A Road Less Traveled: Early Childhood Evidence to Investment

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Introduction

Early childhood development (ECD) programmes, through effectiveness trials and increasingly through scaled up initiatives have demonstrated an impact on child, family and societal outcomes (Britto, Super & Engle, 2013). There is a growing recognition of the role of the formative years of life for building sustainable societies in global development frameworks (Open Working Group, 2014). Furthermore, rigorous economic analyses have modeled both the returns on investment and cost of inaction (Heckman, 2012; Nores & Barnett, 2010), while longitudinal research studies have demonstrated the power of early intervention in equality in adult earnings (Gertler, et. al., 2014; Kagitcibasi, et. al., 2009). Despite the voluminous evidence, programmes for young children and families are among the most underfunded (UNESCO, 2007). There appears to be a gap between evidence and investment. It is unclear why the cogent ECD evidence has not translated into financial investment. This discussion note attempts to identify the gaps between evidence and investment in ECD.

Investment and ECD are both about the future. They both need vision and forward thinking. There is a time continuum to the payoff on investment as there is on the child to adult development trajectory. Investment is about transferring today's purchasing power to the future with an expectation for positive returns. ECD is about the foundation for human and societal evolution with inclusive economic and social payback. In financial or business terms, investment is about the current value of a product or expenditure in a system that will both sustain and improve future business. Similarly, ECD is investment in human capacities that have the potential to improve capabilities, achievements, development and individual freedom; thereby improving society (Sen, 2001) through sustained benefits on later crime reduction, enhanced salary earning and improved educational outcomes. In addition, recent work has shown long term health benefits such as reduced cardiovascular and metabolic disease risk factors (Campbell et al 2014).
Despite this synergy in temporality and positive perspective to future gains, there has been little that connects investment and ECD. In this paper we attempt to chart the path between evidence and investment by identifying what we know and what we do not know so as to provide insights for sustainable investment that will enable quality programmes to be delivered with equitable access to all children, in particular the most marginalized populations.

Research has demonstrated the social and economic returns of investing in ECD. Given this abundant literature on why investment in early childhood is both the smart and right thing to do, we consider it known and understood and consequently do not argue the basic issue in this paper. Rather this discussion note attempts to “unpack” investment in ECD by plotting the path between evidence and investment with 4 guide-posts:

- What is investment in ECD?
- Who are ECD investors?
- Why do/don’t they invest?
- What are investment tools?

For each of the four guideposts, we provide a brief overview of the current state of knowledge, and in some cases a sampling of existing approaches and tools, as a conceptual framing. The overview is not exhaustive, rather illustrative of considerations that need to be included in building an investment framework for ECD. Also, because so much is yet to be learned about investment for ECD, for each of the guideposts, we raise a set of questions to address the gaps. The objective of this note is to propel a discussion that will lead to a better understanding of how to increase investment in early childhood in a sustainable and profitable manner.
Image 1: Overview of the four guideposts to Investment in ECD.
Guidepost 1: What is Investment in ECD?

The terms investment and ECD both need to be defined so as to better understand their relationship. In this section we offer very broad strokes definitions of the two areas along allied dimensions so as to be able to extract meaningful associations.

**Investment**

Investment is a commitment, most frequently made with the expectation of a profitable return or pay off. Investments are ultimately about making choices on a set of assets that form the portfolio for investment (Mayo, 2010). Investments take many forms from the straightforward economic and financial investments, to the more indirect investments – invariably with a bottom line financial cost – such as manpower, services, infrastructure, human resources, personnel and the like. In this paper we focus on financial investment that are linked with social and economic development (Naudeau, Kataoka, Valerio, Neuman & Elder, 2011). Even though caring and nurturing children by providing them time, health, education, nutrition, safety, protection and the optimal contexts for development requires many types of investment, in this paper we focus on socially responsible or impact investment, which considers both financial return and social impact.

Acknowledging that there are several factors that influence the construction of the portfolio of investment, in this paper we highlight an illustrative (not exhaustive) set with relevance to early childhood: the goal of the investment; the timeline for the expected pay-off (e.g., short term or long term); and assessment of risks.

The goal of social investments is traditionally to improve the conditions of society (Deacon & Stubbs, 2007). For example, the finance facility linked with the Millennium Development Goals demonstrated that the 8 goals of investment were very much inter-linked between addressing social problems while enhancing economic progress. The goal of these investments was to improve the lives of people living in low and middle-income countries while contributing to safe and sustainable societies. Ecological economists argue that three criteria guide the goal of investment—efficiency, justice and sustainability, in that the investment should be well allocated, distributed across the population and at a scale that can be sustained (Daly, 2008).

Another dimension that defines investment is the timeline for payoff. In some instances short-term gains are expected and in others the expectation could be much longer. Indeed such investments do not have to be either short term or longer term but could be both with multiple pay offs for children in short term gains and longer term cascading
benefits. For example, short term gains in attentiveness may slowly enhance academic performance and achievement and translate into longer term gains in educational level and work abilities far into the future. Interestingly, short term payoffs find more traction among investors compared to longer term gains as investors are prompted more by immediate and visible gains that feed into short term funding and result cycles. Yet, the longer term payoffs are often the most beneficial for sustainable growth investment and should be considered in the investment portfolio. Longer term benefits are the most difficult to fund or raise funds for, yet they are the most important areas to fund from a child development perspective. For early child development models, commercial investment fall short. Commercial investments often provide a quick fix to a solution, a quick profit and a quick turnover. These are driving forces that appeal to the commercial sector. Children on the other hand require longer term investment with sustained step wise improvements.

We also consider the dimension of risk in examining investment. The simple definition of risk is that it compromises the profitability of investment, however the complexity of risk arises from the range of multiple risk factors, such as sociopolitical instability, inadequate institutional infrastructures, population demographics, religion and culture and legal and regulatory frameworks. Furthermore, these risk factors tend to interact with each other. Because of the multiple sources of risks and their interactions, risk assessment approaches focus on minimizing risk exposure and impact and maximizing positive returns (Keohane, 2012; Ostrom & Wilhelmsen, 2012). However risk is not always negative. Calculated risks are beneficial for investment. Linked with the estimation of risk is the consideration of cost, not only with respect to savings but also efficacy. With this perspective, the estimation of risk includes the amount of investment that can be reasonably lost for long term gain.

Early Childhood Development

Early Childhood development is characterized by the complex interaction of the growing child with the environment; development is the product of that interaction (Britto, Engle & Super, 2013). The child is understood along two dimensions age and domains of development. The early childhood age span is characterized from conception to 8 years of age. Domains of development include motor development and physical well-being, social and emotional development, language, literacy and communication, cognitive development and general knowledge, approaches to learning and life, and moral, spiritual and ethnical development (Britto & Kagan, 2010). Holistic development therefore is understood both across the continuum of age and domains of development.

The second aspect of ECD is the context, which includes programmes and services. Rights based and socio-ecological models identify multiple layers of the context ranging from the most proximal, such as families (including nuclear, extended and nontraditional); to the most distal (including global settings, international laws, global belonging, ecological relationships, influences, and impacts). (Bronfenbrenner, 1979; Hodgkin, & Newell, 2007).
It also contains layers in between, such as school, community and social resources. For example, children’s development as a result of good health, nutrition, early stimulation, positive social and emotional interactions with significant adult/caregiver, play as well as learning opportunities, and protection from violence, assault and negative events (Black 2014). Environmental ecologists have also presented a framework for understanding the role of the context on early development. The ecological environment provides a context for ECD in several ways, including, providing a basic resource base (e.g., water, food, shelter, air quality) for a community. On the other hand, pollution of ecosystems and the built environment promotes insults to the developing child that can lead to long-term developmental deficiencies. Finally, the character of the built environment, as expressed in urban planning, infrastructure and architecture are determinant in family practices, limiting and, or expanding opportunities for developmentally significant areas such as stimulation, nutrition, shelter (Kellert, 2012). Most recent work on ecological paradigms has presented the overlay of networks across levels of contexts to demonstrate permeability between proximal and distal contexts (Britto, et. al., in press).

The other element of the context is the type of programmes that young children and families have access to. There is a huge variation in the myriad of programmes that fall under the category of early childhood development programmes and services. They can be understood along several dimensions (Britto, Yoshikawa & Boller, 2012):

- **By age of the child:** as indicated earlier, on the continuum, from pre-natal to 8 years of age, with transitions noted at ages 3 and 6 years.
- **By Sector:** health, education, social protection and welfare, and child protection. Of these the dominant sectors, health and education, typically focus on different age groups within the ECD period. The health sector typically leads during infancy and toddlerhood through programs focusing on immunization, nutrition, and health interventions, and during the preschool years the lead sector is typically education. However this transition is often not coordinated, with many gaps in services.
- **Auspices:** government, an NGO, or the private sector for fee or profit. Government programs are implemented primarily through national systems. However, the main sponsors of ECD programs are international, national, and community-based organizations. Some of the international groups are: *Save the Children, Plan International, Child Fund International*, and *World Vision*. Another growing sector in ECD is the private for fee or for profit, which is starting to gain dominance in early learning programs for children in the preschool age bracket (Woodhead & Strueli, 2013).
- **Generations served:** single generation (either the parent/caregiver or the child). Common examples of single generation programs are parenting programs (like *Better Parenting Program*, in Jordan) (Al-Hassan & Lansford, 2010). Common examples of child focused programs are typically center- or community-based, where children are served in groups (like *Madrassa Early Childhood Program*). There are also two-generation programs that serve both the caregiver and the child (like *Educa a tu hijo* in Cuba).
Location of services: homes, clinics, community centers, schools, and other non-formal setting (such as libraries, mobile-technology, and television).

The literatures in the field, realms of investment and the domain of early childhood have had little in common with each other. Our attempt to frame the evidence around early childhood with an investment perspective demonstrated the paucity in the overlap between these two areas. Most work on social finance has looked at investments in environmental sustainability and the remaining that has looked at social good has had a broader focus on health, education and/or social protection. There are many unanswered or unexplored areas between ECD and social investments that need further consideration.

Gaps in Knowledge and Questions for Further Discussion
We conclude this section, with a set of discussion questions that emanate from the literatures and need to be considered for a more comprehensive framework for investment in young children globally:

- How do we avoid the risk of commoditizing holistic ECD programming?
- Given the variation in programme models, how does this relate to investment?
- Some differentiation between programmes and provision (programmes such as parenting have really become quite commoditized – sold and copyright for those with an evidence base and difficult to generalize to the most needy settings). Provision may not necessarily be in a one direction (provider to parent for example), but may allow for environmental inputs, infrastructure provision, social protection and cash transfers for example. As such they seem to divide into open or rigid provision. Higher order vision such as state provision of day care, early child care, good quality environments, supports in the form of maternity payments, parental rights, access to facilities, social stimulation and environmental provision.
- Lack of creativity in thinking and planning also hampers the area. There are two broad threads. Thread one shows the link between poverty and child outcome and hence investments take the form of poverty reduction with the concomitant benefits on child outcomes (see for example the link between poverty and child behavior problems, Shaw et al 2014) on the one hand, and the child outcome benefits of cash transfers which are essentially small regular payments to the most impoverished (Bassani et al 2013) on the other hand. Thread two shows the extent and range of direct investment in the array of interventions that are known to improve child development outcomes (short and long term), how these are provided for, costed and prioritised.
Guidepost 2: Who are the ECD investors?

Traditional models of funding sources identified 3 types of investors: Public, private and civil society (Britto, Yoshikawa, Ponguta, Oh, & Reyes, 2012; Kammerman, 2000; Gertsch, 2009). However, beyond this point of categorization of public, private, and civil society, the detangling of sources becomes more complicated because of the multiple actors, including families and communities engaged in ECD service provision. Also there is a growth in new investors that needs to be better understood.

Public funding also referred to as public or social spending, consists of money that is given from the government or large national funding sources for provision of social and economic programs and services, such as housing, health, rural development, and education. Typically the mainstay of social spending for ECD comes from two sectors – health and education, however since ECD programmes can be sponsored by several other sectors depending on the focus of the program, e.g., social protection and justice (Belfield, 2006).

In general, government budgets allocated to education range considerably. In developing countries it is estimated at less than 5%. With respect to the health sector, social spending is less than education, averaging of 2% of GNP. These low levels of investment for health and education have important ramifications for ECD as only a very marginal proportion of health and education spending is directed towards young children and families. While the exact percentages are not calculated, it is estimated that on average 0.5% of these budgets are directed towards children. A review of the literature shows that much of the budget for young children is concentrated on primary school. Important as that is, it often eclipses provision for pre-school, day care and resources for the very young child – invariably the last served.

The source of public funds for ECD is generated through several mechanisms, including taxes, international loans and grants and development assistance. For example, in Brazil the funding for early childhood education is primarily generated from state and municipal taxes (Schady, 2005). Also in some countries, the more decentralized levels of government, e.g., district and municipal are engaged in investment in ECD. Funds for ECD may be earmarked, e.g., “Early Childhood Funds” within the government revenue as a percentage or then linked to specific sources of taxes, for example “sin taxes”, the National Lottery in the Philippines. In Zimbabwe, an AIDS Levy was introduced to channel funds to the AIDS response. This provided earmarked local resources for several years
and thereby created a platform or conduit for broader national health provision (UNAIDS 2013).

Benefits for children do not always have to be in the form of direct funding. For example old age pension spending in South Africa directly helps child outcomes. The introduction of a large scale pension provision to women over 60 and men over 65 has resulted in a number of well document child health outcomes such as improved schooling and nutrition (Case et al 2007), and contributes to a financial buffer that protects both outcomes for orphan children and the elderly from assaults such as parental AIDS deaths (Ardlington et al 2010). Such investment initiatives provide a multi generational investment.

Private funding consists of money and contributions from individuals, households, community members, philanthropy and business. Private sector funding is not a homogenous sector. We attempt to explain it in 3 large categories from the perspective of who is the investor – family, charitable giving and business.

A growing sector in ECD is the private sector (Woodhead, Ames, Vennam, Abebe, & Streuli, 2009). Although it is acknowledged that much of the private sector efforts are directed largely in urban areas, they still serve a significant portion of the young child population (Dreze & Sen, 2002). The primary investment in private programs, is fees from the users, i.e., families.

The private sector, through charitable giving has also provided investment for children. However, at times, through emerging research, this investment may be considered a double edged sword - funding where the donor appeal of some forms of care may counter the evidence but yet attract high contributions and perversely perpetuate such provision. A notable example is the funding and financial flows to orphanages and institutional care. Despite good evidence of the poor cognitive and developmental outcomes of children in large institutional settings, these have proliferated rather than reduced. Government strategy to reduce such provision is seen in the USA, UK and even in countries such as Rwanda, Ethiopia and Malawi where programmes to close down or dismantle orphanages are seen. Yet at the same time there are considerable donor dollars invested in orphan tourism (Richter et al 2010) and orphanage provision despite the fact that vulnerability is driven more by poverty than parental death (Akwara et al 2012, Belsey and Sherr 2011).

In addition to these two types of private investors, increasingly businesses also are recognizing the importance of ECD investments. Private business are owned and controlled by individuals, groups and/or organizations and not owned or controlled by government. The provision of private schools, from the perspective of the education industry could be considered in this category of investors. However, it also includes non-ECD related businesses. The interest of the private, commercial sector in this arena is two-fold: a) the need for an increasingly educated and healthy population that can serve as a competitive workforce and b) the desire to fuel the kind of sustainable long-term
economic growth that can provide businesses a market to sell goods and services in the future. This novel investor in ECD is particularly relevant in the innovative Social Impact Bond framework for financing social services, which is discussed further in Guidepost 4, which describes the various investment tools.

The largest investment in ECD in the developing world is from international NGOs and development agencies and donors. In most countries, due to the absence of large scale ECD, civil society is an important partner. Developmental assistance to ECD is typically rare; however aid allocation for primary school and basic health is prevalent. Currently in a majority of the 193 countries ECD programs are being implemented by NGOs such as Save the Children International, World Vision, Plan International, and International Step by Step Association, to name a few. While it is not possible to estimate the funding for ECD from these NGOs given their prevalence and major role in supporting early childhood programs, the proportion of funding could be considered large. Another set of foundations, such as the Aga Khan Foundation and the Bernard van Leer Foundation also have a long history of supporting early childhood programs internationally with newer foundations such as Hilton and H&M Conscious also contributing to ECD.

While we have presented the 3 groups of investors in discrete categories, in reality this is seldom the situation. For example, public-private partnerships are growing in ECD where private funds are either leveraged or enhanced by public provision of services. The relationships between investors is also starting to change, where the catalytic role of investors is starting to emerge a function of generating greater funding for ECD. Private businesses are investing in goods and services with the aim of social good. Given the dynamic nature of the relationships that are emerging between investors, further inquiry is warranted for a better mapping of investors.

Gaps in Knowledge and Questions for Further Discussion

Given the changes in the types of investors for ECD and their roles, there are several areas that need to be explored further to enable a more comprehensive understanding of ECD investors:

- We need a landscape analyses and mapping of investors to understand who are the wider range of current and potential investors engaged in ECD.
- We need to understand how the demand for ECD is transforming the investor profile and landscape.
- We need to learn more about public and private partnerships
- The draw of tracking good investment pathways may detract from an understanding and monitoring of counterproductive pathways. These negative financial pathways should feature in research and monitoring, particularly when they cover issues such as child labour, low wages for working mothers, poor or absent child care provision, an industry devoid of social conscience and their ramifications on early child development.
Guide Post 3: Why do/don’t organizations, communities and families invest in ECD?

The ECD and development economics literature is bolstered by the highly cited return on investment arguments (Heckman equation; Lancet, 2011). Well known are the estimates of return on human capital investment during the formative years of life. On the other side of the argument also becoming known are the losses associated with the cost of inaction. Failure to invest in ECD can lead to short and long terms costs for individuals, families, and society. Rigorous analytical work by a group of economists has demonstrated that for children, the costs of inaction can be greater than the costs of action (Anand, Desmond, Fuje, & Marques, 2012). Through case study modeling, the results demonstrated that when the correct actions are tested, failure to respond to the basic needs of child survival and development has serious ramifications for human, societal and economic costs. These arguments strengthen the case for why we should invest yet they are not often followed by the investment. In this section we attempt to address this difference between the aspirational “should” and the action “do” for investment. The lethargy between knowing what to do and doing it represents a huge challenge for children.

The aim of making an investment is with the expectation of earning dividends or seeing an increase in the capital invested. The returns on investment fall into a range of categories depending on the investor and what the investor values as dividends. There are a number of drivers which direct the nature and extent of investment at times based on economic or evidence based factors, but also driven by strategy and goals, humanitarian considerations, cause profile, public appeal, attention draws, high return expectation or emotional appeal. The return on investment effort may often feature priorities that are low hanging fruit, while the more difficult, expensive, intensive or uncertain investments are less likely. We examine two large categories of challenges to increasing investments – values (willingness to pay and competing priorities) and knowledge bottlenecks (lack of good costing data on ECD programmes) as illustrative examples for the distance that needs to be traveled from “should” to “do” for investment in ECD.
Value Based Decisions
Our premise is that investment is a value decision. As described above, investors in ECD include families, i.e., at the individual level and governments and NGOs, at the societal level. Therefore we have attempted to understand values, at the level of the individual, by looking at willingness to pay for ECD and at the system level by examining assessment of competing priorities. Though both these aspects can occur at individual and system levels, for ease of explication we present them in a segmented manner.

In a market economy, there is a normatively accepted monetary value for products, goods and services. Individuals are willing to pay a price based on the value they attach to the benefit. For example, the willingness to pay for a cup of milk is based on the benefit that will gain for the individual and what the individual may have to give up to pay for milk. While the example is tangible, willingness to pay is not an actual payment per se, it is a value decision of the benefits the investor ascertains compared to the costs (Carroll & Buchholtz, 2012). While willingness to pay has been used traditionally in estimating prices in a supply and demand paradigm, for this note we analyze its relevance for ECD investment (Duncan & Magnuson, 2013). As has been noted there is a tremendous growth in the provision of private early childhood care and learning services. A multi-country study of private ECD programmes in peri-urban setting in Africa, demonstrated that even families with limited financial resources a spending large amounts of their income to send their children to preschool. They are willing to pay because they value the skills that their children learn in preschool to prepare them to succeed in primary school (Optimus Impact, 2014). The study noted, however, that the quality of the preschools are questionable which implies that values informing investment are not always guided by evidence or what families value is not well understood. This aspect needs further research and understanding.

Another value decision links to assessment of priorities. The benefits of investing in ECD are often compared with competing demands on the same source of funding that also demonstrates a good return (Valerio & Garcia, 2013). The process of priority setting is driven by values. The Child Health and Nutrition Research Initiative (CHNRI) has identified a series of challenges in allocating funds for research with competing priorities (Rudan, Chopra, Kapiriri, Gibson, Lansang, Carneiro, et al., 2008). With competing priorities, comparing returns, or even risk, is challenging because different services and goods monetize different outcomes. For investor whose priority is children, assessing returns on outcomes is easier. However for investors who priority is economic growth, for example, monetizing outcomes such as psychosocial skills can be challenging. Furthermore, because of the long-term perspective required for returns, the existence of a number of externalities makes accurate estimations challenging.

Limited Costing Information
In essence, investment can be distilled to a basic equation of benefits exceeding costs. Therefore fundamental to investing is knowledge of costs, e.g., what are unit costs for a
programme or service? For early childhood development, this issue poses several challenges.

Given the range in types of programmes that fall into the ECD bucket of services, which is both complex and multi-sectoral, estimating costs is challenging. While there is agreement that early intervention is important, there is less agreement on what elements of programmes matter for child outcomes and for what reasons (Nores & Barnett, 2010). Furthermore, few high-quality ECD programmes have been studied in low and middle income countries (LMIC), thereby limited opportunities to estimate costs for quality services. World bank approach to address some of these challenges has been to create packages of services for specific ages during the continuum of early childhood from pregnancy to entry into primary school. These packages are multisectoral and can be implemented together to achieve holistic outcomes (World Bank, forthcoming).

A second element in estimating cost is ensuring programme quality. Effectiveness of programmes is determined by a range of factors, foremost among which is the quality of the adult and child interaction in the programme (Britto, Yoshikawa & Boller, 2011). High quality interaction require a good ratio of adults to children, training and experience. One of the largest operational cost components of an ECD programme is staff salaries and benefits (van Ravens & Aggio, 2008). Emphasizing how “quality” improves child outcomes, it has the potential to raise the cost of the programme, though marginally. However, when programmes need to be delivered at scale, issues of quality and its costs are not well estimated and needs further analyses. Newer costing models, are emerging from Western and Central Africa, and Latin America that will provide better estimates and comparative analysis frameworks.

**Gaps in Knowledge and Questions for Further Discussion**
The gap between “should” and “do” is populated with a plethora of arguments. We have raised a few in this note, however many more need to be understood to improve investment action for ECD:

- We do not have a compendium of competing priorities and their costs to enable comparative decision making on returns
- While the demand side for ECD is strong we have not been able to understand how to harness that into a willingness to pay
- We do not have standardized costing tools that will enable collection of accurate and comparable data across program types.
- What are types of market failures that are leading to under provision of ECD, for example asymmetrical information, i.e., households don’t know/appreciate the magnitude of benefits of investing in ECD, or positive externalities, i.e., benefits of ECD are not entirely captured by specific households, it is a larger benefit to society, or intra-household dynamics, where the decision maker in a household may not value ECD.
Guidepost 4: What are current investment tools?

Investment, as linked with ECD, is more than making or losing money, it is about creating change through effective investments. As described earlier, there are traditionally 3 sectors that have invested in ECD – public, private and civil society. Public investments have been made through government tools for services, e.g., building schools, roads, cash transfer programmes. The investment tools for the private and civil society cover a wide range of mechanisms. Given the range of investment tools, in this section, we focus on where the returns are calculated with respect to social impact, i.e., financial contributions to improve social and economic development. Social investment, demonstrates a shift from traditional grants to the expectation of a return, with the goal of achieving sustainability. We review a sampling of investment tools, to spur a discussion on identification of appropriate investment tools for ECD. A more detailed mapping of such tools is required, though beyond the scope of this discussion note.

Microfinance, encompasses investment through financial services for small business and households. Returns are calculated across a range of outcomes including poverty alleviation and financial inclusion (Karlan & Appel, 2012). Micro-credit loans, which are an aspect of microfinance, through provision of credit services to poor clients have been linked with improved child health and nutrition (Britto, Williamson, Snow & Mankad, 2013). However there is limited research examining the association between microfinance and ECD.

Investment through social enterprise is another tool that is gaining recognition in ECD related social services. For example in Turkey, the Foundation for the Support of Women’s Work (KEDV), supports women’s empowerment and early childhood development for low income families through social enterprise platforms. Social Enterprise is emerging as an innovative strategy for sustainable and creative financing in scaling up ECD programmes, especially by “partnering” with the most vulnerable communities and families with young children. There are promising approaches of social enterprise in scaling up sustainable and “quality ECD programs”, for example through the Ashoka Change Makers and Lego
initiatives (http://www.changemakers.com/play2learn). These approaches and models however are only just emerging.

Social Impact Bonds have been touted as a potential new tool for expanding investment in ECD by allowing government to partner with the private sector. Social Impact Bonds are a promising new financing mechanism that allows governments to pay only based on a program’s performance against desired pre-agreed upon outcomes for the target population, such as a reduction in stunting or infant mortality. This is accomplished by separating the entity that pays for services from the entity that pays for the positive impact of the program. Philanthropic and commercial investors provide the upfront funds for a program and government commits to repay them based on the performance of the program. Performance is assessed through a rigorous evaluation, which has the additional benefit of deepening our understanding of what works in addressing complex interrelated issues facing parents and their young children. The repayment to investors is based on the savings and benefits that are estimated to accrue to government. Finally, Social Impact Bond have the potential to lead to better outcomes by aligning interests amongst investors, providers and government. Within government, Social Impact Bonds - through their focus on targeted outcomes, which are then assessed, can serve as a valuable leadership tool to bridge interagency silos that prevent critical cooperation amongst agencies that oversee various aspects of ECD. Social Impact Bonds as well as Development Impact Bonds, which are similar but have a philanthropic instead of government outcome payer, are increasingly considered in the developing world context to attain better health and education outcomes while holding government responsible.

Gaps in Knowledge and Questions for Further Discussion
The field of investment tools for ECD is expanding beyond the traditional voucher and block grant mechanisms. With the growth of social investment and concomitant tools, there is a tremendous opportunity for ECD to explore this new investment landscape and find a space for sustainable finance for quality services and good.

- What is the range of investment tools that have been used for ECD?
- What ECD outcomes would be applicable for calculating returns for the emerging investment tools?
- Given the important role of community both for ECD and investment, how can the functions of that nexus be explored further?
- How can the supply, demand and intermediation of investment be translated with respect to ECD?
Conclusion
Investment is needed for any field to grow and ECD is no different. For over 2 decades the field has been touting ECD evidence, yet that has not readily converted into financial investment growth. In this note we attempted to analyze why this road has been less travelled and how can this consideration of bottlenecks lead us to increased investment in ECD.

In our review of the literature and examination of the issues, we realized that we are only touching the tip of the iceberg. However, despite this discussion note only being an initial foray into this area, we did discern areas of challenge and possibility. Most notably that ECD has a natural alignment with investment, in that they are both looking to the future for returns. However the returns in ECD are not monetized sufficiently and have not been satisfactorily parlayed over a short to medium term horizon to attract investment.

We also noted that the landscape of investors has expanded considerably. Original models posited that the main investors were public and civil society. However there has been an unprecedented growth of private investment in the social sector by trusts, foundations, funds, and investment banks. ECD has not fully tapped into this growing area of financial resources thus suggesting a new niche to be explored.

Our review suggests that opportunities do exist to increase investment in ECD. However at the end of the day, investment is a statement on values and setting of priorities. ECD does not appear to be a priority for public, private or civil society investment. If the road from evidence to investment has to be well traveled, then we need to understand how to increase the value of ECD for investors. How to translate ECD evidence into terms that will be valued and how to present a compelling investment case.

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Working Reference List


