**Core Document 1**

 **Early Childhood Program**

**Open Society Foundation’s Flagship Step by Step Program: Past, Present and Future**

**Discussion Paper Produced for the Portfolio Review on April 9, 2014**

This portfolio review focuses on one of OSF’s largest operating programs, the Step by Step Program, launched in 1994, which remains a cornerstone of ECP’s thematic work on ‘Building Society for All’ in the 2014+ strategy. The size of OSF’s investment – over $130 million since it was launched – recognizes the critical role ECD plays in setting the economic, social and political trajectory of a society. Initially created with the aim of democratically reforming early childhood education systems, from 1998 onwards the program has also endeavoured to establish a robust early childhood civil society in Central Eastern Europe and Eurasia. These dual aims – one focused on program innovation and systemic reform, the second focused on organizational development – are at times complementary, and at other times in conflict. This paper interrogates the impact of this duality on the Step by Step Program past, present and future. It offers an opportunity to explore the role of early childhood in advancing OSF’s wider aims, the positive and negative consequences of OSF’s practice of ‘spinning off’ entities, the application of OSF eligibility criteria to partner spin-off entities upon which OSF is in fact dependent, and the implications of the ‘30% rule’ on emerging NGOs. Finally, it will demonstrate how OSF ECP continues to use the intellectual property and expertise nurtured through the Step by Step program to inform work in other countries and regions.

1. **Step by Step in the ECP’s 2014+ Strategy**

The ECP’s 2014-2017 strategy balances programming across two complementary thematic clusters. The first cluster, ***Making Early Childhood a Priority*** seeks to strengthen the architecture and capacity of the field and to build demand for early childhood. The Step by Step Program falls into the second cluster, ***Building Societies for All,*** which ‘deploys’ early childhood development (ECD) to promote social cohesion and address inequity in specific populations in Central Eastern Europe and Eurasia (Roma, children with disabilities, children without access to early childhood services) and in countries of high priority to OSF. Initiatives in this cluster embed socially cohesive values in communities, eliminate gaps in development amongst young Roma, children with disabilities, other minorities, migrants and marginalized groups and their majority peers, and build the capability of children living in poverty, thus enabling their lifelong, equal and active participation in and benefit from open societies. Successful early childhood programs are multi-generational and empower disadvantaged communities (especially women) to assert their rights and the rights of their children to be full and equal members of society. As the Nobel economist James Heckman has observed, investing in early childhood is a rare public policy that not only promotes economic development, but also equity and social justice. Children who need it most make the most gains in quality early childhood programs, reducing gaps in equity, which become almost impossible to shift after children enter school. OSF will not succeed in shifting social dynamics across Europe and Eurasia or in Haiti unless inequity is addressed in the earliest years.

Though Step by Step would have initially been classified as a ‘concept,’ it is now categorized as a ‘field-building’ initiative. OSF resources support a vibrant network of professional early childhood NGOs engaged in ensuring that every child, especially the most disadvantaged, reaches his or her full potential. Step by Step national and regional NGOs offer both the capacity to advance political and social commitments to a ‘society for all,’ through advocacy and policy reform, as well as the technical expertise needed to make it a reality, through innovative programming and development of a cadre of professionals. The impact of their work offers a real chance for minorities, Roma and people with disabilities to get a foothold in societies in which the majority population not only accepts, but also protects their interests, too. A majority of initiatives included in ‘Building Societies for All’ lean on the ‘Network of Networks’ created by the Step by Step Program. With reduced funding and staff capacity to devote to the Step by Step program in 2014+ the ECP team is prioritizing in this strategy cycle strengthening of the NGOs and ISSA through structured organizational development supports and modest funding for innovative programming, while at the same time selectively partnering with NGOs and ISSA to promote equity and social inclusion of Roma children and children with disabilities and to advance OSF ECP’s global work in Africa, Asia and Latin America. These years represent a transition as OSF funding for the network gradually moves below 30%.

1. **Defining the Parameters of the Portfolio**

This portfolio review covers three distinct lines of work that trace back to the Step by Step Program:

1. Core Step by Step Program Activities: OSF capacity building of NGOs and individuals engaged in reform of early childhood education in Central Eastern Europe, Eurasia and Haiti.
2. Two Clusters of related ECP work: a) ECP demonstration projects supporting Roma and children with disabilities that engage the Step by Step NGOs as partners; b) broader ECP activities that draw on the Step by Step program, for instance, projects in Liberia, Peru and potentially Burma.
3. National Foundation and Network Program projects with Step by Step NGOs.

Together they capture OSF’s overall investment in the Step by Step NGOs and ISSA by ECP, National Foundations and other Network Programs. To be included on the grant/activities list, a project had to ‘touch’ the Step by Step program.

1. **OSF Step by Step and the Changing Context of Early Childhood Education and Development**

OSF initiated the Step by Step Program during a period of great social, political and economic transition, marked by huge instability and steep economic decline. Preschool systems, once the pride of many countries, were literally falling apart, preschools were closing, and the buildings were being repurposed by local governments. International attention was focused on higher education and marginally on basic education. The implementation of the Step by Step program shook up the system, refocusing attention on reform of early childhood education in line with new democratic practices. It was bold, big, innovative and powerful. OSF’s funding (the dollar went much further then) and influence, together with enthusiastic Ministry and community support, ensured rapid implementation and expansion.

Over the course of the 20 years, the political, social and economic context of the region has changed dramatically, and with it the early education sector. Rigid, centrally-directed, knowledge-focused systems have been decentralized and teachers have gained new capacities through an extensive array of training programs. The preschool systems, which were decimated in many countries by the social and economic declines in the mid-90’s, have largely recovered to or exceeded pre-1990’s levels in the new Accession countries and Eastern Europe (Russia, Moldova, Ukraine, Belarus), but coverage remains extremely low in Central Asia, the Caucuses and in South East Europe. However, the age of entry into primary is being lowered or an additional pre-primary year is being added by most countries across the region to ensure each child has at least one additional year of education. Funding from the Global Partnership on Education (GPE) in the region is, unusually, highly skewed towards preschool and early primary education. EU structural funding, World Bank and ADB loans and UNICEF technical support are all available to countries that seek to reform early childhood systems. Families and communities are beginning to assert their right to actively shape education systems. While it is by no means a picture of complete success by any measure, there has been a paradigm shift towards child-centred education with new laws and policy documents reflecting many of the values espoused by the Step by Step program. OSF’s work has ensured that policies, models and expertise are in place to support democratic, child-centred practices in early childhood education.

Yet implementation of these policies remains uneven at national and community levels at best, with enormous gaps, and in some cases there is little commitment or political will to implement widely what has been committed on paper. Though some countries are making a concerted effort to integrate children with disabilities and minorities (Roma) into mainstream programs, social justice for minorities, vulnerable children and children with disabilities has not been achieved. These are complex issues that require long-term engagement of a range of actors. Along with improving implementation of child-centred policies, this is the main gap to address. UNICEF, the World Bank and EU are now united in pushing with OSF for greater coverage of early childhood programming for Roma, though the political will, innovation and expertise to make this happen is not reflected by national governments. The situation is similar for early childhood intervention and inclusive education for children with disabilities. Finally, programming for children under 3 (the period during which it is most cost effective to intervene) remains largely ignored and perhaps most astonishingly, teacher training institutions (pre-service) have been almost completely left out of the higher education reform process, and thus, they continue to turn out new cadres of teachers skilled in outdated methods. There is a gap in OSF activity here with HESP excluding support to education departments, CEU lacking a robust education policy department, and ESP and ECP without the level of funding needed to catalyse broad reform of these institutions.

Against this shifting context, the Step by Step NGOs and ISSA have remained a formidable and relevant pedagogical force in Central Eastern Europe and Eurasia. With their extensive and deep knowledge of child-centred, family focused, inclusive practice, the Step by Step NGOs and ISSA are still at the cutting edge of international early childhood education developments, as a result of ongoing professional development and the facilitation of lively exchanges both within the region and with the international ECD community, much of it supported with ECP funding. Where the initial emphasis was on child-centred, family-focused early education, the network of NGOs is deeply engaged in more nuanced issues such as social inclusion of minorities and children with disabilities, combatting prejudice and exclusion in society, definitions of early childhood quality, and establishment of communities of professional practice. They represent a crucial asset to OSF in the struggle to achieve social justice and inclusion and underpins efforts to promote social cohesion and guarantee the rights of Roma, minorities, and immigrants, the poor, and people with disabilities.

1. **Overview and 3 Key Moments in the History of the Step by Step Program**

Launched in 1994, with the aim of introducing concepts of democracy into early childhood education and supporting children and families to learn how to function in an open society, the Step by Step Program has emerged as the recognized flagship early childhood program of the Open Society Foundations. With over $130 million invested, the program has changed the landscape of early childhood education in Central Eastern Europe, Eurasia and Haiti, through introduction of democratic and inclusive practices into early childhood education systems in 29 countries. The program has launched and scaled-up pilot programs in State preschools and primary schools, embedded new methodological approaches into national education strategies, new teaching practices into pre- and in-service institutions, and influenced national early childhood policy and public perceptions about quality of early childhood services. Further, the program has established a strong early childhood civil society sector in the region, including more than 28 national professional early childhood NGOs and a regional association (the International Step by Step Association/ISSA). Globally, the Open Society Foundations’ work on early childhood is identified with the values embedded in the Step by Step Program: democratic practices, quality teaching and learning, individualization, inclusiveness, family and community empowerment and participation. In 2014, OSF, ISSA and the Step by Step NGOs will celebrate the 20th Anniversary of the Step by Step Program and the 15th Anniversary of the establishment of ISSA. ECP’s approach to 2014+ is outlined in the section ‘The Way Forward’ at the end of this document. Three major decision-points are extracted from the 20 year history as background for the discussion.

1. Moving from a Two-Year to a Five Year Model for Reform of the Early Education System (1995)

Step by Step was initially conceived as a two year program, operating in cooperation with the Ministries of Education, to introduce new pedagogical resources and training, establish model sites, and capacitate trainers and pedagogical training institutions to replicate and scale-up these new approaches. During this period the program invested in both ‘hardware’ (refurbishment, furniture, educational materials) and ‘software’ (training systems, development of new methods, manuals and educational standards). The amount of work was overwhelming and the planned cross-country longitudinal study was abandoned, a decision that the program would later regret. Launched initially in 15 countries, by 2002, it expanded to 29 countries and, at the insistence of parents, extended its target age on both ends to cover infants and toddlers through early primary school up to grade 4, which increased the program lifecycle from two to five years. Sustainability was envisioned through the formal adoption of the Step by Step methodology/curriculum by the Ministry of Education for use by any preschool, and through development of the capacities of teacher training institutions. The best pilot sites were developed into training centers. The two year program, had metamorphosed into a five-year model, illustrated in the table below.



2. Program Spin-Off (1998/1999): From a Single Focus to a Dual Focus Program

In 1998/1999, sustainability of the program was reconceptualised. Rather than relying on ever-changing ministries to sustain reforms and concerned that National Foundations’ interest in housing the program would wane, OSF invested in a massive movement to create national NGOs and a regional association (the International Step by Step Association, ISSA) to ensure continuity. OSF providing legal advice and scaffolded the steep learning curve for program staff making the difficult transformation into NGO leaders by providing extensive training and technical support. Each team was mentored to develop a 3-year strategic plan. As a result, 28 of the 29 Step by Step Programs are now operated by independent early childhood organisations. These NGOs have become pillars of the new early childhood civil society movement in the region. Step by Step Program budgets were decreased from $19 million to just over $3 million annually by 2006, as the newly formed organizations were challenged and supported to develop diverse funding sources (grants, membership fees, income generation etc..). In parallel OSF supported the process of founding and registering ISSA in the Netherlands and managed the regional entity from 1999 – 2006, first from NY and later from Budapest, where a small office was set up in 2002. The original intention was to spin off, eventually, all of OSF’s early childhood work.

3. Decision not to spin-off all of OSF’s ECD work (2005)

In 2005, as OSF’s work became global, it became clear that ISSA with its exclusively Central European and Eurasian membership, would not prioritize global over regional activities. Programmatic priorities of OSF and ISSA often differed with OSF and the NGOs taking a greater interest in Roma, disabilities and monitoring than ISSA. A decision was taken to continue to support development of ISSA as a professional network and technical assistance provider; but at the same time to continue to actively develop OSF’s early childhood portfolio. ECP took the lead on global expansion and new programming to address the rights of young Roma children and children with disabilities drawing in additional international expertise, NGOs and leveraging partnerships with large agencies. With ISSA now (2011+) taking renewed interest in Roma and disabilities there is greater strategic cooperation on this issue.

Over time OSF and ISSA have developed sharper, complementary regional roles. This process has not always been smooth, with differing expectations on both sides. Over the years OSF has put pressure on ISSA to stay true to the original mission elaborated in ISSA’s statutes: promoting the values of the Step by Step program in concert with the founding membership (the Step by Step NGOs) and with primary emphasis on the Europe and Eurasia region. With member engagement dwindling, OSF ECP commissioned a review of ISSA in 2011, which served as the basis for opening a series of honest discussion about priorities and partnership, which has brought about very good cooperation.

1. **Discussion of the Components of the Portfolio**

**Core Step by Step Program**

**Step by Step NGOs**

The national NGOs are the driving force for the entire Step by Step Program. They advocate for OSF values in early childhood education, promoting child-centered, democratic approaches, family and community engagement and high quality, inclusive and accessible services for the most disadvantaged children. The program has received huge strategic, political, financial and technical support from both the National Foundations and the Network Program. NGOs in some countries remain close partners of the National Foundations, in other countries the NGOs and National Foundations have less contact, while in others National Foundations have closed. In several countries, the NGOs receive substantial grants from National Foundations (FOKAL provides Tipa Tipa with $120,000). In 2013, the Early Childhood Program provided 33% of the funding needs of the program in the region with huge variations across countries and sub-regions. OSF support to national NGOs ranges from as low as 8% (Slovenia) to nearly 100% (Montenegro) of the annual operating budget of each NGO. In the 2014 strategy, ECP continues to make the following supports available to the Step by Step NGOs in the region to ensure the quality and sustainability of the investment:

* Annual grants of $10,000 to each NGO to translate new materials, conduct an audit, and travel to regional events (budget $210,000);
* Annual grants to 6 NGOs for partial operational and program costs (budget $348,000);
* Emergency grants, no-interest loans and technical support to support 1-3 NGOs each year facing cash flow problems (budget $75,000);
* Innovative grants awarded competitively (budget $300,000).

It is worth noting that OSF has a formal, legal relationship with each spin-off NGO. OSF controls the license to use, adapt, translate, distribute and sub-license the Step by Step resources in any and all media and any and all countries. OSF has issued a sub-license agreement to each of the NGOs granting them the rights to adapt, translate and disseminate the Step by Step resources in their country and to use the name ‘Step by Step’. These agreements require the NGO to keep OSF informed of any major shifts in governance or operations, to submit annually to OSF an annual report and audited financial statement, and to retain their professional capacity and stature in their country. These agreements have made it possible for OSF to intervene twice in 20 years.

**Prospects for Sustainability of the Step by Step NGOs**

Consultation between the ECP and NFs continues, particularly when NGOs face challenges to their survival, or when, on the contrary, opportunities arise for NFs, ECP and the NGOs to collaborate on large scale programs. In March 2013, as part of the strategy process ECP conducted a survey of National Foundations to explore their ideas about the impact of the program and options for taking it forwards after 2014. Spinning off these capacities from the NFs, and investing in a regional networking association has had positive and negative consequences. From one perspective, through the multi-year spin-off process OSF created, in one fell swoop, an entire civil society sector in early childhood in Central Eastern Europe and Eurasia. On the other hand, it means that the NFs were left in many cases without expertise in early childhood to apply across a wider range of fields, for instance, education, social protection, disability, Roma programs, and rights to name a few. Thus, one cannot assume that closure of a Step by Step NGO would be mitigated by expertise that is still available within OSF NFs. Perhaps most challenging for OSF is balancing support for the independence of the NGOs with expectations that they will continue to adhere to the mission and values of the Step by Step program.

Essential findings emerging from the survey of NFs reinforce the view that the Step by Step program has reshaped the early childhood landscape in the region at the level of children, families, educators, preschools, school, local/national governments, policies and teacher training systems. National Foundations particularly appreciate the value of the program when it comes to tackling social cohesion, equity issues and discrimination of marginalized and vulnerable groups. Virtually all are keen on preserving a relationship with the NGOs and many still actively collaborate on advocacy and joint programs. There is substantial concern in ensuring these NGOs remain open for business. Each year a few NGOs contact ECP under great stress in order to negotiate emergency support, which ECP can provide in the form of emergency grants or arrangements to cover a portion of core funding for a set period, a no-interest loan (recoverable grant), and/or technical support. In these cases ECP or the NF work with the NGO to identify local expertise to support strategic and sustainability planning.

The chart in Annex 1 explores the sustainability prospects of the Step by Step NGOs from several diverse perspectives to give a fuller picture of the situation, and detailed financial figures from the NGOs are provided in a separate excel spreadsheet (see Core Document 3 for this Portfolio Review). NGOs in South East Europe (35% OSF funding), Central Asia (54%) and Latin American and the Caribbean (66%) are more dependent on OSF funding, than those in the new EU countries (29%), Eastern Europe (22%) or the Caucuses (29%), if one looks at figures from 2013. Interestingly, some of the NGOs with high dependency on OSF funding are also some of the strongest NGOs programmatically, and their high contribution from OSF represents investments in joint programming (Roma, Disability, policy-related programming). Examples of this are the programs in Slovenia, Serbia and Romania. These programs would in fact survive without OSF funding, as they tend to have multiple donors, strong governance and leadership, and effective programs. In these cases, OSF reliance on the NGOs as partners ‘distorts’ the NGO sustainability metrics. However, in some cases, the high dependency on OSF funding (Haiti, Belarus, Slovakia) represents high risk.

It is also clear from this chart that context is not a determining factor. Some NGOs are doing better than might be expected according to the score on the NGO environmental index, for example, Kyrgyzstan, Moldova, Ukraine, Bosnia, Serbia, and Romania. While, for example, most of the other NGOs in the new EU countries, and the NGO in Kazakhstan are faring worse than expected. This indicates that there is value in engaging with select NGOs to build their organizational capacity to enable them to thrive better in their given context.

ECP has identified five NGOs at high risk of closure: Bulgaria, Montenegro, Belarus, Russia and Kazakhstan. Two NGOs recently closed. The Uzbek NGO closure was anticipated by OSF, however, and OSF prepared for this by supporting the embedding of training into the teacher training institutes and giving UNICEF rights to promote the program to the government through the new Global Partnership on Education (GPE) project, which includes substantial support to preschool education. Thus, ECP achieved the initial goal of early education reform in Uzbekistan, but gave up on establishing an independent NGO. Hungary, which had been on this list previously is in the process of closing and the program has been transferred to another more vigorous NGO.

**The International Step by Step Association**

The establishment of ISSA helped to fill a gap in the broader architecture of the early childhood field. Prior to the creation of ISSA there was no collective early childhood ‘voice’ present at the international level. ISSA not only provides visibility for the work of the Step by Step NGOs, and technical resources to support early childhood teachers working in diverse settings, but it also advocates regionally and globally for quality early childhood services that serve diverse populations. Such is its cache, that Western European NGOs are starting to become national members. Though OSF no longer directly manages ISSA, OSF’s involvement with ISSA has remained quite active. In accord with ISSA’s Statutes, OSF holds a seat on the ISSA Board, which is currently occupied by ECP’s Director. ECP staff manages annual large grants to ISSA, provides technical advice to ISSA and attends ISSA’s meetings and conferences. The new Roma Early Years Network (REYN) was conceived by OSF, but launched jointly with ISSA as a new initiative of the network, and ECP staff recently supported ISSA to conduct a mapping of services and policies affecting children under three years of age in the region. These professional relationships enrich both organizations.

OSF support to ISSA is substantial, with annual grants currently at $700,000 (2014), and extra funds provided to support the REYN network and to provide pass through grants to NGOs that cannot receive funds directly from OSF (Belarus, Russia). Thus, OSF funding remains a determining factor in ISSA’s operations as shown in Table 3, below, with figures ranging from 53% to 65% of the budget during the last 5 years. OSF is working with ISSA in 2013-2014 to shift this dramatically, with the aim of reducing OSF funding as a percentage of ISSA’s resources with targets set at 51% in 2014 and 40% in 2015. Ideally, OSF funding would form no more than 30% of ISSA’s annual budget by 2017.

**Table 2: ISSA Annual Funding from OSF (percentage)**

|  |  |
| --- | --- |
| **Financial Year** | **Percentage of Funding from OSF** |
| 2010 | 65% |
| 2011 | 53% |
| 2012 | 62% |
| 2013 | 60% |
| 2014 | 51% (projected) |

Significantly, one of the findings of the 2011 Review of ISSA is that ISSA lacks strategic capacity needed to become financially independent. Thus, in 2013, ISSA enlisted the help of a financial advisor and will in 2014 develop a sustainability strategy. Just as concerning, the Review found that ISSA still relies heavily on OSF to conceptualize and develop innovative programs. Resolving this involves changing the style in which ISSA develops programming. Currently, programs are developed through face-to-face meetings of a Program Committee drawn from ISSA’s membership, based on member surveys indicating areas of interest. Discussions and ideas are shared at annual meetings of ISSA’s Council. This process fails to draw in reviews of current work and other actors in particular fields of activity. Thus, program development is very insular and based on what is interesting to members, not on what they are best placed to accomplish (as opposed to other players), evidence from current programming and/or context. Expertise is brought in mainly to endorse or comment on ISSA products, not to participate in the design of initiatives. One role of OSF is to support ISSA to bring in a more diverse range of information and expertise when planning programming.

**Individual Grants**

ECP supplements its systemic and organizational early childhood capacity building in the region with support for a regional Russian-language MA program established at the Moscow School for Social and Economic Sciences (MSSES) in partnership with Manchester University. ECP funded the establishment and design of the program and each year funds scholarships for 5-8 students from Central Asia and the Caucuses, where ECD capacity is weak, quality early childhood courses in accessible languages are non-existent, and the rights of young children are all too often unmet. The remainder of the cohort is supported from Russian resources (regional governments, individual tuition, Russian foundations). ECP supports participation of international lecturers to supplement Russian professors. ECP scholarships target individuals who will make a difference: young staff working in Step by Step NGOs, universities, national and international early childhood NGOs. ECP plans to continue funding these scholarships for the next few years to boost regional capacity.

**Related ECP Grants/Activities**

The activities in these sections outline ECP activities that grow out of or lean in on the Step by Step Program. They can be divided broadly into two groups: targeted demonstration projects (Roma, Disabilities) and broader partnership on advocacy, materials development and expertise.

**Demonstration Projects (Roma, Disabilities)**

The ECP collaborates with select Step by Step NGOs as part of specific ECP initiatives (Roma, Disabilities). Grants for these projects are awarded on a competitive basis, and while the majority of ECP grantees for these initiatives are not Step by Step NGOs, some of them – generally the strongest Step by Step NGOs – are. The Step by Step NGOs provide a perspective that embeds inclusion of minorities within a broader educational and social context. The quality pedagogy standards established by ISSA and used by the member NGOs, as well as anti-bias/diversity trainings for education staff, local governments and parents engage both minority and majority populations in changing attitudes and behaviours. The funds provided are substantial for these demonstration projects: nearly $700,000 is currently provided to multi-year inclusive education grants and $2 million to multi-year Roma-related grants, including large grants to ISSA to support the Roma Early Years Network. Lists of these grants are provided in Core Document 2. As mentioned in the section on Step by Step NGOs above, ECP partnership funding for Roma and Disability projects distorts the sustainability metrics of the affected Step by Step NGOs. ECP attempted to calculate the extent of this by removing ECP disability and Roma grants from the income of Step by Step NGOs in 2013 and 2014. Overall OSF support for the NGOs in 2013 would then fall from 33% to 29%, and more dramatically in 2014 from 31% to 23% for the Step by Step program as a whole. NGO budgets without ECP Roma and disability funding can be found in the last 2 worksheets included in Core Document 3 (excel).

**Advocacy, Materials Development and Direct Support to Governments**

ECP uses the Step by Step program’s vast resources (organizational, intellectual, expertise) as a resource for programming in new areas, where this is advantageous. This includes hiring Step by Step trainers or NGOs to provide technical assistance for projects in other parts of the world (Bhutan, Liberia, Peru), as well as adaptation of Step by Step resources. Thus, ISSA and Step by Step resources were provided to the governments of Peru and Liberia, to use as models when developing their own national resources. Step by Step higher education courses have been adapted and updated for use in ECP-sponsored MA programs in Bangladesh and Moscow. Core Step by Step manuals and trainings for preschool are being rewritten by a group of African early childhood experts for piloting and potentially for scale-up by governments.

Finally, ECP collaborates with the Step by Step NGOs and ISSA to advocate for early childhood in Central and Eastern Europe. This has included establishment of a wider advocacy alliance within ISSA (Early Years Regional Association) in collaboration with Save the Children and UNICEF, which is bringing together 60 organizations to champion greater investment in early childhood; collaboration to launch the Roma Early Childhood Inclusion monitoring reports developed with funding from OSF, REF and UNICEF; and collaboration with the World Bank and UNICEF to implement a regional early childhood conference for government officials (see additional document 3).

**Grants/Activities of other Network Programs and National Foundations**

The final cluster of grants/activities consist of co-funded projects with National Foundations that focus on reform of early childhood systems or services, and a complete list of current OSF funding streaming into the Step by Step NGOs from other sources, mainly National Foundations, ESP, HESP and the Think Tank Fund.

1. **Lessons Learned**

The Step by Step Program has benefited from its agility and flexibility, adapting to address rapidly changing internal and external contexts. This has meant not only that the program can supplement trainings, technical or grant support on short notice, but also, that it has not been afraid to shift strategic priorities – even dramatically – to achieve greater impact. A few lessons learned are summarized below.

1. *Using early childhood to promote social change takes time.* Step by Step supported implementation of pilots in 10 public preschools per country and linkage of them with ministries and teacher training institutions over a 2 year period with the expectation that replication would occur naturally. Within one year the program recognized the need to create continuity with primary schools, as well as to invest in the institutions engaged in scale-up. Within five years, the program began to invest in creation of an independent civil society to promote professional excellence and keep pressure on governments high. These investments catalysed policy and practice changes across systems; however, ensuring the inclusion of the most disadvantaged populations is a ‘work in progress’. The US still fails to reach at least half of the children eligible for Head Start (a targeted program) and Western European countries, which generally provide universal services still fail to adequately reach and support minorities, immigrants, migrants and children with disabilities. In the countries where Step by Step is working the network is an essential civil structure required to advance the rights of young children, and OSF should ensure it is robust enough to stand the test of time.
2. *Invest more in documentation and evaluation.* The development field has changed dramatically since 1994, with increasing emphasis on evidence-based practice. Yet there are comparatively few longitudinal studies conducted in transitional and developing countries. Though it seemed like a small loss at the time (the program was intended to be 2 years), the benefits of an ongoing formal evaluation in terms of strengthening the program and credibility, would be enormous had OSF proceeded with the longitudinal study. The NGOs and ISSA are relatively weaker in evaluation and research than in program development and implementation. Those evaluations that have been done (USAID evaluation 1998; OSF evaluation of NGO prospects for sustainability 2001; Roma Special Schools Study 2003; Step by Step Case Study Project 2004; RAND evaluation of Reach 2006; AIR Evaluation of *Getting Ready for School* 2012) have enriched the program. Additional targeted evaluations and documentation may be something for OSF to consider going forwards.
3. *Consider context when deciding whether or not to ‘spin-off’ programs.* OSF spun-off with equal enthusiasm programs in accession countries, Central Asia, the Caucuses and Haiti. Yet, the chances of an NGO surviving in Central Asia are dramatically lower, according to USAID calculations, especially for small NGOs. Step by Step programs embedded in larger OSF education spin-offs (Kosovo, Kyrgyzstan, Mongolia, Azerbaijan) have fared better. In some countries institutionalization of the program in national structures may offer an easier and more secure pathway to sustainability.
4. *Program sustainability and NGO sustainability need to be assessed separately.* In individual countries, OSF should calculate the costs and benefits of achieving program sustainability (institutionalization of child-centred, community-focused programming that embed OSF values into education systems) and NGO sustainability. In some cases, for instance Uzbekistan, OSF can achieve program sustainability, but may opt to lose the battle for the NGO.
5. **The Way Forwards**

***Funding:*** The development of a new strategy for ECP necessitated a review of the annual financial commitment to the Step by Step Program and ISSA, given how large a share it commands within ECP’s budget. The ECP budget for the Step by Step Program peaked in 1996, at $19 million. In the ensuing years, the ECP reduced funds as the program became sustained with local resources. Previously, ECP has argued that it would not be possible to go much below $3 million/year in order to preserve the integrity of the investment, and this figure is often repeated by Mr. Soros. In 2014, ECP has allocated $1.3 million to fund ISSA and the Step by Step NGOs, though a better annual estimate of current need is $1.6 million, if one includes multi-year funding provided to ISSA in 2013. The survey of the National Foundations indicated strong support for OSF’s continued targeted funding for innovative projects, provision of co-funding to leverage the funds of others, funds for core support where it is needed, and networking. Clearly, some of the NGOs, particularly those operating in more challenging contexts, could not survive without OSF funding. Another strategy in these countries would be to look at sustainability solutions beyond the survival of the NGO. For instance, in Russia ECP is focusing on securing the survival of the newly inaugurated graduate ECD and department at the Moscow School of Social and Economic Sciences (MSSES), rather than continuing to support the struggling Step by Step NGO in St. Petersburg. ECP supports maintaining a minimum investment of at least $1.5 million/year for Step by Step, more if investments are made in evaluation.

***Technical Assistance:*** Challenges to sustainability can be related to weaknesses in program capacity and/or NGO capacity. OSF has hired INTRAC (August 2013 – April 2014) to conduct an assessment of the Step by Step NGOs’ and ISSA’s sustainability, through document review, interviews, focus groups, analysis of budgets, and surveys. INTRAC is also developing and piloting an NGO assessment tool for use by Step by Step NGOs to help them develop organizational development priorities and is piloting this in 2 countries. The results will inform how ECP targets a second bolus of limited support at either program capacitation or NGO capacitation, or both, in countries where it is needed and where it is likely to be successful at enhancing sustainability. INTRAC’s preliminary assessment of the Step by Step NGOs is included as Core Document 4.

***Control and oversight:*** In the ECP survey of NFs conducted in April 2013, the NFs de-emphasized the need for OSF oversight over the functioning of the NGOs, with only two listing ECP’s support for annual NGO audits as top priority. Rather, they directed ECP’s engagement towards monitoring professional quality, promoting innovation and networking and providing emergency funds when needed. In some cases NFs have an oversight role with the NGO and participate on the NGO Board. One key aspect of this question is to what extent the NGOs’ reputations (or success) are linked either with OSF ECP’s or the NFs or ISSA’s. In those two cases where it has been necessary, the ECP has used the threat of removing the license to the Step by Step program to insist on substantial governance changes, in the first case a change in Board composition, and in the second a replacement of the Step by Step Director.

OSF retains several mechanisms through which it can influence ISSA. Firstly, through the permanent seat on the ISSA Board, which OSF can occupy as long as it chooses. Secondly, OSF is the majority shareholder in ISSA, providing 51% of its current income, and can condition grants. When agendas are in sinc, these relationships are very positive and enable greater strategic convergence, particularly around programming that promotes the values of the Step by Step program and OSF. The Board linkage enables OSF to have access to greater information than would normally be accessible from a typical grantee, for instance, regarding decision-making processes, member engagement, management dilemmas etc... It gives OSF a closer look at the quality of the investment and where ISSA may need more support to succeed. Generally, OSF hasn’t used its role to interfere in ISSA’s activities; however, in those few cases where it has, it strains the relationship. Examples include OSF’s insistence over several years that ISSA prioritize core Step by Step NGO member needs and engagement, involve ISSA’s wider network in program and strategy development, and clarify decision-making processes. Does OSF require both levers (seat on the Board, and control through the grant), and if not, what is the tipping point at which OSF cedes these levers? One way to look at this issue is to set a limit, for instance, if ISSA brings OSF funding down to 30% of the total budget for 2 years, OSF might relinquish the seat on the Board. Who fills the OSF seat on the Board is always an open question, and should be the person who can best provide what OSF seeks to accomplish at a given time.

Questions remain about whether it makes sense for OSF to retain control over the licensing of the Step by Step core materials. One option would be to devolve this licensing to ISSA, however, at the moment, it is OSF that is primarily engaging in global program work, not ISSA, and there are advantages to OSF being able to act independently. Another more attractive option ECP is exploring is to put these materials into the public domain using some form of creative commons licensing. This would remove the control leavers over the Step by Step NGOs, particularly if OSF lowers the reporting requirement. Given that many of them receive less than 30% funding from OSF, this is a reasonable option.

In line with the points raised above, the ECP 2014+ strategy proposes:

* OSF use the opportunity of the 20th Anniversary of the program to reposition Step by Step publically and declare the war won. OSF can assert that after 20 years Step by Step has completed its main mission of introducing new values in early childhood education into the region and establishing a strong civil society to support the sector.
* OSF renew its commitment to early childhood in the region, but as a partnership with the network and with a focus on social justice: addressing the rights of Roma, children with disabilities, minorities and other vulnerable groups to accessible, high quality early childhood services that not only ensures their full development, but also reinforces social cohesion across the region. The scope of this effort could potentially be enlarged to encompass all of Europe in line with OSF’s efforts to link East and West activities through the new European Foundation.
* At the same time, to ensure durability of the investment, ECP is continuing to invest in targeted efforts that improve the sustainability of the program and the NGOs. ECP is carefully assessing the sustainability of the program and operational capacities of the NGO in each country and making decisions about which programs it might not be worth to invest more in (eg. Bulgaria, Russia, Kazakhstan, Montenegro) and which of the others could benefit from a second, targeted round of training and technical assistance on NGO management and specific programmatic issues, that could shift the odds of sustainability in the right direction as OSF funding is reduced. This includes also supporting an expert to help ISSA develop a financial sustainability plan.
* As suggested by the NFs, ECP is continuing funding for innovative projects and co-funding in cases where NGOs leverage external funds for interesting projects. ECP also promotes NF relationships with the NGOs.
* ECP recommends renegotiating licenses to the materials to release the initial materials into the public domain via creative commons licensing. Licenses to new materials might be granted to ISSA to generate income for a set time period (5 years) and then put in the public domain.
* ECP is seeking ways to link ISSA with other regional networks (Asia-Pacific Regional Early Childhood Network, Arab Resource Collective, African ECD networks) to enrich the sharing and learning across networks. Additionally, ECP will continue to use the resources it has created or funded (ISSA’s materials and Step by Step trainers) in our international work.

**Questions/Issues for Discussion:**

1. How should the 30% rule be applied to ‘spin-offs’, which often serve as preferred OSF partners? In these cases, like it or not, OSF is also dependent on the NGOs.
2. To what extent should OSF retain direct relationships with the NGOs and to what extent might OSF streamline funding through ISSA?
3. OSF appears to be gradually reducing investments in Central Europe and Eurasia, making it important to ensure that there are durable change-agents (Networks of Networks) in place that share OSF values. As Networks of Networks, like Step by Step mature, should OSF explore longer-term funding mechanisms, such as endowments or multi-year grants?

**Annex 1: Chart of Step by Step NGO Sustainability**

The chart on the next page, compiled in May 2013 with financial figures updated in April 2014, explores the sustainability prospects of the Step by Step NGOs from several diverse perspectives to give a fuller picture of the situation. In exploring issues of sustainability of the NGOs, and even of ISSA, the chances for sustainability are not equal. Conditions that foster or hinder the civil society sector differ dramatically across countries. USAID conducts an annual rating of the civil society environment in each country in the CEE Eurasia region, and for the sake of comparison, scores for the region are presented in a chart below. Additionally, scores reflecting the perspectives of the NFs, Step by Step NGOs and ECP are included, along with budget information from the 2013 budget of each NGO.

The data columns for the chart on the following page are described below:

* ***USAID’s assessment of the NGO climate in each country,*** drawn from the USAID Civil Society Organization Sustainability Index for 2012.[[1]](#footnote-1) The index reports on the strength and overall viability of CSO sectors in each of the twenty nine countries in the Central Europe Eurasia region, and assigns scores to seven interrelated dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. These scores are averaged to produce an overall sustainability score for each country: Sustainability Enhanced, Sustainability Evolving, and Sustainability Impeded. In this table sustainability enhanced is scored as ‘1’, sustainability evolving ‘2’ and sustainability impeded as ‘3’
* ***Assessments by the National Foundations*** of the Open Society Foundations about the relative sustainability of the Step by Step NGO, compared with other spin-off NGOs in their country, scored as follows: ‘1’ this NGO is one of the more sustainable spin-offs, ‘2’ this NGO is doing as well as other spin-offs and ‘3’ this NGO is struggling more with sustainability than other spin-offs.
* ***Assessment by the Step by Step NGOs themselves***, regarding the number of years they believe they will have adequate funds to cover admin and program costs. In this table scores near ‘1’ indicate the NGO believes it has adequate resources for the next 3 years; ‘2’ the NGO believes it has resources for one year or ‘3’ the NGO does not believe it will have enough resources to make it through the coming year. Scores for NGO estimates of admin and program sustainability were averaged, thus some scores in the table are shown in half numbers.
* ***Assessment by OSF ECP staff***, consolidating programmatic, operational and financial information and experiences across the lifetime of the Step by Step program with ‘1’ representing sustainability likely, ‘2’ representing sustainability developing and ‘3’ sustainability unlikely.
* ***Actual budget figures for 2013***, showing the total budget of the NGO and the percentage of funds from OSF sources (Network Programs or National Foundation).

A hint to reading the chart: **smaller numbers represent better chances at sustainability** with the single exception being the total budget of the NGO.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| COUNTRY | Total USAID Index Score | National Foundation Assessment of NGO sustainability (survey based 1 – 3)[[2]](#footnote-2) | Step by Step NGO’s Assessment of their sustainability | NGO viability – ECP’s judgment | Total NGO budget for 2013 | Proportion of funding received from OSF in 2013 |
| **New EU Countries** | | | | | | |
| Bulgaria | 2 | - | 2 | 3 | $110,000 | 32% |
| Czech Republic | 1 | 2 | 2.5 | 2.5 | $201,007 | 52% |
| Estonia | 1 | 3 | 2 | 2 | $210,244 | 29% |
| Hungary[[3]](#footnote-3) | -[[4]](#footnote-4) | - | 2 | - | 0 | 0% |
| Latvia | 1 | 1 | 2 | 2 | $141,238 | 15% |
| Lithuania | 1 | - | 2 | 1 | $188,147 | 17% |
| Romania | 2 | 1 | 1 | 1 | $429,000 | 34% |
| Slovakia | 1 | 2 | 2 | 2 | $174,798 | 67% |
| Slovenia | 2 | - | 2 | 2 | $498,756 | 8% |
| ***Average*** | 1.4 | 1.8 | 1.9 | 1.9 | $340,654 | 38% |
| **South East Europe** | | | | | | |
| Albania | 2 | 2 | 1.5 | 2 | $121,100 | 47% |
| Bosnia | 2 | 1 | 2 | 1.5 | $230,305 | 32% |
| Croatia | 2 | 1 | 2 | 2 | $240,449 | 19% |
| Kosovo | 2 | 1 | 2 | 1.5 | $104,368 | 100% |
| Macedonia | 2 | 2 | 3 | 2 | $706,082 | 16% |
| Montenegro | 2 | - | 2 | 2.5 | $20,000 | 100% |
| Serbia | 2 | 1 | 1 | 1 | $635,412 | 47% |
| ***Average*** | 2 | 1.3 | 1.9 | 1.8 | $240,098 | 52% |
| **Eastern Europe** | | | | | | |
| Belarus | 3 | - | 3 | 3 | $57,400 | 78% |
| Moldova | 2 | 2 | 1.5 | 1 | $471,706 | 14% |
| Russia | 2 | - | 2 | 3 | $15,800 | 0% |
| Ukraine | 2 | 1 | 1 | 1 | $838,392 | 23% |
| ***Average*** | 2.3 | 1.5 | 1.9 | 2 | $205,163 | 34% |
| **Central Asia and the Caucuses** | | | | | | |
| Armenia | 2 | 2 | 2 | 1.5 | $262,055 | 19% |
| Azerbaijan | 2 | - | 2 | 1.5 | $718,227 | 30% |
| Georgia | 2 | - | 2 | 2 | $101,969 | 54% |
| Kazakhstan | 2 | 2 | 3 | 3 | $46,800 | 0% |
| Kyrgyzstan | 2 | 1 | 1 | 1 | $333,400 | 52% |
| Mongolia | -[[5]](#footnote-5) | - | 2.5 | 2 | $108,800 | 26% |
| Tajikistan | 2 | - | 2 | 2 | $138,180 | 100% |
| Uzbekistan | 3 | - | 3 | 3 | 0 | 0% |
| ***Average*** | 2.1 | 1.6 | 2.2 | 2 | $314,193 | 25% |
| **LAC** | | | | | | |
| Haiti | 3 | 1 | 2 | 2 | $363,653 | 66% |

1. See http://transition.usaid.gov/locations/europe\_eurasia/dem\_gov/ngoindex/ [↑](#footnote-ref-1)
2. Scores only given for countries with an active National Foundation who responded to the questionnaire. [↑](#footnote-ref-2)
3. The NGO in Hungary, Ec Pec Foundation, is in the process of closing; the program will be transferred to an existing NGO that has a wider mandate and better early childhood expertise. [↑](#footnote-ref-3)
4. There is no USAID rating for Hungary for 2011. [↑](#footnote-ref-4)
5. No USAID data is available for Mongolia [↑](#footnote-ref-5)