EOF EDUCATION OUTCOMES FUND

PRACTICE BRIEF

Designing an Outcomes Fund

GLOBAL SCHOOLS FORUM

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Contents

Foreword

It is an honour to contribute this foreword to the Global Schools Forum (GSF) practice brief on designing an outcomes fund. At the Education Outcomes Fund (EOF), our mission is to transform education systems and improve employment prospects by tying funding to results. As Chief Programmes Officer, I have had the privilege of guiding and overseeing the design and implementation of our portfolio of programmes – each of them shaped in close partnership with governments and rooted in the realities of the systems in which they operate.

In a world where an estimated 70 per cent of children in low- and middle-income countries are unable to read with understanding by the age of 10 years, and where half of education programmes show no impact on learning outcomes,[1] new approaches are needed. Outcomes funds are not simply financial instruments – they offer structures for collaboration that help unlock the potential of partnerships. By aligning public, philanthropic and non-state actors around a shared goal and linking funding to measurable results, they create a framework for joint accountability and learning. For this reason, we often refer to them more broadly as 'outcomes partnerships'.

EOF has now completed the design of six outcomes funds across our focus areas of basic education, early childhood care and education (ECCE) and skills for employment – each shaped by a country's unique priorities and capacities. Rather than offering a singular "EOF way", this brief draws on what we have learned through real-world experiences. It offers practical insights into the design process – from clarifying the problem and selecting outcomes, to working through the mechanics of pricing and evaluation. Many of the lessons shared here are not unique to education, nor to a single tool. They reflect a deeper shift towards outcome-oriented thinking and practice.

We are grateful to GSF for inviting us to contribute this practice brief. Their commitment to supporting impactful, collaborative models of education delivery aligns strongly with our own. This brief is written primarily for government officials, implementers, funders and members of the GSF community who are exploring outcomes partnerships as a path forward. We hope the lessons distilled here will support not only more effective design processes for outcomes funds, but – more importantly – stronger partnerships focused on improving education outcomes.

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[1] Based on 71 evaluations of interventions for which cost-effectiveness data were available and were reviewed by the Global Education Evidence Advisory Panel (GEEAP).

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1. Introduction

Outcomes-based financing (OBF) is a funding approach that shifts the focus from inputs to impact. Rather than paying for services in advance, OBF links payments to the achievement of clearly defined and measurable results. This ensures that public funds are directed towards programmes that deliver meaningful change.

An 'outcomes fund' is a practical tool for putting OBF into action. It pools resources from governments and other funders to support multiple implementers working towards a shared goal. It allows for a variety of approaches to be tested under one framework, while building evidence about what works best. An independent evaluator checks whether the agreed results have been achieved before any payments are made.

In some cases, private investors provide the initial funding to get interventions off the ground. If the programmes achieve the pre-defined results, the investors are repaid. If not, they may lose some or all of their investment. This structure helps shift the financial risk of underperformance away from the public sector.

Outcomes funds offer a practical way for governments and funders to improve the effectiveness and efficiency of public spending. By tying payments to outcomes, they shift accountability towards what matters: outcomes. This tool gives implementers the flexibility to adapt their approach to local needs and continuously improve as they learn what works. It is particularly well-suited to tackling persistent challenges that haven't responded to traditional funding models. In sectors like education, outcomes funds can be particularly effective in driving measurable improvements in learning outcomes.

About this brief

This practice brief complements the *Policy Brief on Outcomes Funds for Education*, offering a practical overview for government officials, implementers, funders and Global Schools Forum (GSF) members on designing education-focused outcomes funds. This guide is intended primarily to provide government officials and the broader membership of the GSF network with a solid understanding of **what the design process of an outcomes fund entails, and key elements to consider when engaging in this process**. This brief does not intend to be a comprehensive guide on designing outcomes funds. It is important to note that there are numerous emerging outcomes fund models. **This brief focuses on policy prescriptive outcomes funds**,[2] a model which is focused on improving outcomes for a pre-defined group or sector; involving a third-party investor is optional.

While this brief predominantly focuses on **outlining the key elements and the iterative nature of the design process of policy prescriptive outcomes funds**, many of the recommendations apply more broadly to other types of outcomes funds and to other outcomes-based financing tools, such as impact bonds. This focus reflects the Education Outcomes Fund's (EOF) view of policy prescriptive outcomes funds as a promising tool with the potential to scale and drive system-level change in the education sector.

Click this icon throughout the brief for additional technical details.

[2] Government Outcomes Lab, 'Outcomes Funds', GO Lab, University of Oxford, n.d., <https://golab.bsg.ox.ac.uk/the-basics/outcomesfunds/>.

2. Stages of an outcomes fund

The lifecycle of an outcomes fund includes several stages, from problem identification to post-implementation. While this brief focuses on the 'design' and 'selection and contracting' of implementers stages, it is important to keep in mind what must already be in place before the design stage can begin.

Problem identification and suitability assessment

Before designing an outcomes fund, it is essential to **identify the core problem** to be addressed (e.g., low achievement in mathematics by students in early grades) and define the intended impact (e.g., improved numeracy learning outcomes among students in early grades). Once these are clear, the next step is to assess whether an outcomes fund is both an appropriate and practical approach for the specific context. This is known as a suitability assessment.

The **suitability assessment** is built on two key components: a theory of change and a feasibility assessment.

i. A **theory of change** is a foundational tool that outlines how and why a desired change is expected to occur in a particular setting. It maps the logical pathway from inputs and activities to outputs, outcomes and long-term impact. Developing a theory of change before designing an outcomes fund helps to:

   - Identify and test key assumptions
   - Clarify what 'success' will look like
   - Align all stakeholders around a shared vision of change.

   The logical pathway also supports an early assessment of whether an outcomes fund is likely to help achieve the intended results by examining whether the impact channels are conducive to the expected results. Developing a theory of change can further clarify how an outcomes fund might generate greater impact in a given context, and identify existing barriers to impact.

   While there is no single method for developing a theory of change, most include a diagram showing the step-by-step progression from inputs to impact.

ii. A **feasibility assessment** evaluates whether the conditions are in place to support the design and implementation of an outcomes fund.

   - **Necessary conditions** include committed funding and a viable procurement pathway, along with a preliminary commitment from key government agencies
   - **Enabling conditions** include implementers with adequate capacity, the availability of reliable data, and the presence of appropriate tools for measuring outcomes.

Positive findings from the suitability assessment would ideally pave the way for moving into the detailed design phase of the outcomes fund.

Guiding principles

The following principles guide the design of outcomes funds. They are key features to consider throughout the design process.

Design through consultation and iteration: Designing an outcomes fund is an iterative process, involving ongoing consultations with key stakeholders, including government partners, funders, implementers and investors. Successful collaboration, through co-creation and iteration, can align priorities, build shared ownership and strengthen the programme's chances of success and long-term sustainability.

Navigate strategic trade-offs thoughtfully: Every design decision involves balancing costs, benefits and risks. For instance, it is important to balance ambitions against practical constraints when defining prices and targets. It is essential to assess the implications of these trade-offs for implementers, stakeholders, budgets and outcomes.

Recognize interdependence of design elements: Design elements are interdependent and cannot be developed in isolation. Modifications to one element may necessitate adjustments to others, to ensure alignment and coherence.

Align incentives with intended outcomes: When designing an outcomes fund, incentives are a core aspect and must be carefully considered. It is essential to think through how different actors may respond to the incentives introduced. The incentive structure should promote the desired behaviours that lead to the intended outcomes while also identifying and mitigating potential perverse incentives.[3] We recognize incentives are not only (and in many cases not primarily) driven by financial motives but also reputational and relational motives.

[3] Perverse incentives arise when metrics unintentionally encourage actions that undermine the broader goals of the programme, for example, "gaming" (i.e., manipulating data to show better results) or "cream-skimming" (i.e., focusing only on easier-to-serve populations to maximize rewards).

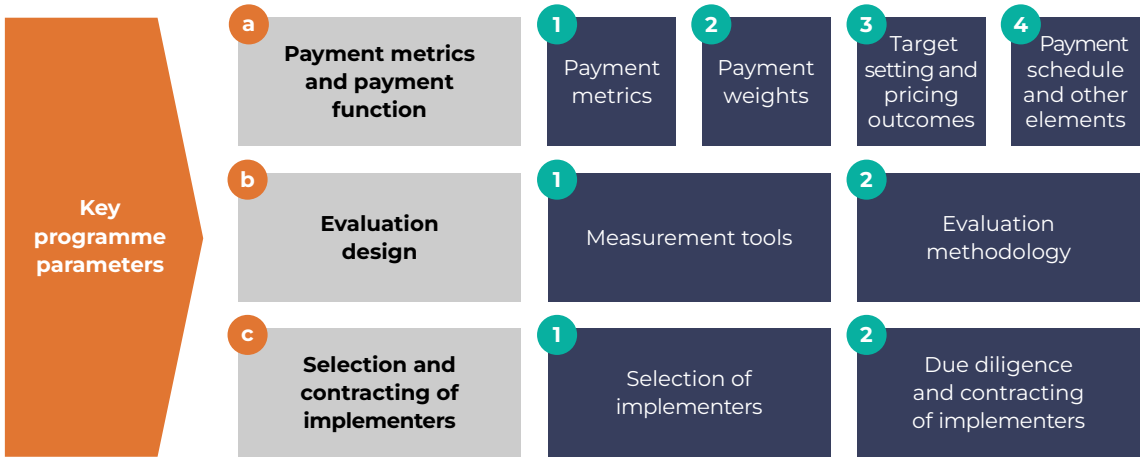
3. Approach to designing an outcomes fund

Programme parameters

Building on the suitability assessment, the first step in designing an outcomes fund is to define the core programme parameters. These parameters offer a clear, high-level overview and anchor the programme's main objectives in practical terms.

The main programme parameters include programme objectives, overall programme budget size, programme duration, high-level target population and geography, all of which inform a, b and c as shown in Figure 1. These are critical points that require collaborative definition with key stakeholders and technical experts to achieve alignment of policy priorities while also ensuring technical feasibility; they are addressed in detail in the rest of this section.

Figure 1. Core design



3.a Payment metrics and payment function

The payment function is a central part of an outcomes fund. It defines **how and when funding will be released** to implementers or investors based on the achievement of agreed-upon results.

This component is critical because it sets the financial incentives that encourage implementers and investors to focus on delivering meaningful outcomes. A well-designed payment function ensures that funding is directly linked to performance, helping to drive better results.

- When developing the payment function, it is important to develop effective incentives that align with the priorities of relevant government agencies, reflect the preferences of other key stakeholders, and account for on-the-ground realities to encourage the desired behaviours.
- When developing a set of incentives, it is important to consider the market of implementers. The incentives should be both ambitious enough to drive outcomes, but also realistic and achievable based on the context and the maturity of the existing market.

Figure 2. Illustrative example: Overview of payment metrics and payment function

3.a.1 Payment metrics

Payment metrics are the specific results that trigger payments. They form the backbone of an outcomes fund because they signal which outcomes are being incentivized. When choosing payment metrics, it is important to assess each one individually to ensure it aligns with the programme's context and objectives. It's equally important to evaluate the full set of metrics collectively to make sure they work well together and support a coherent incentive structure.

Core activities to develop payment metrics

1. Using the theory of change, identify the main outputs and outcomes that are meaningful for the desired impact.
2. Assess each identified metric using the criteria outlined below. Each criteria can be assessed as low, medium or high suitability – a high rating indicates the metric is well suited to deliver a positive response, as shown in the illustrative example (Figure 3).
3. Assess the basket of payment metrics and make sure that they complement each other and balance the risk transferred.
4. Use relevant data and input from key stakeholders, including implementers, to validate the selection of payment metrics.

Criteria for selecting payment metrics

- **Meaningful**: The metrics are clearly aligned with the programme's main objectives and directly linked to the desired impact.
- **Measurable**: The metrics are objective, easily quantifiable and verifiable at a reasonable cost.
- **Malleable**: The metrics are within the sphere of influence of implementers, meaning they can realistically affect the outcomes within the programme's timeline.
- **Difficult to game**: The metrics are designed to minimize the risk of perverse incentives and manipulation, such as implementers distorting the results to meet targets.

Questions to consider when evaluating the basket of metrics

1. **Coverage of impact channels**: Which key impact channels identified in the theory of change are not currently incentivized, and how can the risk of creating perverse incentives be minimized?
2. **Metric load**: Is the number of metrics manageable for implementers, and does it strike the right balance between simplicity and comprehensive coverage of critical areas?
3. **Balancing risk across metrics**: How can you balance risk across a mix of metrics (e.g., some being outcome-based and carrying higher uncertainty, and others closer to implementers' control) to ensure the overall risk is manageable for implementers?

Figure 3. Illustrative example: Selection and assessment of payment metrics

3.a.2 Payment weights

Payment weights refer to the proportion of total outcome payments allocated to each metric. For example, if a payment weight is 50 per cent, it means half of the total outcome payments are tied to achieving that specific metric. Metrics typically have different weights to reflect their relative importance and to encourage focus on certain outcomes.

Criteria for defining payment weights

- **Alignment with programme objectives:** Consider the government's policy priorities and other funders' willingness to fund different outcomes. Metrics closely aligned with key programme objectives should be given higher weights.
- **Manageable control:** Assess how much influence implementers have over each metric. Metrics that are less impacted by external factors and more likely to be impacted by implementer activities should be given higher weights, making accountability fairer.
- **Cost of achievement:** Weights should reflect the relative effort and resources needed to achieve each outcome. This ensures implementers are incentivized to pursue all outcomes, not just the easiest or least costly ones.

These criteria may sometimes point in different directions (e.g., a high-priority metric could come with higher risks), so setting payment weights requires balancing trade-offs to create a payment structure that is both practical and motivating for implementers.

Figure 4. Illustrative example: Payment weights

Building on the example from Figures 2 and 3, payment weights (percentages) were assigned to the two metrics as shown in the figure. This means that the maximum payment allocated for attendance is US$3.5 million while the maximum for learning gains is US$6.5 million.

These weights ensure that the focus remains on learning gains, as it is more closely aligned with the desired impact, while still placing emphasis on attendance as a key supporting metric that helps manage risk for implementers.

Assigning a significantly higher weight to learning gains could make the payment structure too risky for implementers. Conversely, giving more weight to attendance while reducing the weight for learning gains could lead implementers to focus primarily on attendance, as it is easier to influence and less costly to achieve. Unbalanced distribution of payment weights can potentially undermine the overall impact and success of the programme.

3.a.3 Target-setting and pricing outcomes

Although targets and prices are distinct elements of the design of an outcomes fund, they are often developed together, as they are frequently in relation to each other.

- **Targets** refer to the expected level of performance for each payment metric that the implementers are required to achieve (e.g., the number of additional children attending school). The target-setting process determines the specific results that must be met for payments to be made.
- **Prices per outcome** indicate the amount to be paid for each unit of outcome achieved (e.g., payment amount per child attending school, as defined in the payment metric).

Formula for calculating the payment allocated to each metric

Consider the following formula:

Price per outcome for metric A × *Total target for metric A* = *Payments allocated to metric A*

Core activities to define targets and prices per outcome

1. **Assess available data:** Review existing data or gather the necessary data through market research or during programme implementation. Determine whether there is sufficient reliable data to enable setting of targets and/or prices.
2. **Select a starting point:** Based on the data, decide whether to begin by setting targets or prices first. Guidance on how to approach each option is provided below in sections (i) and (ii).
3. **Calculate the complementary element:** Once either the target or the price is set, calculate the other to ensure alignment with the allocated budget. This process is often iterative – revisiting and refining both targets and prices to ensure they are realistic and achievable given the actual implementation conditions.
4. **Validate with stakeholders:** Engage key stakeholders to confirm that the proposed targets and prices are realistic, achievable and appropriate for the implementation context.

*(i) Choosing the **target-driven** approach*

Targets should strike a good balance between ambition and achievability. They need to reflect (a) the local context, (b) baseline conditions and (c) the capacity of implementers to deliver results. Several factors influence how targets are set, including available outcome data from similar programmes, past implementation experiences, and information about what is technically and politically feasible. Below are some methodologies that could be used to set targets.

- **Fixed targets:** Targets are set at the outset and apply uniformly to all implementers. They are typically informed by local research, historical data or national benchmarks. This method works best when sufficient data are available to set fair and achievable goals that suit the context.
- **Market-determined targets (bidding process):** Implementers propose their own targets during a competitive procurement process. Selection is based on feasibility, cost-effectiveness and alignment with programme objectives. This approach leverages implementer knowledge and encourages innovation or cost competition. However, it requires careful management to avoid the risk of the 'winner's curse'.

Definition: Winner's curse

- **Adaptive determination of targets:** Targets are adjusted over time based on data and feedback from early stages of the programme and/or evolving contextual realities. This approach is often used in adaptive programmes or phased roll-outs. It can be used when flexibility is needed to respond to real-time learning or shifting implementation conditions as well as when the data needed to set fixed targets are unavailable.

*(ii) Choosing the **pricing-driven** approach*

When determining pricing, it is important to consider the general costs implementers will incur to achieve outcomes, and the financial return that impact investors may expect. For more detail on the methodologies for setting prices and an illustrative example, click on the pop-up below (Table 1).

Table 1. Several potential methodologies can be used to set prices depending on the data available

Box 1. Illustrative example: Target setting and pricing setting

3.a.4 Payment schedule and other elements

The payment schedule and other elements of the payment function define when implementers receive payment and whether additional mechanisms are needed to encourage effective delivery of results. To ensure implementers remain motivated to achieve results throughout the programme and to help them manage financial risks, the payment schedule should be structured to provide incentives at key stages. Where appropriate, front-loading some payments can support better cash flow for implementers or investors, which in turn may reduce the price per outcome they require to participate.

Criteria to define the payment schedule

- **Time to see results:** Some outcomes, such as learning gains, may take longer than others to materialize. It is therefore important to allocate sufficient time for their realization and to establish attainable annual targets. Furthermore, it is essential to align the payment schedule with the evaluation timeline to avoid payment delays.
- **Cost of evaluation:** Payment schedules should be designed with a realistic evaluation frequency in mind, balancing the need for timely payments with the budget available for evaluation and verification.
- **Cashflow:** Payment schedules should consider giving weight to earlier payments where appropriate. This will lower the financial risk for implementers and allow them to recycle capital for the next phases of the programme. Early payment can also help increase value for money because when the total amount of investment needed is lower, the return required is also lower.

Other elements of the payment function

In addition to timing considerations, the payment function also determines how implementers are paid. For example:

i. payments may be contingent on the full achievement of targets ('all-or-nothing')

ii. partial payments may be issued in proportion to progress made (e.g., 50% payment for reaching half the target)

iii. differentiated payments may be offered based on varying levels of success, or for different subgroups of the target populations or different geographies, thereby incentivizing higher performance.

While the system should be kept simple, there is also the option to add extra features to make the rewards more effective or to reduce risks. For example, a helpful approach is to define a 'base case' scenario where implementers receive payments for achieving target-level results. At the same time, some funds will be reserved as extra rewards if implementers go beyond these targets, up to a set maximum amount. The inclusion of such features should be context-specific; this is not explored in detail in this brief.

Figure 5. Illustrative example: Payment schedule and other elements

Increased attendance: In this schedule, payments begin in the first year and increase in the third year. This structure balances early cashflow needs with the time implementers require to learn, adapt and scale efforts before meeting more ambitious targets in the final year.

Learning gains: As with attendance, the payment schedule for learning gains aims to balance early cashflow with the time needed to achieve results. The most substantial payments occur in Year 3, when implementers are expected to have refined their approach and be capable of reaching the final target of 0.3 SDs in learning gains.

3.b Evaluation design

The evaluation design details the approach used to measure selected outcomes, making sure that payments are directly tied to verified results. To ensure objectivity and credibility, it is advisable for an independent external evaluator to conduct the assessment. Although the main goal is to determine whether the agreed outcomes have been achieved, the evaluation design can also support broader programme aims – such as generating evidence, informing policy or supporting the development of national data systems.

Core activities to develop the evaluation design

1. Define what instrument or method will be used to collect the data for each of the selected metrics. Read more about measurement tools in section 3.b.1 below.
2. Define which evaluation approach will be used for each metric. Read more in section 3.b.2 below.
3. Define the timeline for data collection for each metric, ensuring it aligns with the defined payment schedule.
4. Define the detailed evaluation protocols that stipulate the step-by-step process for how data will be collected and analysed as well as the roles and responsibilities of different actors in the process.
5. Consult and collect feedback from sectoral experts and combine this with feedback from government to ensure the evaluation is feasible and relevant for the context. Also, ensure that the evaluation design works in combination with the payment structure; if not, revise accordingly.

3.b.1 Measurement tools

Selecting the right measurement tool is very important as it will be the instrument that will be used to collect the relevant data for evaluation (e.g., the test to be used to assess children's learning gains or the documents that will be used to measure attendance). While **the selection of a measurement tool is very specific to the context and subsector**, below are some general considerations for this decision.

- **The tool must be a valid measure of what matters:** The tool should cover the key domains in each of the metrics the programme aims to measure. For example, in a basic education programme that prioritizes literacy and numeracy, the tool must assess both domains.

- **The tool must be appropriate for the context:** The tool must be appropriate for the local context and produce consistent, credible results. If it is an international tool, it may need to be adapted and piloted locally to ensure relevance and accuracy. Ideally, the tool will have been used before in the same or similar settings. When the data produced by existing quality assurance tools or administrative systems (e.g., national standardized tests, social security databases, teacher payroll systems) are of high quality and accuracy, then it is recommended to use these tools and sources for measurement. This reduces costs, facilitates scaling, aligns with government systems, and increases the likelihood that the data will be accepted and used by key stakeholders.
- **The tool must be reliable:** The tool needs to be widely recognized as a valid and reliable way to measure the desired outcomes and must also be resilient to potential perverse incentives (e.g., teaching to the test). It is highly advisable for implementers to have a clear understanding of the selected tools and to support their use. Incentives are less effective when implementers do not fully understand or agree with how outcomes are being assessed.

Navigate to this technical brief for specific guidance on selecting measurement tools for outcomes-based financing programmes for early childhood care and education (ECCE) as well as this technical brief on tool adaptation.

3.b.2 Evaluation methodology

In an outcomes fund, it is important to define how each payment metric will be measured and verified. The evaluation approach depends on the programme's goals, budget and context, and it is important to balance rigour with practicality. For example, while a rigorous method like a randomized controlled trial (RCT) can provide strong evidence of impact, it may also involve significant trade-offs, such as higher costs, greater complexity in implementation and potential ethical concerns.

Below is a summary of commonly used approaches:

- **Verification through auditing** confirms whether pre-agreed outputs and outcomes have been achieved by checking programme records and documents and/or making site visits.
- **Observational evaluations** work well for measuring aspects like attendance or quality of delivery, where proving direct impact is less important. They are practical and lower cost.
    - One-time observation can be used to measure average results at the end of a programme and compare these results to the predetermined targets.
    - Pre–post comparison measures changes in outcomes for the same group over time, by observing the simple difference between two means (at baseline and endline).
- **Quasi-experimental evaluations** estimate impact by constructing comparison groups in the absence of randomization.
    - Matching creates a comparison group that closely matches the treatment group in terms of characteristics. This method is useful when randomly assigning groups is not possible or has not been carried out.
    - The difference-in-differences (DiD) method compares changes in outcomes over time between treatment and comparison groups to isolate the effect of the intervention.
- **Experimental evaluations** are the most rigorous methods for attributing outcomes to interventions.
    - A randomized controlled trial (RCT) randomly assigns participants to treatment and control groups, ensuring that any differences in outcomes between the two groups can be attributed to the intervention.

When **selecting and assessing these methodologies**, it is important to consider the following questions:

- **What are the objectives?** Clearly define evaluation goals, for example, whether you want to prove impact, measure a change, or simply check that delivery happened as planned.
- **Is it feasible?**
  - Ensure there is sufficient time and budget to carry out the evaluation using a particular method.
  - Especially for quasi-experimental or experimental evaluation methods, confirm that the sample size will be large enough to measure results accurately.
  - Consider whether the chosen methods are acceptable to key government partners, implementers and participants. For example, although RCTs can yield robust evidence, they may not always be considered suitable by every stakeholder. Concerns may arise, such as the ethical implications of assigning a control group that does not receive a similar intervention.
- **Is it worth the cost?** Consider how much the evaluation will cost in relation to how useful the findings will be, and also consider whether the evaluation costs are reasonable in proportion to the overall programme size and costs.
- **Can the evaluation method still be used if the programme is scaled up?** When selecting an evaluation method, consider the intention at the government level to maintain or scale up the programme in the future. For instance, if there are plans to expand the intervention to a wider region or to the whole country, approaches relying on a control group may not be sustainable.

Evaluation design as an opportunity for generating evidence

In addition to measuring outcomes as a basis for payment, evaluation design presents a valuable opportunity to generate evidence that can inform future policy and programme decisions. While the primary focus is on verifying whether outcomes have been achieved, a complementary research agenda can help explain how and why those outcomes occurred, and identify what can be improved or replicated in future programmes.

Outcomes funds are particularly well-suited for learning, as they create space to test different approaches and assess which strategies are most effective and cost-effective in education programmes.

Key research questions can explore both the effectiveness of specific interventions and the broader impact of OBF models. A well-designed research agenda can benefit multiple stakeholders:

- Governments can use the evidence generated to inform policy and resource allocation
- Implementers can refine their delivery strategies based on what works
- Funders can apply the insights to shape future funding priorities.

3.c Selection and contracting of implementers

Selecting and contracting the right implementers is critical to the success of an outcomes fund. Implementers must not only excel in service delivery but also possess the operational and financial capabilities to perform under outcomes-based contracts. Weaknesses in procurement and contracting processes can lead to delays, inefficiencies and diminished impact or even financial difficulties for implementers. These challenges are often underestimated in OBF initiatives, despite their significant influence on programme performance.[4]

[4] Castellnou, M., D. Jammes, and H. Sienrukos, *Setting Up for Success: Best practices for the procurement and contracting of results-based financing programs*, n.p., July 2021, <www.educationoutcomesfund.org/post/setting-up-for-success-best-practices>.

Proposed activities to select and contract implementers

1. Conduct market engagement to identify potential implementers and ensure that there is a large enough number of potential high-capacity implementers able to deliver the programme as it is designed. This step builds on (i) the suitability assessment, (ii) the design of payment metrics, (iii) the payment structure and (iv) the evaluation design.
2. Carry out a procurement process to identify and select the implementers best suited to deliver the desired outcomes.
3. After selecting implementers, the contracting phase begins, which may include negotiating certain elements of the programme design, such as pricing, especially if a market-determined approach is used. At the same time, it is recommended that due diligence be undertaken to ensure that implementers are both operationally and financially ready to participate in the programme.

3.c.1 Selection of implementers

A transparent selection process is essential not only because payments depend on results, but also to ensure the programme attracts the strongest implementers. Openness promotes value for money and encourages diverse and innovative approaches.

How are implementers assessed and selected?

Selecting the right implementers for an outcomes fund requires an approach that is different from traditional grant-making. Because payments are tied to results, not activities, selection must focus not only on delivery capacity but also on the ability to manage financial risk and to use data effectively to drive performance. Although many outcomes funds use a competitive process, direct awards may be considered in cases where a single implementer possesses unique capabilities or is the only party able to deliver the required services.[5]

If proceeding with a competitive process, the following three steps are recommended.

1. Establish a strong selection panel

It is recommended that the selection panel include: (i) representatives from government partners, (ii) OBF experts who bring critical understanding of how models differ from traditional grants, particularly in terms of risk, performance incentives and contract structuring, and (iii) sector specialists, where needed, to assess the technical aspects of the proposed interventions (e.g., disability inclusion experts if the programme prioritizes learning and access for children with disabilities).

2. Define clear selection criteria

It is recommended that the panel members agree on clear criteria to assess whether potential implementers are well-positioned for success in an outcomes-based contract. These criteria typically include:

- **Soundness of the technical proposal:** Assess the specific activities that have been proposed to achieve the programme's outcomes. It is important that the technical proposal maintains sufficient flexibility to allow implementers to adapt and adjust these activities during implementation. This flexibility is key to enabling implementers to achieve results and fully leverage the benefits of the OBF mechanism.
- **Organizational capacity:** Assess the potential implementers' past performance, experience at a similar scale and the strength of their performance management culture.

[5] Castellnou, M., D. Jammes, and H. Sienrukos, *Setting Up for Success: Best practices for the procurement and contracting of results-based financing programs*, n.p., July 2021, <www.educationoutcomesfund.org/post/setting-up-for-success-best-practices>.

- **Cost-effectiveness:** Review the realism of proposed budgets, outcome pricing and/or targets. In proposals, it is important to avoid 'predatory pricing'[6] or 'winner's curse', as these can jeopardize the viability of the programme. To mitigate these risks, it is recommended that the selection panel perform a thorough analysis of proposed costs, targets and the benchmarks used by applicants.
- **Sustainability:** Consider how the proposed interventions will strengthen local systems and ensure that outcomes are sustained beyond the duration of the programme.
- **Financial viability:** Examine the implementer's capacity to manage cash flow and absorb risk. This includes access to working capital (or partnerships with impact investors), healthy financial statements, and the ability to withstand delayed or partial payments.

3. **Evaluate proposals and select implementers**

   Implementers must submit detailed technical and financial proposals. These are reviewed and scored by the panel based on the defined criteria (see sections 1 and 2 above). In the case of EOF's selection and contracting process, only at this stage do high-scoring applicants move to the next step of due diligence and contracting.

Figure 6. An example of a selection process: Two-step competitive selection process used by the Education Outcomes Fund

3.c.2 Due diligence and contracting of implementers

Due diligence

Following implementer selection, it is advisable to conduct due diligence to assess their operational and financial readiness. While this step is important in any procurement process, it is especially critical in outcomes-based contracting, where payments are directly tied to the achievement of specific, pre-defined results. The nature of outcomes-based contracting demands that implementers not only deliver services effectively, but also manage performance and financial risk. Robust due diligence helps ensure that selected implementers are equipped to meet these demands.

Contracting

When an entity is contracting an outcomes fund for the first time, it is usual that new contract templates might need to be developed, as standard grant templates are usually not suitable for OBF contracting, as these emphasize inputs rather than results. When in the contracting stage:

- Contracts can be used to decide on the **governance** of outcomes funds. Getting this governance right is an opportunity to shape strong relationships that will ensure problem-solving approaches during the life of the programme.
- Where possible, **flexibility is important**. While a strong focus on outcomes and tight definitions of outcomes are essential, flexibility regarding inputs is seen to be one of the key benefits of an outcomes-based contract. Allowing flexibility in the implementation is crucial for implementers as they need to be able to design and adapt the intervention as they see fit. Navigating the tension between the required agility of OBF programmes and the rigidity of contracts requires alignment on contract amendments. This is where the strong relationships mentioned above are needed.

[6] Predatory pricing refers to when an implementer offers unrealistically low prices (often below the true cost of service delivery) to win a contract. This can create a risk for the programme, as it may lead to poor-quality services or failure to achieve the agreed outcomes.

4. Conclusion

Outcomes funds are gaining momentum as an innovative model to finance and deliver a wide range of education services, including ECCE, basic education and youth employment. We hope this brief has been a helpful contribution to exploring the process of designing an outcomes fund. Through an iterative and collaborative design process, balancing strategic trade-offs and ensuring interconnected elements, outcomes funds can establish powerful incentives for accountability and drive tangible improvements in education results. To continue exploring outcomes funds, please see the additional resources listed below.

Recommended resources

Castellnou, M., D. Jammes, and H. Sienrukos, *Setting Up for Success: Best practices for the procurement and contracting of results-based financing programs*, n.p., July 2021, <https://www.educationoutcomesfund.org/post/setting-up-for-success-best-practices>

Education Outcomes Fund, *Policy Brief on Outcomes Funds for Education*, EOF and Global Schools Forum, 2024, <https://globalschoolsforum.org/sites/default/files/2024-05/policy_brief_on_outcomes_funds_for_education.pdf>

Education Outcomes Fund, 'Outcomes Funds for Education', Information Brief EOF, 2025, <https://www.educationoutcomesfund.org/post/new-information-brief-on-outcomes-funds-for-education>

Education Outcomes Fund, *Assessing and Selecting Measurement Tools for Outcome-Based Financing Programmes for Early Childhood Care and Education: The Experience of the Education Outcomes Fund*, The Education Outcomes Fund, February 2025, <https://www.educationoutcomesfund.org/post/new-resources-on-selecting-measurement-tools-for-obf-for-ecce>

Education Outcomes Fund, *Designing Impact Evaluations for Early Childhood Care and Education Programmes Using Outcomes-Based Financing*, February 2026, <https://www.educationoutcomesfund.org/post/designing-impact-evaluations-for-early-childhood-care-and-education-programmes-using-outcomes-based>

Education Outcomes Fund, *Pricing Outcomes in Outcomes-Based Financing for ECCE: An Opportunity for Systems-Strengthening*, March 2026, <https://www.educationoutcomesfund.org/post/pricing-outcomes>

Government Outcomes Lab, 'Pricing Outcomes', GO Lab, University of Oxford, February 2021, <https://golab.bsg.ox.ac.uk/toolkit/technical-guidance/pricing-outcomes/>

Gustafsson-Wright, E., S. Gardiner, and K. Smith, *Ensuring Effective Outcome-Based Financing in Early Childhood Development: Recommendations to the International Commission on Financing Global Education Opportunity*, Brookings, December 2016, <https://www.brookings.edu/articles/ensuring-effective-outcome-based-financing-in-early-childhood-development/>

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Savell, L., et al., *Understanding Outcomes Funds: A guide for practitioners, governments and donors*, Government Outcomes Lab, March 2022, <https://golab.bsg.ox.ac.uk/knowledge-bank/resource-library/understanding-outcomes-funds-a-guide-for-practitioners-governments-and-donors/>

Symons, T., *Designing Effective Outcome Metrics and Measurement Systems*, Social Finance, January 2015, <https://www.socialfinance.org.uk/assets/documents/designing-outcomes-metrics.pdf>

Terway, A., N. Burnett, and M. Dreux Frotté, *Results-based Financing for Education for Sub-national Government and School Administrators: A conceptual framework and practical recommendations*, NORRAG, December 2021, <https://www.norrag.org/results-based-financing-in-education-for-sub-national-government-and-school-administrators-a-conceptual-framework-and-practical-recommendations/>

About EOF

The Education Outcomes Fund (EOF) is an ambitious effort to significantly improve learning and employment outcomes by tying funding to measurable results. Through a partnership model, we bring together governments, donors, implementing partners, and investors to achieve concrete targets for learning, skills development, and employment. Using our global platform, we are scaling up outcomes-based financing in education, with the aim of improving the effectiveness of spending and transforming the lives of 10 million children and youth.

EOF is an independent trust fund hosted by the United Nations Children's Fund (UNICEF). The Fund works to help achieve the United Nations (UN) Sustainable Development Goal 4 (SDG 4) of inclusive and equitable quality education for all. EOF was founded in 2018 by The Education Commission and GSG Impact.

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