UNICEF has a long history in Uzbekistan of advocating for quality early childhood education (ECE), which can be a powerful way to reduce learning gaps and set young children up for success later in life. Efforts to expand preschool provision were accelerated with the creation of a dedicated Ministry for Preschool Education (MOPSE), with UNICEF support, in 2017. To meet the growing demand, UNICEF and the MOPSE designed public private partnership (PPP) models to engage the private sector. This was a new approach in the country, which had previously financed social sectors solely with public funds.

In 2019, to complement and enhance existing PPP models in preschool education, the World Bank proposed a US $10 million social impact bond (SIB) as one of the components under its Promoting Early Childhood Development Project. The project included US $9.5 million from the Global Partnership for Education, US $60 million from the World Bank’s International Development Association and US $4.85 million from the Global Partnership for Results-Based Approaches.

The idea was that the SIB in Uzbekistan would promote a results-based financing approach to PPPs, thus ensuring the availability of upfront capital to the Government to engage the private sector. Congruently, it would promote efficient use of public resources by paying investors for effective results.

UNICEF supported initial discussions around the SIB design and was identified as a top candidate for the lead contractor role, which entailed managing funds, supervising SIB preschool operations and reporting implementation progress. The MOPSE would choose an independent evaluator to verify results achieved, and based on the verification, the Government would pay back investors using project funds. Measurable outcomes such as occupancy rates of participating preschools and enrolment of poor or disabled children would determine the project’s performance and correspondingly investors’ returns.

The SIB was expected to kickstart in 2019 and to serve 140 private preschools by the end of the project in 2024. However, after due diligence, the MOPSE and the
World Bank decided to drop the SIB component from the project in 2022 after identifying insurmountable challenges around capacity and the legal complexities of coordinating the activities of multiple partners, which had delayed the project by more than two years. At the same time, the MOPSE was overwhelmed by the positive response from the private sector to fund preschools under the broader PPP umbrella, which helped establish more than 16,000 preschools between 2019 and 2021. In the process of engaging with the private sector through PPP arrangements, the Government has increasingly incorporated results-based financing elements over the last few years. These include payments for measurable outcomes such as the number of preschools created and occupancy rates, the fostering of an enabling learning environment and support for children from vulnerable backgrounds.

RESULTS
- From 2018 to 2021, the Government, with UNICEF support, established 16,646 preschools using PPP arrangements with family-based providers and another 1,091 preschools with private commercial entrepreneurs.
- The MOPSE reported that enrolment rates in preschools have increased from 28 per cent in 2017 to 65 per cent by the end of 2021.

LESSONS LEARNED
- **Evidence on SIBs is still emerging.** SIBs are a new financial instrument in the ECE subsector. Evidence is still growing regarding tangible results from developing countries navigating SIB projects.
- **SIBs are costly instruments.** During the design and processing of the project, the Government learned that SIBs incur substantial transaction costs, such as payments for the lead contractor and independent evaluators, especially during the initial stages. These costs must be taken into consideration and understood by governments at the outset.
- **SIBs are complex.** In Uzbekistan, the SIB design was too sweeping in nature; it was envisaged to galvanize the private sector to build preschool infrastructure, promote learning, procure materials and hire and train teachers. Unlike SIB examples known from the developed world, where there is a more linear connection between interventions and expected results, the SIB in Uzbekistan involved more stakeholders and inputs, adding layers of complexity.
- **In some cases, SIBs are more appropriate as a complementary mechanism for service delivery.** In developing world contexts, SIBs may work best as a companion to other results-based financing tools. They may be strongest when they are straightforward and use small funds, and when results are achievable through only one or two interventions.

NEXT STEPS
While the SIB for preschool education was abolished, UNICEF advocated with the Islamic Development Bank (IsDB) to invest almost US $70 million, using a holistic approach to developing a financing programme through the PPP model, to establish 100 preschools across the country. IsDB is channelling an additional US $7.36 million through UNICEF for enhancing quality ECE services. This includes setting up 50 new preschools, improving inclusive preschool education, revamping pedagogies and preschool curricula, enriching pre- and in-service teacher training and strengthening overall quality assurance mechanisms and monitoring of results. IsDB will present the project to their board in June 2022, with UNICEF hoping to initiate plans in August 2022.

**Cost effectiveness:** Although the SIB was never actualised, results-based financing principles have been incorporated into ECE programming in Uzbekistan. From 2018 to date, UNICEF has invested nearly US $1.7 million (US $0.30 per child) to support the Government in preschool education by developing laws, policies and plans, data collection and quality assurance mechanisms, digital platforms, research, and communication and advocacy. This also entailed developing and reviewing preschool curriculum, Early Learning Development standards, alternative models and teacher training.