

Case Brief

Education Outcomes Fund

Authors

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Introduction

Hosted by UNICEF, the Education Commission¹ and Global Steering Group for Impact Investment (GSG)² have created the Education Outcomes Fund (EOF) for Africa and the Middle East. Through its funding model of paying for the achievement of predetermined outcomes, the EOF aspires to provide effective, efficient and scalable solutions to achieve Sustainable Development Goal (SDG) 4³. The Fund's goal is to improve national education systems by seeking to provide inclusive quality education and training for 10 million children and youth across Africa and the Middle East. To do so, it aims to make USD 1 billion available by 2030 to support governments' efforts in financing education and youth employment. In 2022, the first two projects financed by the EOF were launched in Ghana and Sierra Leone.

The Problem

The world has been facing an urgent learning crisis in which children are attending school but are not learning—a challenge that has only been exacerbated by the COVID-19 pandemic. This challenge is particularly acute in North Africa and the Middle East (Education Outcomes Fund, n.d.-a). Over half of the children and youth in this region fail to reach minimum proficiency in reading and maths, meaning that many are unable to read and understand an age-appropriate text by the age of 10 (World Bank, 2021). Without significant improvements in education funding and policy by 2030, 1 billion children will be denied basic skills, posing a threat to their lives and livelihoods, as well as to global prosperity and security. The current financing for education is not only insufficient but also ineffectively used, with a heavy focus on inputs and activities rather than on learning outcomes. In a study by Lee (2021), only half of the education interventions in low- and middle-income countries investigated were found to have a positive impact on learning outcomes.

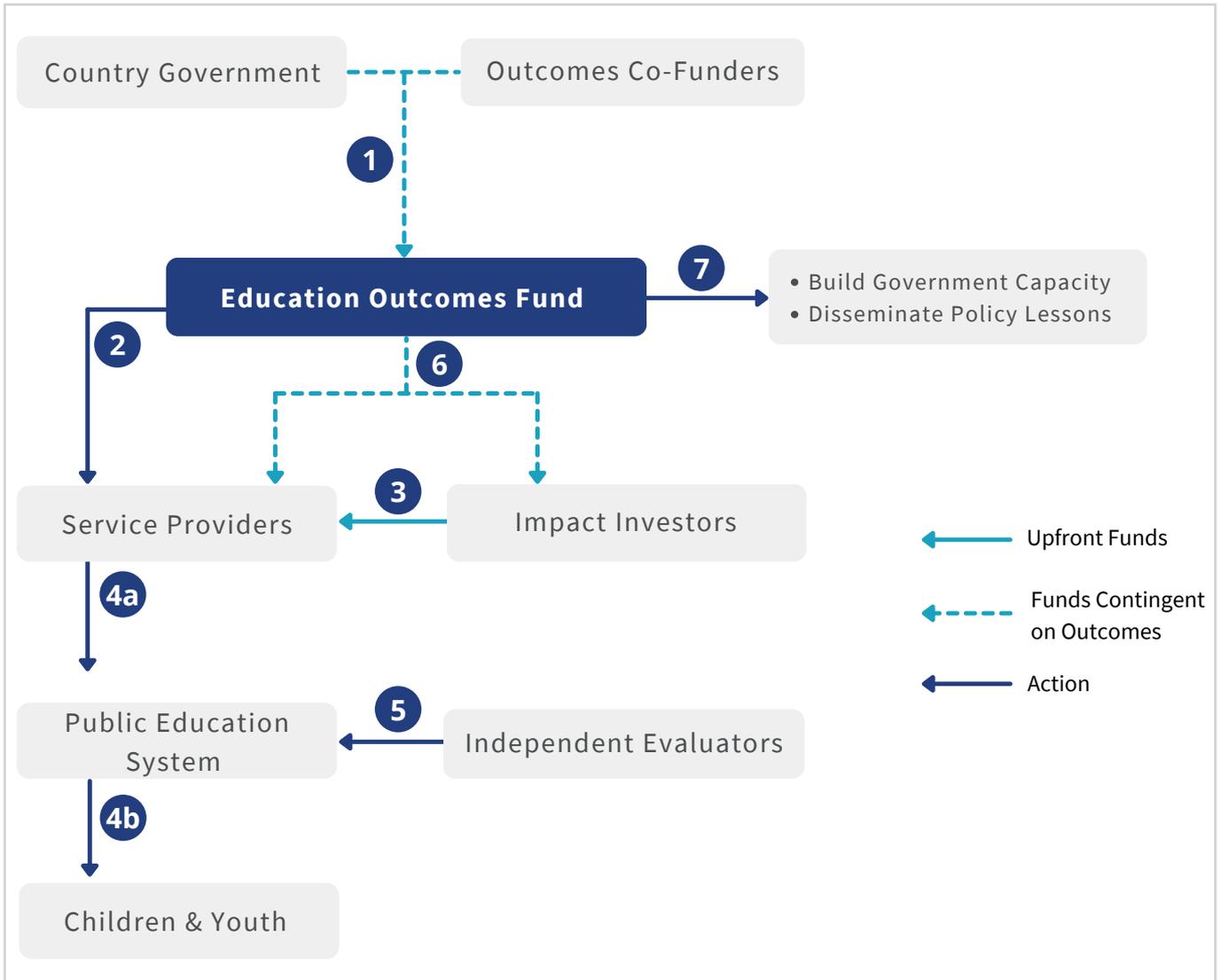
EOF Design

The EOF proposes addressing such challenges through an outcomes-based financing approach; this approach aims to align funder and service provider priorities around predefined results. The results-based payment approach seeks to promote transparency and accountability, coordinate fragmented efforts and empower organisations within the entire education service delivery system, intending to continuously improve the system through data-driven adaptive management that responds to local contexts (EOF, n.d.-b).

The EOF concentrates on three focus areas: early childhood development, basic education and skills for work. The EOF focuses on contracting multiple service providers and shifting funding to the end of the results chain, intending to achieve better learning and employment outcomes for 10 million children and youth (EOF, n.d.-c) and, ultimately, support the achievement of SDG 4. The EOF model is illustrated in [Figure 1](#).

1. Established in 2015, the Education Commission is global initiative promoting progress on Sustainable Development Goal (SDG) 4 and aims to “create a pathway for reform and increased investment in education by mobilising strong evidence and analysis while engaging with world leaders, policymakers, and researchers” (Education Commission, n.d.).
2. Established in 2015, the Global Steering Group for Impact Investment (GSG) is the successor of the Social Impact Investment Taskforce created under the UK's presidency of the G8. It is an independent global steering group catalysing impact investment and entrepreneurship to benefit people and the planet. The GSG currently has 23 countries plus the EU as members (GSG, n.d.).

Figure 1: The operational structure of the Education Outcomes Fund



Source: EOF (n.d.-d).

As displayed in Figure 1, first, with support from the EOF, country governments and outcome funders set the expected learning outcomes and commit funding to the EOF (only to be disbursed upon the achievement of results). Second, the EOF commissions service providers who are selected through a bidding process. Bids are jointly presented by service providers and investors whose preformed partnerships are the result of due diligence by the investors, with the intention that the strongest service providers are put forward to the EOF for selection (author, personal communication, May 10, 2022). Third, the impact investors provide upfront capital and management support to service providers. Fourth, service providers deliver educational interventions focused on achieving the preagreed outcomes. Typically, service providers aim to strengthen public education

systems through various interventions at the school level to benefit children and youth directly. Fifth, independent evaluators verify the outcomes achieved. Sixth, where outcomes are achieved, EOF funds are disbursed to impact investors and service providers. Finally, in addition to its role as a financial intermediary, the EOF disseminates policy lessons on its expertise and experience, aiming to build government capacity. The Fund hopes to become a centre of excellence for outcomes-based financing.

The EOF strives to be government-led and collaborative, seeking to maximise impact and learning outcomes by bringing together education financing actors and other stakeholders to work towards a common set of agreed-upon outcomes.

3. A distance travelled approach ensures that all learning gains are rewarded as it measures the progress of each individual student relative to their individual baseline scores.

The Five pillars of Education Outcomes Fund's Outcomes-based Financing Approach

Outcomes-based financing aims to ensure that financing is provided to “what matters and only when it works” (EOF, n.d.-e). By shifting the focus to the end outcomes, the EOF seeks to reward evidence-informed programme activities that support learning outcomes. The EOF details five central pillars of its outcomes-based financing approach (EOF, n.d.-e):

- **Promoting equity:** “Cohort pricing” is designed to provide higher outcome payments to the service providers that can target marginalised populations, recognising that “it costs more to get them learning” and there is a need for stronger incentives to ensure no child is left behind.
- **Rewarding learning gains:** A “distance travelled” approach aims to ensure a progress-centred model, rewarding the learning gains of each student in the class. The “Learning Adjusted Years of Schooling” method, which was developed by the World Bank, is planned to differentiate schooling from learning and allow standardised cross-country comparisons.
- **Measuring what matters:** Going beyond academic skills, such as literacy and numeracy, the EOF intends to also incentivise improvements in socio-emotional skills, ICT skills, citizenship skills and other competencies needed for the citizens and jobs of the 21st century.
- **Mitigating the risk:** The EOF model is designed to only pay for outcomes that are achieved and, in doing so, intends to shift the education investment risk to the private sector. It is also anticipated that the protection risk for children and youth will be mitigated through diligent service provider screening and selection, as well as ensuring safeguarding practices.
- **Improving value for money:** The EOF aims to direct funds towards the programmes that deliver the “best results” and “best value for money”, with an overall goal of driving down transaction costs of contracts.

The First EOF Projects

The first two projects financed through the EOF, located in Ghana and Sierra Leone, were launched in 2022. The EOF acts as an intermediary in both projects.

Ghana Education Outcomes Project (GEOP)

In Ghana, more than 450,000 primary school-aged children are out of school (OOS), and those who are in school achieve poor learning outcomes. On average, only 5.9 years of schooling are completed when adjusted for learning when compared with the expected 11.6 years (Impact Bond Working Group, 2022).

Between 2022 and 2026, the EOF will be using upfront capital from two investors (Bridges Outcomes Partnership and Jacobs Foundation) to commission Plan International, Rising Academies, School for Life and Street Child to strive for the reintegration of OOS children and improvement of learning outcomes for both these students and their in-class peers. These interventions will

target 175,000 OOS and primary school children in grades P1–P4, with an emphasis on girls. Up to USD 25 million has been made available in outcome payments, funded by the Government of Ghana and the UK's Foreign, Commonwealth and Development Office (FCDO).

Sierra Leone Education Innovation Challenge (SLEIC)

Sierra Leone has some of the lowest learning levels in the world. Children in the country are expected to complete 8.9 years of schooling, but when adjusted for learning, they only reach 4.5 years by age 18. Girls are particularly vulnerable to challenges restricting their education, including early marriages, school-related gender-based violence and poor sanitation facilities (Impact Bond Working Group, 2022).

Between 2022 and 2025, the EOF commissions five service providers (EducAid, Save the Children, Rising Academy Network, National Youth Association Forum and Street Child) across five regions of the country to collaborate with schools to increase the grade-appropriate minimum competencies and learning gains in literacy and numeracy of 134,000 children, aged 6 to 12, in public schools, with a special focus on girls (EOF, n.d.-e; Penuela, 2023). The project has set a price cap of USD 36 per child per year for the outcome payments to the service provider with the aim of enabling the government to scale interventions in the future. The outcomes-based financing model is designed to allow the service providers to build on their previous experience and further innovate, experiment and adapt their interventions to meet the needs of the specific schools and communities.

Bridges Outcomes Partnership is supporting EducAid, Rising Academy Network and Street Child with upfront capital and performance management, and the Rockdale Foundation is financially supporting the National Youth Awareness Forum (Penuela, 2023). A maximum of USD 11 million in outcome payments will be funded by the Government of Sierra Leone, FCDO, the Hempel Foundation, the Korea International Cooperation Agency and Bank of America. To incentivise reaching marginalised children, girls' learning gains will be paid out at a rate 20% higher than those of boys (Impact Bond Working Group, 2022).

Critical Perspectives on the Mechanism

Through outcomes-based financing, the EOF aspires to provide inclusive quality education and training to 10 million children and youth. However, there has been scepticism about the EOF's potential to be a “game changer” in education financing (Lewin, 2018, p. 1).

Lewin (2018) identifies four critical issues. First, he argues that the EOF model has been designed based on two assumptions: (i) that contracting nonstate actors with payments linked to outcomes would be more effective than delivering aid directly to states and (ii) that previous commitments to education have failed because they did not utilise results-based financing; he denounces this idea of “only paying for what works” as merely “convenient fiction” (p. 2). Second, he argues that the EOF model

does not necessarily bring in new money to education. Rather, money is simply borrowed until the aid is paid when outcomes are achieved. Lewin (2018) calls for more transparency over what costs are incurred, who pays for what and over what time frame. Third, he adds that the EOF is joining a “mosaic” of other agencies and financing mechanisms, raising potential complexities, challenges and competition for new investment in education (p. 3). Finally, the author claims that the EOF does not appear to address what he considers the core problem of education financing: generating sufficient domestic revenue. These concerns are shared by Archer (2021) and Barder and Rogerson (2018), who are sceptical about the need for more financing mechanisms such as the EOF. They highlight the risk these new mechanisms could pose in terms of fragmenting education efforts and distracting attention from sustainable domestic financing.

Conclusion

The EOF has been designed to shift funding to the end of the results chain through its outcomes-based financing approach, with the aim of providing inclusive quality education and training for 10 million children and youth across Africa and the Middle East. The first two projects in Ghana and Sierra Leone were recently launched. As current and future projects progress, evidence of the effectiveness of the EOF, as well as a better understanding of its role within the education financing landscape, is needed. Future analyses should also examine the extent to which the EOF contributes to more and better financing for education, that is, the extent to which the EOF contributes to making additional financing available for the education of children and youth across Africa and the Middle East and the extent to which it contributes to making financing more effective and efficient, especially when it comes to reaching marginalised and vulnerable populations.

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About the Project

This case brief is a product of the [Innovative Financing for Education to Leave No One Behind project](#), which is cofunded by the TRANSFORM research initiative of the Swiss Agency for Development and Cooperation (SDC) and five consortium partners: NORRAG – Geneva Graduate Institute, Bertha Centre – University of Cape Town, Centre for Education Innovation and Action Research – Tata Institute of Social Sciences, Volta Capital and UBS Optimus Foundation. Please visit www.norrag.org/ife for more information and resources on the topic of Innovative Financing for Education.

Disclaimer

This case brief is based on publicly available secondary data sources. The aim of the publication is to synthesise existing information about the financing mechanism and its specific application in the education sector, much of which may be produced by the organisation that has developed or is managing the financing mechanism. It does not preclude the necessity of conducting additional research to obtain a deeper understanding of the evolving design and implementation of the mechanism, as well as its benefits and challenges, especially regarding its contribution to access, quality and equity in education.

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