pre-specified outcomes are achieved. Payment to impact investors can include a return to investment for bearing the financial risk of implementation and the cost of capital. Impact investors can also offer support to service providers throughout implementation to enhance programme effectiveness.

Why choose an outcomes fund?

- ▶ **Government leadership** – outcomes funds can improve government partnerships with non-state actors. Outcomes funds align public and private stakeholders and facilitate government stewardship over these partnerships. Additionally, outcomes funds can incorporate other governmental priorities into their financial framework, for example a focus on gender equity.²
- ▶ **Effective spending** – outcomes funds prioritize effective spending by tying financial support directly to proven outcomes rather than activities or outputs. This approach ensures accountability within the fund structure, emphasizing results and efficient use of resources.

² The Education Outcomes Fund (EOF) supported the launch of two outcomes funds for basic education in collaboration with the governments of Ghana and Sierra Leone. Both governments incorporated gender equity into the financial incentive structure of the outcomes fund, with girls' learning gains receiving higher outcomes payments.

- ▶ **Impact at scale** – outcomes funds align multiple actors to create impact at scale. They enable governments to work with multiple organizations under one framework and increase the capacity to scale interventions. This scale has lower associated transaction costs and greater value for money.
- ▶ **Likely impact** – outcomes funds create reputational and financial incentives that encourage actors to focus on outcomes, not activities, increasing the likelihood of achieving impact. Additionally, continuous data provision and peer-to-peer learning can inform the adaptation of approaches to increase the likelihood and size of impact.
- ▶ **Evidence generation** – having multiple intervention types that are externally evaluated enables context-specific evidence generation. This knowledge of what works best can be used to design future education interventions that can be scaled up by government.

CASE STUDY



The Sierra Leone Education Innovation Challenge

In 2022, the Government of Sierra Leone, in collaboration with the Education Outcomes Fund (EOF), launched the Sierra Leone Education Innovation Challenge (SLEIC) with a budget of US\$18 million. SLEIC pooled funding from the Government of Sierra Leone, UK Aid Direct, Korea International Cooperation Agency, Bank of America and the Hempel Foundation. SLEIC aims to enhance the learning outcomes for 134,000 children aged 6 to 12 in government schools across Sierra Leone.

SLEIC has contracted five service providers – EducAid, Street Child, Rising Academy Network (all three supported by Bridges Outcomes Partnership), National Youth Awareness Forum (supported by the Rockdale Foundation) and Save the Children – to improve student literacy and numeracy skills, with a specific focus on girls. Over the course of three years, SLEIC will pay for the outcomes achieved.

SLEIC aims to generate context-specific data on which intervention models are the most effective to be scaled up by the Government. Though still in its early stages, SLEIC's initial results are promising.

- ▶ **Find more information on SLEIC at** www.globalpartnership.org/blog/unlocking-learning-outcomes-sierra-leone-education-innovation-challenge.

Considerations when establishing an outcomes fund

- ▶ **Technical capacity** – the development of outcomes-based contracts requires technical know-how. However, there are organizations, such as the Education Outcomes Fund (EOF), with institutional expertise and capacity in the design, contracting and management of outcomes funds. These organizations can support governments and bring together stakeholders to leverage their expertise and make use of pre-existing contract designs to create successful outcomes funds.
- ▶ **Costs** – like any education programme, designing an effective outcomes fund involves considerations of transaction costs. However, outcomes funds can produce better value for money. By considering outcomes from the beginning of design, outcomes funds are more likely to have higher impact and pay for what works. Additionally, given the larger scale of outcomes funds contracting multiple service providers, transaction costs can be lower than without this framework. Outcomes funds can also produce evidence on which interventions are the most cost-effective.

- ▶ **Incentive structures** – when establishing an outcomes fund, it is important to consider the unintended consequences of creating perverse incentives. For example, service providers could be incentivized to focus on easier-to-reach groups. Careful programme design and ongoing evaluation can mitigate this risk through specifically targeting equity as an outcome. For example, attaching higher outcomes payments to marginalized or disadvantaged groups encourages service providers to design and implement programmes with a primary goal of reaching these groups.
- ▶ **Long-term impact** – the finite nature of outcomes-based contracts may seem to lack the ability to achieve long-term, sustained impact. However, if designed with sustained impact in mind, outcomes funds can serve as catalysts for lasting change by promoting efficiency, accountability and adaptability. Outcomes funds encourage the identification of the most effective interventions to scale further.

Further resources

- ▶ For an introduction to outcomes funds and an overview of the global landscape of outcomes funds, see the guide to outcomes funds (<https://golab.bsg.ox.ac.uk/the-basics/outcomesfunds/>) from Government Outcomes Lab (Blavatnik School of Government, University of Oxford).
- ▶ For further information on outcomes-based contracting, consider exploring Healthy Brains Global Initiative's capacity-building workshops (www.hbgi.org/videos/capacity-building-workshops), which can be viewed on demand at no cost.
- ▶ For insights on outcomes funds for early childhood care and education (ECCE), see the EOF concept paper (www.educationoutcomesfund.org/post/outcomes-based-finance-early-childhood-care-and-education) that outlines the challenges for governments in the provision of ECCE services and considers the potential of outcomes funds to address these challenges.

About the Education Outcomes Fund

The Education Outcomes Fund (EOF, www.educationoutcomesfund.org) is an independent fund hosted by UNICEF with a mandate to champion outcomes-based financing for education. EOF builds partnerships across public, private, philanthropic and social actors, mobilizing funding, evidence and innovation to improve learning and employment outcomes for disadvantaged children and youth. EOF supported the launch of the two largest outcomes funds for education in collaboration with the governments of Ghana (www.gprba.org/news/official-launch-30-million-ghana-education-outcomes-project) and Sierra Leone (www.educationoutcomesfund.org/post/unlocking-learning-outcomes-the-sierra-leone-education-innovation-challenge).

Since 2022, EOF has been supporting the governments of Rwanda, Sierra Leone and South Africa in the development of three outcomes funds for early childhood care and education. Additionally, EOF is supporting the Government of Tunisia in the launch of an outcomes fund for skills for employment in Tunisia.

If you are interested in EOF's work with outcomes funds and would like to set up a meeting to discuss potential areas of collaboration, please contact comms@edufundmea.org.