



RESULTS FOR  
DEVELOPMENT

FINANCING EARLY CHILDHOOD DEVELOPMENT:  
AN ANALYSIS OF INTERNATIONAL AND  
DOMESTIC SOURCES IN LOW- AND MIDDLE-  
INCOME COUNTRIES

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International Commission on Financing Global Education Opportunity

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## Executive Summary

The early years in a child's life present a unique opportunity to establish strong foundations for healthy growth and development and later educational and economic success. Poverty, poor nutrition and health, and unstimulating home environments in developing countries, however, leave 200 million children under age 5 behind on their developmental trajectory.<sup>1</sup> High dropout rates, poor learning outcomes, and other education system failures are in part due to children entering school unprepared and without proper health and nutrition.<sup>2</sup> Quality early childhood development (ECD) services, which include education, health and nutrition, protection, and water, sanitation and hygiene interventions, can be a powerful and efficient way to mitigate these risks, particularly for disadvantaged children. Investing in ECD services, such as quality pre-primary education and home visiting, can yield greater economic returns than interventions provided later in life. Evidence from low- and middle-income countries (LMICs), such as Mozambique and Jamaica, have demonstrated that participation in ECD services can contribute to increased primary school enrollment, better cognitive performance, and higher wages, among other benefits.<sup>3</sup>

Access to ECD programs has expanded globally, however in LMICs, children from disadvantaged backgrounds are often left out, and programs are often of poor quality.<sup>4</sup> Despite a strong case for investing in young children, current levels of financing for ECD fall far short of those necessary to provide access to high-quality services for all children from birth. The adoption of the Sustainable Development Goals and specifically target 4.2 confirms the importance of ECD within the global policy agenda,<sup>5</sup> yet estimates suggest annual costs for one year of high-quality pre-primary education alone in low and lower-middle income countries will need to increase nearly sevenfold compared to current cost estimates.<sup>6</sup> This estimate does not reflect additional resources needed for a range of other ECD services that begin at birth.

Most research on financing ECD services has been conducted in high-income countries (HICs), with limited relevance for more resource-constrained contexts. Therefore, this study fills a critical gap in the global knowledge base by reviewing and analyzing the state of financing for ECD, with a focus on low- and middle-income countries. This study analyzes the role of international, national, and private actors in financing ECD; the principal financial barriers to promoting access, quality, efficiency, and effectiveness in delivering ECD; and potential solutions to increase and improve the effectiveness of financing, while addressing issues of equity. We first establish what is currently known about financing ECD, based on a review of cross-national data on ECD expenditure, data on international financing, and existing frameworks that analyze how funds are sourced, raised and allocated. We then discuss the

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<sup>1</sup> Grantham-McGregor, Sally, Cheung, Yin B., Cueto, Santiago, Glewwe, Paul, Richter, Linda, Strupp, Barbara. & the International Child Development Steering Group. 2007. "Developmental potential in the first 5 years for children in developing countries." *The Lancet*, 269(9555), 60-70.

<sup>2</sup> Isaacs, Julia B. 2012. "Starting school at a disadvantage: The school readiness of poor children." Center on Children and Families at Brookings. Washington, DC: Brookings Institution.

<sup>3</sup> Heckman, James J. 2007. "The productivity argument for investing in young children." Working Paper No. 13016. Cambridge, MA: National Bureau of Economic Research; Center on the Developing Child. (n.d.) "The science of early childhood development." In Brief. Harvard University; Gertler, Paul et al. 2014. "Labor market returns to an early childhood stimulation intervention in Jamaica." *Science*, 344(6187), 998-1001.

<sup>4</sup> Neuman, Michelle J., Josephson, Kimberly, & Chua, Peck Gee. 2015. *A review of the literature: Early childhood care and education (ECCE) personnel in low- and middle-income countries*. Early Childhood Care and Education Working Paper Series. Paris: UNESCO.

<sup>5</sup> "By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education."

<sup>6</sup> Education for All Global Monitoring Report. 2015. "Pricing the Right to Education: The Cost of Reaching New Targets by 2030." Policy Paper 18. Paris: UNESCO.



status and future potential of international financing for ECD. To complement this international perspective, we analyzed ECD financing in a diverse set of 12 countries, including 10 LMICs and two HICs.<sup>7</sup> Information on nationally scaled-up programs (e.g. the Integrated Child Development Services in India) or specific financing sources and mechanisms (e.g. the Sin Tax Reform Bill in the Philippines) within each country as well as macro-level data were gathered.

This study finds that international financing of early childhood education (ECE) has grown in volume, but remains shockingly low: only 2% of aid allocated to basic education. Bilateral sources of aid are especially limited. The UK and USA, two of the top three donors to basic education, have invested very little in ECE as growth in multilateral aid in ECE has primarily been driven by the World Bank. Private foundations play an important and growing role in ECD financing.

Domestic financing is critical to ensuring sustainability of services, yet ECD is consistently underfunded – on average less than 0.1% of GDP – relative to need and to other education levels. In comparison to other sectors and services, there is a greater mix of public and private spending on ECD, including significant household contributions. There are diverse models for delivering and financing ECD, including public, private, or semi-private models that can take place in schools, community centers, or home environments. Varied delivery and financing models can challenge coordination and accountability, such as in Nepal, but have also presented alternative methods for expanding coverage to diverse populations, such as in Lebanon and Turkey. Decentralized systems may face challenges in shifting not only responsibility, but additionally adequate capacity and financing to lower levels of government, as has been the case in Kenya. In fact, limited public sector capacity overall to coordinate, distribute, spend and monitor ECD financing presents a common challenge. Despite these findings, a lack of good data prevents a complete understanding of ECD financing scenarios in many countries.

While some innovative financing sources (e.g. a payroll tax in Colombia, impact bonds in South Africa) have been explored, these mechanisms are not immune to challenges encountered in traditional finance, such as delays in the delivery of funds or competition between government ministries for limited resources. When leveraged effectively, advocacy efforts that make use of contextually-relevant evidence can stimulate greater investments in ECD, as was demonstrated by the Mother Child Education Foundation's "7 is too late" campaign in Turkey.

This study proposes six strategic recommendations for both the international and domestic actors:

1. Prioritize and significantly increase funding for early childhood development
2. Ensure public financing for ECD services and utilize innovative finance to jump start investments
3. Focus financing systems on improving quality and assuring equity
4. Build off existing delivery systems by strengthening the capacity of the public sector to effectively allocate and use financing
5. Encourage multi-sectoral policy planning to scale programs, and ensure efficiency, coordination, and alignment across financing streams

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<sup>7</sup> 10 LMICs (Colombia, India, Indonesia, Kenya, Lebanon, Malawi, Nepal, Peru, the Philippines and Turkey) were selected based on the following criteria: availability of data, improvement in at least one of three ECD indicators (pre-primary gross enrollment, under-5 mortality, prevalence of stunting in children under 5), regional diversity, representation of fragile and conflict-affected states, existence of innovative financing mechanisms, and presence of in-country contacts. Chile and France were selected to represent high-income countries that have successfully reached disadvantaged children and families.



6. Support the generation of contextually relevant evidence that can influence advocacy efforts to increase domestic financing and quality improvements

## The Case for Investing in Young Children is Strong, Particularly for the Disadvantaged

The failures of the education system, reflected in high dropout and repetition rates as well as low learning levels, are in part due to children entering school without adequate preparation, including early learning opportunities, and proper health and nutrition. Due to poverty, malnutrition, poor health, and unstimulating home environments, 200 million children under the age of 5 years in developing countries are at risk of not reaching their developmental potential, making them more likely to perform poorly in school and have low incomes later in life.<sup>8</sup> The early years provide a unique moment to strengthen the foundation for children's healthy growth and development as well as to promote their educational and economic success. Recent neuroscientific breakthroughs have helped us to understand more clearly how brain development occurs in children. Early experiences, particularly in the first 1,000 days, are critical to long term health, behavior and learning. Positive adult-child relationships are critical for the formation of brain architecture. At the same time, other neuroscientific breakthroughs have shown that toxic stress, which can be caused by the experiences of extreme poverty, can be detrimental to developing brain architecture, with lifelong consequences.<sup>9</sup>

Well before children begin formal schooling, quality early childhood development (ECD) services, which span the education, health and nutrition, protection, and water, sanitation, and hygiene sectors, offer an unparalleled opportunity to mitigate these risks. Without such attention, the disadvantages experienced in early childhood will continue to compound with time, becoming both more expensive and more difficult to remediate later in life.

Analyses by Nobel laureate James Heckman and others demonstrate that the returns on investment in young children are greater than at any other time in human development.<sup>10</sup> An evaluation of the Perry Preschool program in the US showed a 7% to 10% per year return on investment based on increased school and career achievement as well as reduced costs in remedial education, and health and criminal justice system expenditures.<sup>11</sup> Investing in ECD has also been demonstrated to be extremely cost-effective; for example, an evaluation of the Bolivian Integrated Child Development program (PIDI), which provides day-care, nutrition and educational services to children living in poor, predominantly urban areas, found benefit-cost ratios of the program as high as 3.7, based on a 3% discount rate.<sup>12</sup> Unlike other areas of social policy, there is no efficiency-equity tradeoff: investments in ECD are the most powerful and efficient for the most vulnerable and disadvantaged children.

The evidence base for ECD is strong and supported by a growing number of studies and evaluations, including several from developing countries demonstrating that ECD services have a positive impact in

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<sup>8</sup> Grantham-McGregor, Sally, Cheung, Yin B., Cueto, Santiago, Glewwe, Paul, Richter, Linda, Strupp, Barbara. & the International Child Development Steering Group. 2007. "Developmental potential in the first 5 years for children in developing countries." *The Lancet*, 269(9555), 60-70.

<sup>9</sup> Center on the Developing Child. (n.d.) "The science of early childhood development." InBrief. Harvard University.

<sup>10</sup> Heckman, James J. 2007. "The productivity argument for investing in young children." Working Paper No. 13016. Cambridge, MA: National Bureau of Economic Research.

<sup>11</sup> Heckman, James J., Moon, Seong Hyeok, Pinto, Rodrigo, Savelyev, Peter A., & Yavitz, Adam. 2010. "The rate of return to the High/Scope Perry Preschool Program." *Journal of Public Economics*, 94(2010), 114-128.

<sup>12</sup> Behrman, Jere, Cheng, Yingmei & Todd, Petra. 2000. "The impact of the Bolivian integrated 'PIDI' preschool program." Philadelphia: University of Pennsylvania.



later childhood and adulthood. For example, in Mozambique, children from a rural community who participated in a preschool program were 24% more likely to enroll in primary school in comparison to children from a control group.<sup>13</sup> Furthermore, ECD services have been found to mitigate the impact of adverse early experiences beyond childhood, as a home visiting program in Jamaica which provided parenting support to children 9-24 months, was found to have significantly increased participants' performance during late adolescence on 11 out of 12 cognitive and educational tests when compared to a control group.<sup>14</sup> Twenty years after the intervention, participants earned an impressive 25% more than those who did not participate.<sup>15</sup>

This accumulated evidence makes clear that the quality of children's early experiences cannot be ignored, especially for those growing up in extreme poverty. However, it is acknowledged that much of the existing evidence comes from small-scale programs which have been evaluated under tightly controlled conditions. Programs operating at a larger scale have struggled to provide quality services that make an impact on children's developmental outcomes. For example, the quality of services offered under India's Integrated Child Development Services (ICDS) varies widely. Major implementation challenges have been faced including poor training, support, and supervision of staff, erratic provision of supplies and leakages in food procurement, poor targeting of food supplementation, and a lack of community participation in the program.<sup>16</sup>

Despite these well-known benefits of ECD programs, universal access is far from reality, and quality is often elusive. Taking pre-primary education as an example, enrollment substantially increased from 32.8% in 1999 to 53.7% in 2012. However, only 17% of children in low-income countries had access to pre-primary education in 2012. Major regional disparities also exist; for example, pre-primary enrollment in the Latin America and Caribbean region was 74.5% in 2012, compared to 19.5% in sub-Saharan Africa. At the same time, children have uneven access to pre-primary education even within countries. For example, in Thailand, only 55% of refugee children have access compared to a national average of 93%.<sup>17</sup> While progress has been made in expanding access to pre-primary education, there still remain many challenges related to the quality of programs offered. Large classes, limited access to play and learning materials, and low qualifications and training of staff working with young children are challenges faced in low-resource contexts. Similar challenges are found in ECD services provided through the health and protection sectors begging the question of how to finance a quality set of services that reach all eligible children.<sup>18</sup>

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<sup>13</sup> Martinez, Sebastian, Naudeau, Sophie, & Pereira, Vitor. 2012. *The promise of preschool in Africa: A randomized impact evaluation of early childhood development in Mozambique*. enGender Impact: the World Bank's Gender Impact Evaluation Database. Washington, DC: World Bank.

<sup>14</sup> Walker, Susan P., Chang, Susan M., Powell, Christine A., Grantham-McGregor, Sally M. 2005. "Effects of early childhood psychosocial stimulation and nutritional supplementation on cognition and education in growth-stunted Jamaican children: Prospective cohort study." *The Lancet*, 366(9499), 1804-1807.

<sup>15</sup> Gertler, Paul et al. 2014. "Labor market returns to an early childhood stimulation intervention in Jamaica." *Science*, 344(6187), 998-1001.

<sup>16</sup> Lokshin, M. Das Gupta, M., Gragnolati, M., & Ivaschenko, O. 2005. "Improving Child Nutrition?: The Integrated Child Development Services in India." *Development and Change* 36(4):613-640.

<sup>17</sup> UIS Database; Neuman, Michelle J. & Hatipoglu, Kavita. 2015. "Global gains and growing pains: pre-primary education around the world." *Early Childhood Matters*, 124. The Hague: Bernard van Leer Foundation.

<sup>18</sup> Denboba, A., Sayre, R., Wodon, Q., Elder, L., Rawlings, L., & Lombardi, J. 2014. "Stepping Up Early Childhood Development: Investing in Young Children for High Returns." Washington, D.C.: World Bank.

## Rationale for the study and key research questions

While we know that investments in the early years are critical, existing financing for ECD services falls severely short of supporting access to high-quality services for all children, and those from lower income and marginalized groups are frequently left behind. The inclusion of Target 4.2 in the Sustainable Development Goals, which seeks to ensure that by 2030 “all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education,” signals progress in ECD’s place on the global policy agenda.<sup>19</sup> However, it is among the most underfunded sub-sectors, with estimates suggesting that spending on one year of high-quality pre-primary education alone must increase annually from US\$4.8 billion in 2012 to US\$31.2 billion annually on average between 2015 and 2030 to reach this target.<sup>20</sup> Substantially more resources will be needed to assure that children can access a range of ECD services from birth. In order to expand access and quality of ECD services to reach Target 4.2, additional resources must be mobilized and those resources must be spent more efficiently. With the adoption of the SDGs, we are at a critical point at which insight into how to finance ECD is needed.

As noted above, most of the research on ECD financing to date has been done in high income countries,<sup>21</sup> and the findings have limited applicability to more resource-constrained contexts in low and middle income countries. In addition to there being few large-scale reviews of financing ECD specific to low and middle income countries, the data that are available are limited and not systematically reported.

This study seeks to answer the following research questions:

- What is the current state of financing for ECD, particularly in low- and middle-income countries? What roles do international, national, and private actors, and parents play in financing ECD?
- What are the main financial barriers to promoting access, quality, efficiency and effectiveness in the delivery of ECD?
- How can financing for ECD be increased and its effectiveness improved? What opportunities exist to use innovative financing?
- How can issues of equity in financing of ECD be addressed?

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<sup>19</sup> ECD is also relevant to SDG targets related to health, nutrition, and gender equality among others. Britto, P. (2015). *Why early childhood development is the foundation for sustainable development*. Retrieved 04/29, 2016, from <https://blogs.unicef.org/blog/why-early-childhood-development-is-the-foundation-for-sustainable-development/>

<sup>20</sup> Education for All Global Monitoring Report. 2015. “Pricing the Right to Education: The Cost of Reaching New Targets by 2030.” Policy Paper 18. Paris: UNESCO.

<sup>21</sup> OECD. 2006. *Starting Strong II: Early childhood education and care*. Paris: OECD Publishing.



## Methodology

As a first step in carrying out this study, we reviewed existing data and literature on financing ECD in low and middle income countries to establish what is already known and identify gaps to fill through our research. This included looking at cross national data on ECD expenditures, data on international financing for ECD, as well as existing frameworks which analyze from where funds are sourced and raised, as well as how they are allocated. In order to gather more country-specific detail, we further focused our research on 12 countries, which illustrate a range of approaches to ECD financing, in order to yield lessons for diverse contexts (see Box 1). Appendix 1 details our full country selection methodology.

Once the 12 countries were selected, we identified an area on which to focus our study related to ECD in each of the countries. For example, in some countries this meant focusing on a scaled up national program, such as the Integrated Child Development Services in India, or a particular source or mechanism for financing ECD, such as taxes on gaming corporations in the Philippines which are used to support ECD services.

A data collection instrument was developed by the research team and then completed for each country based on desk review and key informant interviews. Where possible, in addition to data around the particular area of focus identified in each of the countries, macro level data on the country and its financing of ECD across sectors were collected. In addition to looking at these 12 countries in depth, a desk review and key informant interviews with global experts were carried out to better understand the current status and future potential of international financing for ECD.

### Box 1: Country Selection

Ten *rapidly improving* low and middle income countries were selected to ensure the following criteria:

- High data availability
- Improvements on at least one of the following early childhood indicators:
  - Pre-primary gross enrollment ratio
  - Under 5 mortality rate
  - Prevalence of stunting in children under 5
- Regional diversity
- Representation from fragile and conflict affected states
- Representation from countries where innovative financing sources and mechanisms have been utilized
- Leveragability of existing networks to facilitate data collection

These ten countries included Colombia, India, Indonesia, Kenya, Lebanon, Malawi, Nepal, Peru, the Philippines, and Turkey.

Based on their success in reaching disadvantaged children and families with ECD services, Chile and France were selected as *high performing high income* countries for further study as well.

## Roadmap for the report

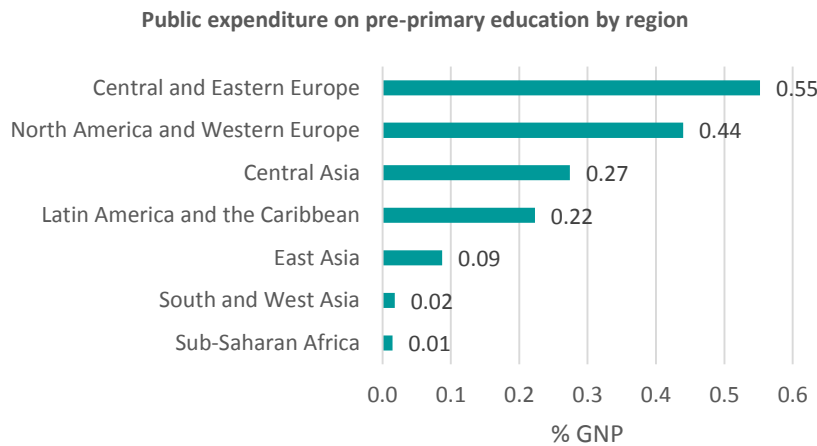
The following section lays out what we already know about financing ECD from existing data sources on high income and low and middle income countries. This section is followed by findings from our research on international financing, after which we discuss findings on domestic financing for ECD based on our study of 12 countries. Drawing from these two sets of findings on international and domestic financing, recommendations are proposed for the International Commission on Financing Global Education Opportunity.

## What do we already know about financing ECD?

In low and middle income countries, limited resources are allocated to ECD. For example, expenditure on high-impact nutrition interventions in the early years is remarkably low. While regional averages are unavailable, it is estimated that low and middle income countries spend \$2.9 billion annually on interventions such as multiple micronutrient supplementation, Vitamin A supplementation, and treatment of severe acute malnutrition, which address stunting, wasting, and anemia, and support exclusive breastfeeding. This level of spending reflects a paltry 1% of countries’ health budgets.<sup>22</sup>

For pre-primary education, developing countries spend on average 0.07% of GNP. There is still wide variation between regions, as demonstrated in Figure 1. Spending also varies substantially within regions; for example, in Latin America and the Caribbean, expenditure on pre-primary education was 0.1% of GNP in Panama and 0.5% of GNP in Mexico.<sup>23</sup>

Figure 1.



Source: UNESCO. “Education for All Global Monitoring Report Statistical Tables” (2015).

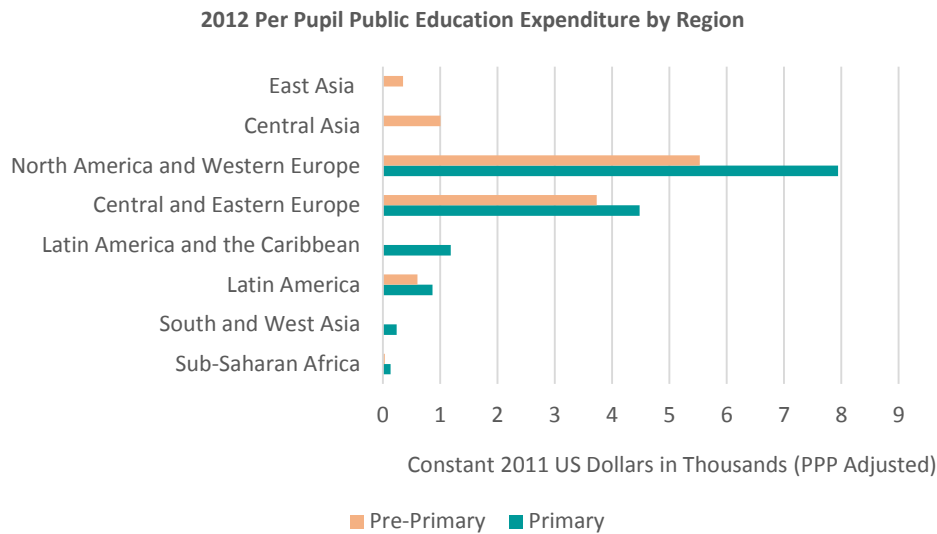
This level of funding contrasts with what is spent in higher income countries, where in many cases, early childhood care and education is universal beginning as early as age 1 in several Nordic countries and from age 2 or 3 in Belgium, France, Germany and the United Kingdom. Figure 2 shows how expenditure per pupil on pre-primary education is as high as \$7,943 in North America and Western Europe and as low as \$37 in Sub-Saharan Africa. While higher income countries tend to spend more on pre-primary education relative to low and middle income countries, they typically spend less per child on early childhood than on primary education, often because preschool teachers earn less than their primary school counterparts.<sup>24</sup>

<sup>22</sup> Shekar, M., Kakiyeteck, J., D’Alimonte, M., Walters, D., Rogers, H., Dayton Eberwein, J., Soe-Lin, S., & Hecht, R. 2016. *Investing in Nutrition the Foundation for Development: An Investment Framework to Reach the Global Nutrition Targets*.

<sup>23</sup> UNESCO. “Education for All Global Monitoring Report Statistical Tables” (2015).

<sup>24</sup> Neuman, Michelle J., Josephson, Kimberly, & Chua, Peck Gee. 2015. *A review of the literature: Early childhood care and education (ECCE) personnel in low- and middle-income countries*. Early Childhood Care and Education Working Paper Series. Paris: UNESCO.

Figure 2.



Source: UNESCO. “Education for All Global Monitoring Report Statistical Tables” (2015).

In developing countries, costs per child of ECD programs vary significantly due to a number of factors, including wage levels, the heterogeneity of services, delivery mechanisms, and quality of inputs. For example, the Madrasa ECD program in East Africa estimated unit costs of \$14 to \$24 per child per month.<sup>25</sup> In comparison, the annual unit cost of a program supported by the Honduran Institute for Children and Families was estimated to be \$1,602.<sup>26</sup>

Although the exact financing and delivery arrangements for ECD differ by context, in general, there are three main sources of funding: public, private, and households. In Mexico, for instance, 80% of funding for ECD comes from public sources, specifically the federal government.<sup>27</sup> Private sector funds have been used in Colombia to support ECD, as co-operatives of employers and employees support a variety of services.<sup>28</sup> Household contributions are significant in many contexts, including Kenya, where households pay 95% of the costs of childcare and preprimary education.<sup>29</sup> Although privately delivered programs can involve public financing, most of them charge parental fees to cover their costs. Figure 3 demonstrates the significance of private programs and household contributions.

<sup>25</sup>Issa, S. 2006. “A Costing Model of the Madrasa Early Childhood Development Program in East Africa.”

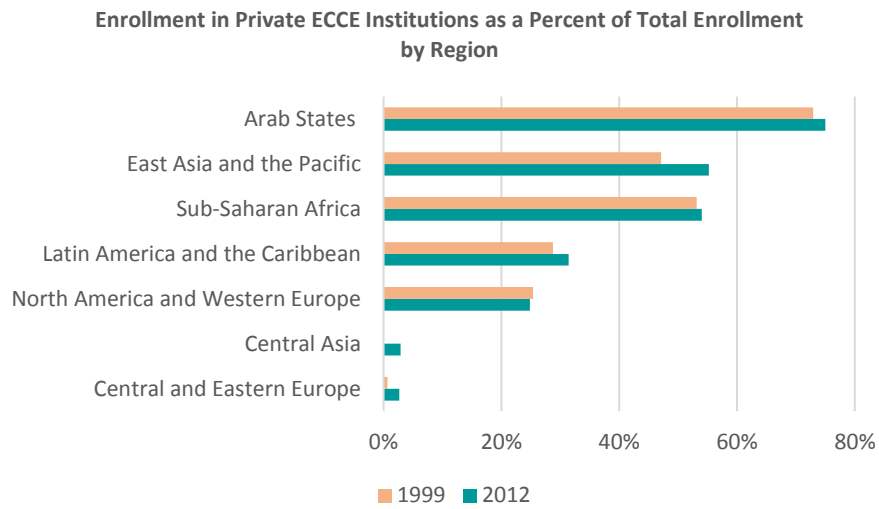
<sup>26</sup> Araujo, C., Lopez-Boo, F., & Puyana, J. 2013. *Overview of Early Childhood Development Services in Latin America and the Caribbean*. Washington, D.C.: Inter-American Development Bank.

<sup>27</sup> Valerio, A. and Garcia, M. 2013. “Effective Financing.” In *Handbook of Early Childhood Development Research and its Impact on Global Policy*, Edited by Pia Rebello Britto, Patrice Engle, and Charles Super.

<sup>28</sup> Ibid.

<sup>29</sup> Naudeau, S., Kataoka, N., Valerio, A., Neuman, M., & Elder, L. 2010. *Investing in Young Children: An Early Childhood Development Guide for Policy Dialogue and Project Preparation*. Washington, D.C.: World Bank.

Figure 3.



Source: UNESCO. “Education for All Global Monitoring Report Statistical Tables” (2015).

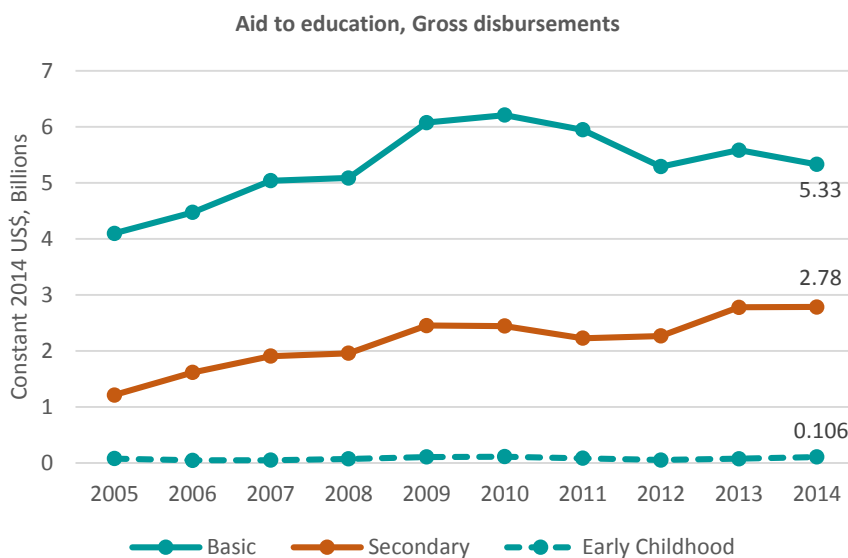
## Findings on International Financing for ECD

International financing is important for low and middle countries, where domestic financing is often insufficient to support essential services that support young children and their families. For this study, we analyzed the sources, distribution, and volume of aid from bilateral and multilateral agencies, and private foundations.

**Finding 1: Despite growth in volume, aid to early childhood education (ECE) accounts for only 2% of aid to basic education.<sup>30</sup>**

Aid to ECE has grown from US\$50 million in 2012 to \$106 million in 2014. Despite this growth, international spending in ECE pales in comparison to other levels of education. In 2014, donors disbursed US\$5.33 billion to basic education and US\$2.78 billion to secondary education. Investments in ECE account for only 2% of aid to basic education while donors spend 26 times more on secondary education than on ECE.

Figure 4.<sup>31</sup>



Source: OECD-DAC CRS database

Even in absolute terms, growth in ECE spending is minor in comparison to other levels of education. While investment in ECE grew by US\$56 million between 2012 and 2014, aid to secondary education grew by US\$515 million during the same period. Since 2005, ECE has consistently made up a negligible share of basic education, on average between 1-2%.

<sup>30</sup> The main source of aid data is from the OECD-DAC CRS database. All aid figures are gross disbursements and are expressed in 2014 constant US dollars, unless otherwise mentioned. Calculations of basic education and secondary education are based on UNESCO-GMR's methodology using the following formulae: Basic education = primary education sector allocable ODA + 50 percent education level unspecified ODA + 10 percent general budget support (GBS). Secondary education = secondary education sector allocable ODA + 25 percent education level unspecified + 5 percent GBS. A similar methodology to calculate ECE does not exist. It is important to note that OECD-DAC data for ECE represent figures specifically coded for ECE. It does not cover ECE components that are part of broader education projects.

<sup>31</sup> Basic education includes early childhood education - based on OECD-DAC categorization.

Least developed and low income countries, which have the lowest pre-primary gross enrollment ratios (GER), currently receive the most aid. Although investments in ECE have generally been distributed to regions and income groups that have low pre-primary GERs, Sub-Saharan Africa has received less aid than what might be expected. As shown in Figure 5, Sub-Saharan Africa had the lowest pre-primary GER among other regions in 2013 but received only 32% of total ECE aid in 2014. The top recipient of ECE aid in 2014, Vietnam, received US\$29.8 million (see Figure 6). Of the US\$106 million disbursed to ECE in 2014, 39% was disbursed in Far East Asia and over 83% was disbursed to Least Developed Countries (LDCs) and Lower Middle Income Countries (LMICs).<sup>32</sup>

Figure 5. Pre-primary gross enrollment rates by region and income level

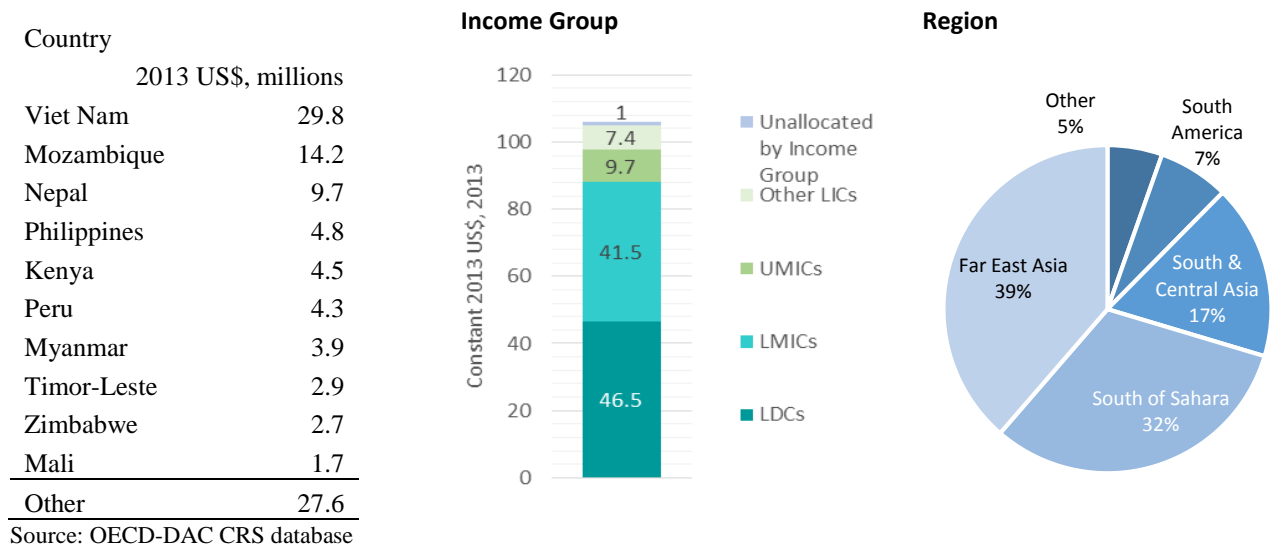
Region	GER Pre-primary (2013)
East Asia & Pacific (developing only)	69.4
Europe & Central Asia (developing only)	46.4
Latin America & Caribbean (developing only)	75.6
Middle East & North Africa (developing only)	26.7
Sub-Saharan Africa (developing only)	18.3

Income Level	GER Pre-primary
Upper middle income	71.6
Least developed countries: UN classification	15.4
Low income	12.3
Lower middle income	48.8
Low & middle income	49.1

Source: World Development Indicators

Figure 6. Top Recipients of ECE Aid



Source: OECD-DAC CRS database

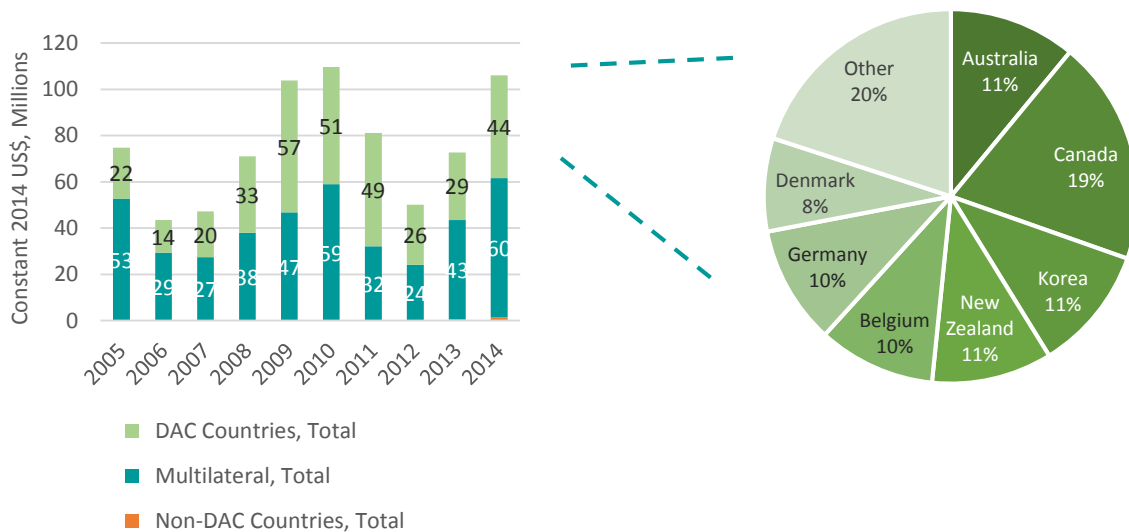
<sup>32</sup> Income groups are categorized by Least Developed Countries (as defined by the UN), Low Income Countries (per capita GNI < US\$1,045 in 2013), Lower Middle Income Countries (per capita GNI between US\$1,046-4,125 in 2013), and Upper Middle Income Countries (per capita GNI between US\$ 4,126-12,745 in 2013).

However, these figures need to be interpreted with caution. While calculations of aid to basic and secondary education include estimates of non-sector allocable aid such as general budget support which may benefit education, calculations of aid to ECE do not.<sup>33</sup> However, the fact remains that the share of aid for ECE remains very low.

**Finding 2: Bilateral aid to ECE has lagged behind multilateral aid.**

Since 2012, multilateral aid has surpassed bilateral aid to ECE.<sup>34</sup> Multilateral aid as a share of total aid to ECE increased from 40% in 2011 to 57% in 2014. Although total aid to ECE has increased since 2012, the compound annual growth rate of multilateral spending (58 %) has exceeded that of bilateral organizations (30 %) between 2012 and 2014. Most aid to ECE is provided through ODA grants and a few, mostly from multilateral organizations, are provided through ODA loans.

Figure 7. Aid to ECE by donor type



Source: OECD-DAC CRS database

In 2014, Canada, Australia, and South Korea were the top bilateral donors to ECE as shown in Figure 7. All three countries have increased investments to ECE by 20-25% since 2010. In contrast, the UK and the USA, two of the top three donors to basic education, have provided very little aid to ECE.<sup>35</sup>

The increase in multilateral investment in ECE has been driven primarily by the World Bank. The International Development Association (IDA) – the World Bank’s main lending arm to the world’s poorest countries - invested nearly US\$51 million in 2014, or 48% of total donor spending on ECE, an amount that is a greater than the total spending of all bilateral donors combined. IDA has also shown steady commitment to ECE as reflected in increased disbursements since 2010.<sup>36</sup> Figure 8 shows changes in disbursements by the top donors between 2010 and 2014.

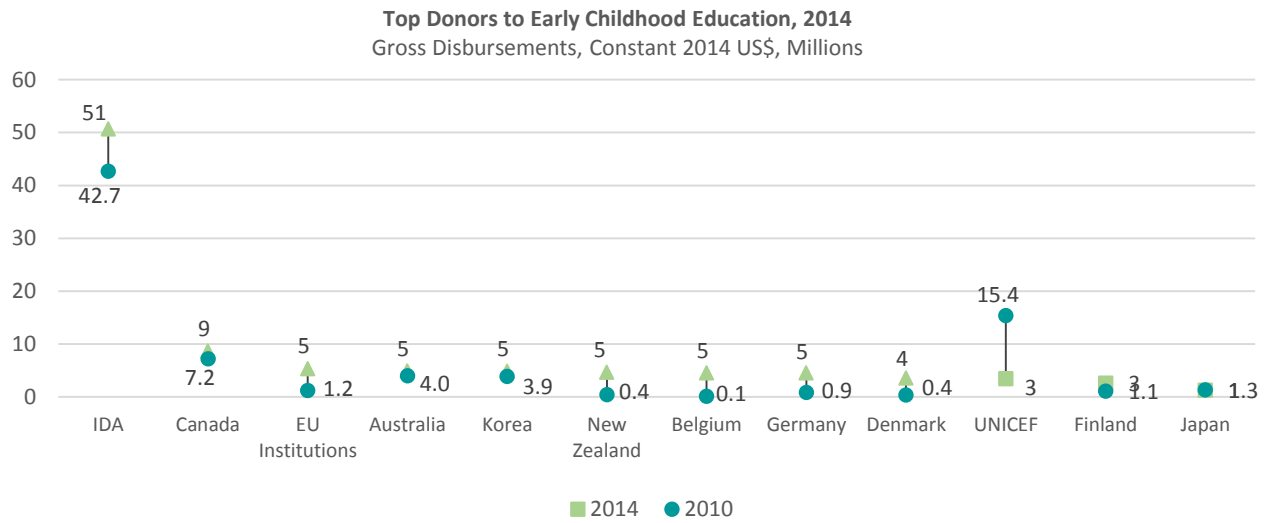
<sup>33</sup> In addition, some ECE may be included in projects meant (“coded”) for primary or overall education in the CRS database, which may further underestimate actual ECE aid figures.

<sup>34</sup> Bilateral donors are defined in this paper as DAC donors only. Non-DAC donors are referred to as separately as emerging or nontraditional donors, but are included in total aid figures. Multilateral aid figures do not include GPE disbursements.

<sup>35</sup> According to OECD-DAC CRS database, the UK and USA collectively disbursed US\$2.51 million to ECE in 2010.

<sup>36</sup> The OECD-DAC is currently revising IDA figures to match those claimed by the World Bank’s Global Education Practice.

Figure 8.



Source: OECD-DAC CRS database

Again, it is important to note that the OECD-DAC CRS database only reports aid to ECE. Delineation of aid by ECD programs within other sectors such as health, social protection, or WASH, is extremely difficult. Therefore, to provide a more comprehensive picture of investment in ECD, we analyze in the following, the financing trends of the World Bank, the Global Partnership for Education, UNICEF, and selected Foundations using their own spending reports.

Spotlight on the World Bank

Between 2001 and 2013, the World Bank invested US\$3.3 billion<sup>37</sup> in 273 ECD investments through the three Human Development practices of 1) education (ED), 2) health, nutrition, and population (HNP), and 3) social protection and labor (SP).<sup>38</sup> In the last 13 years, operational investments averaged US\$211 million per year. Notably, between 2012 and 2013, investments significantly increased from US\$524 million in 16 operations to US\$707 million in 18 operations.<sup>39</sup>

More than half of ECD spending is through the HNP sector. A total of US\$2.2 billion in finance was allocated via HNP through 59 operations between 2001 and 2013 (see Figure 9).

Figure 9.

HD Sector	Number of Operations	Financing (nominal, US\$)
Health, Nutrition, and Population	59	2.2 billion
Education	42	935 million
Social Protection and Labor	15	241 million

Source: Investing in ECD: Review of the World Bank’s recent experience

<sup>37</sup> As mentioned, these figures are not comparable to OECD-DAC CRS data. Education as defined by the World Bank will differ from the DAC’s definition, as will reporting terms (fiscal vs annual), and the potential use of different conversion rates.

<sup>38</sup> Sayre, Rebecca K., Amanda E. Devercelli, Michelle J. Neuman, and Quentin Wodon. 2015. *Investing in Early Childhood Development: Review of the World Bank’s Recent Experience*. World Bank Studies. Washington, DC: World Bank.

<sup>39</sup> The World Bank project database does not have a sector or thematic code that identifies ECD projects. Instead terms for “pre-primary education”, “child health”, and “nutrition and food security” codes have been used in projects under the Human Development Practice portfolio. One should be caution when interpreting these figures as codes include projects that not ECD specific and may also exclude other projects that have ECD components.



Latin America and the Caribbean include the largest operational investments by the World Bank. Nearly US\$1.3 billion are being invested through 42 projects. The largest investments in analytical activities are in the Africa region, where US\$19.8 million is being invested in 29 analytic tasks.<sup>40</sup>

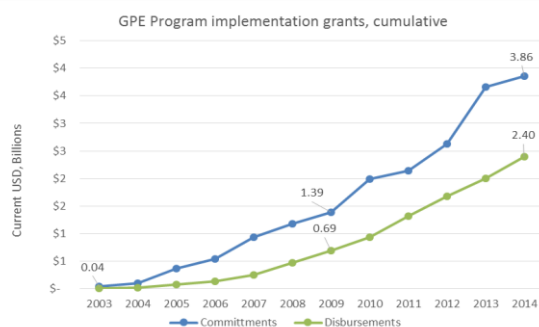
A recent study identified three key challenges that the World Bank has experienced related to increasing ECD investments. These are:

1. In the past, ECD was often seen as a “softer” technical area that has not been a focus of the World Bank;
2. In the context of scarce resources, client countries and Bank staff are not always willing to prioritize investments in ECD;
3. Bank colleagues and partners no longer lack knowledge in terms of why to invest in ECD, but rather how to invest.<sup>41</sup>

### Spotlight on the Global Partnership for Education (GPE)

It is difficult to identify the amount of spending GPE allocates to programmatic areas because activities are not classified in a uniform way. Nevertheless, GPE estimates that since 2002, the Partnership has invested US\$80 million in sector-specific interventions supporting early childhood education.<sup>42</sup> Other multilaterals such as IDA and UNICEF have disbursed approximately US\$388 million and US\$103 million over the same time period.<sup>43</sup>

Figure 10.



Source: GPE Secretariat

Although established in 2002/03, GPE, formerly the Fast Track Initiative, has only recently begun to increase the size and number of their grants. If compared with total cumulative disbursements since 2002, aid to ECE (US\$80 million) accounts for very little (less than 0.03%) of the total share of GPE disbursements (US\$2.4 billion) (see Figure 10).

Despite low spending, GPE has elevated ECE to one of its ten focus areas. All partner countries that requested GPE financial support in 2013 (16 countries) have included ECE or ECD in their education sector plans, a key prerequisite to accessing GPE funding.

<sup>40</sup> Analytic tasks include economic and sector work, technical assistance, impact evaluations, knowledge products, etc.

<sup>41</sup> Sayre, Rebecca K., Amanda E. Devercelli, Michelle J. Neuman, and Quentin Wodon. 2015. *Investing in Early Childhood Development: Review of the World Bank's Recent Experience*. World Bank Studies. Washington, DC: World Bank.

<sup>42</sup> GPE Website, <http://www.globalpartnership.org/focus-areas/early-childhood-care-and-education>

<sup>43</sup> DAC-CRS database



There are three main channels through which GPE supports ECE:

1. Technical and financial support to countries via the education sector plan development grant (up to US\$500,000) to strengthen ECE analysis, policies, and strategies included in the education sector plans. GPE has organized various workshops for partner countries to discuss how to operationalize and bring to scale quality ECE programs.
2. Education sector program implementation grants (up to US\$100 million) to finance ECE programs. Countries such as Moldova, Kyrgyzstan, and Cambodia have dedicated their entire program implementation grant to invest in ECE activities. These funds have been used to help train educators, develop pedagogical materials and alternative and cost-effective models of ECE services.
3. Capacity development and knowledge sharing by disseminating best practices on effective high quality ECE policies and programs for all children, including the poorest and most marginalized. GPE's Global and Regional Activities Program encourages partners to share and apply new knowledge and evidence to improve the quality of ECE services.

### Spotlight on UNICEF

UNICEF continues to be a prominent supporter, investor (US\$103 million since 2002), and advocate for ECD. ECD interventions cut across all UNICEF program areas of child survival and development, education, HIV/AIDS, child protection, and social policy and partnership. Within UNICEF's goal to give every child a fair start to life by drawing on the latest neuroscience and evidence to support effective policies at the national level and scale up quality ECD programs in all contexts, its five priority action areas are:

1. Promotion of implementation of evidence-based multi-sectoral ECD packages
2. Capacity Building of the ECD Workforce
3. Data, monitoring and evidence
4. Sustainable Finance
5. Advocacy and Communication

The key functions of UNICEF programs are to provide technical leadership, sector specific technical guidance, and support to country offices to influence national programs to go to scale with proven interventions as well as to manage and disseminate program knowledge and experiences. This is done at the macro level by advocating for social policies that create an enabling environment for supportive home environment and caring practices, and at the community-level by providing technical assistance to community-based ECD programs and building capacity of national and local government counterparts for policy and program implementation. One recent activity supported by UNICEF in partnership with the World Bank, resulted in the formation of an ECD Action Network (ECDAN). Launched in March 2016, ECDAN aims to advance progress toward providing quality early childhood development services and to help catalyze efforts to bring together governments and partners to achieve a set of concrete results for ECD.

### Spotlight on Foundations

Foundations play an integral role in advocacy, local government capacity development, and coordination of the various early childhood stakeholders at both global and country levels. Unlike traditional donors, foundations are able to invest in long-term projects, are more likely to support ECD initiatives that can be scaled, and are less burdened by the changing policies of government



administrations. As a result, foundations play a diverse yet critical role in advancing ECD. For example, the Open Society Foundation has focused on global advocacy, development of regional expertise, and support for regional and national networks, especially within the Central and Eastern Europe and the Commonwealth of Independent States. The Children's Investment Fund (CIFF) has aimed to play a catalytic role as a funder and influencer to deliver urgent and lasting change to ECD. One of CIFF's key ECD initiatives is the Early Learning Partnership that provides opportunities (US\$20 million for 2015-2019) to the World Bank and partners to include early learning and ECD in their work programs. The Bernard van Leer Foundation (BvLF) has been investing in ECD for more than a half century and currently supports implementation at scale of programs benefiting young children, with an emphasis on urban planning for young children and parenting support. A number of other foundations support ECD in developing countries, including the LEGO Foundation, the Hilton Foundation, ELMA Philanthropies, and UBS Optimus Foundation, to name a few.

In addition, Foundations also provide an important and complementary source of financing for ECD. According to the Foundation Center, foundations have spent an estimated US\$161 million in early education since 2008, or US\$23 million per year. However, like other donor data, information on investments in ECD from Foundations has been difficult to find.

## Findings on Domestic Financing for ECD

Domestic financing for ECD is important for ensuring sustainability of services offered. In order to analyze the different ways in which countries are supporting ECD through domestic resources, we focused on specific programs or areas in each of the 12 countries studied to illustrate the range of approaches and yield lessons for diverse contexts. Figure 11 details the areas of focus for each of these countries and Appendix 2 in Volume II includes profiles with the data collected for each of these countries. The following are our main findings related to how domestic financing is being used to support ECD services as well as the associated challenges.

Figure 11.

Country	Program/Area of Focus	Services Offered
Chile	Services offered through Chile Crece Contigo	Early childhood care and education, biopsychological development support, with home-visits and targeted attention to vulnerable children
Colombia	Services offered by the Colombian Welfare Institute (ICBF)	Integrated services, including early learning, health services, childcare, preschool education, and parent education
France	Caisse Nationale des Allocations Familiales (CNAF) - Childcare for children 0-3	Home and center-based childcare; part-time drop-in centers, subsidized care from registered nannies
India	Integrated Child Development Services (ICDS)	Services comprising supplementary nutrition, immunization, health check-up and referral services, and pre-school non-formal education
Indonesia	Block grants to support ECD	Public, private, and community-based services provided through the use of block grants
Kenya	Pre-primary education in Nairobi County	Publicly funded pre-primary education
Lebanon	Nursery programs and Pre-primary education	Publicly funded nursery and kindergarten programs
Malawi	Community-based childcare centers	Community sponsored pre-primary education, health services, psychosocial care and support, water and sanitation services, and special care for orphans and vulnerable children
Nepal	Early Childhood Development Programs	Home-based and center-based early childhood development services, parenting education programs
Peru	Cuna Más	Center-based day care and home-visiting services, particularly for children from low-income households
Philippines	Financing from the Philippines Amusement and Gaming Corporation (PAGCOR) for National Child Development Centers (NCDC)	Early childhood education, immunization, nutrition, and other health services
Turkey	Mother Child Education Program (MOCEP)	Mother enrichment and support, early childhood development interventions

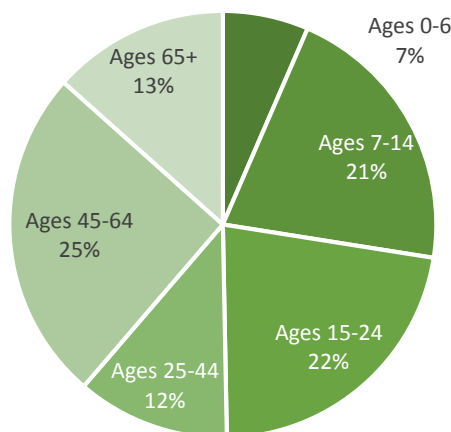
**Finding 3: ECD is underfinanced relative to need and other services.**

Within an environment of limited resources, financing for ECD faces competing priorities from other sectors and services within sectors, such as primary and secondary education. Contributing to these difficulties is a lack of political will to support ECD services. For example, several key informants expressed the concern that ECD often falls behind other sectors and levels of education, partly because ECD outcomes are harder to measure and some of the economic benefits only accrue in the long-term – features that are unappealing to leaders who prefer short-term gains.

Expenditure on services for young children is often in marked contrast to spending on older children and adults. As demonstrated in Figure 12, in Turkey, children ages 0-6 benefitted from 6.5% of total social expenditures in 2008, compared to children ages 7-14 who benefitted from 21% of total social expenditures.<sup>44</sup>

Figure 12.

Distribution of Social Expenditures in Turkey  
by Age Group, 2008



Source: Hentschel, J., Aran, M., Can, R., Ferreira, F., Gignoux, J., & Uraz, A. 2010. *Life Chances in Turkey: Expanding Opportunities for the Next Generation*. Washington, D.C.: The World Bank.

However, there is strong consensus among international organizations and experts within and beyond the early childhood community that public investment of 1% of GDP on early childhood care and education services is the minimum required to ensure quality provision.<sup>45</sup> Globally, countries continue to underinvest in early childhood education, spending on average less than 5% of their education budgets,<sup>46</sup> while low and lower middle income countries spend 0.08% of GDP on pre-primary education.<sup>47</sup> In Malawi, in 2013-14 budget allocations for the entire ECD sector was only US\$ 230,510, increasing to US\$940,880 for 2015-16.<sup>48</sup>

<sup>44</sup> Hentschel, J., Aran, M., Can, R., Ferreira, F., Gignoux, J., & Uraz, A. 2010. *Life Chances in Turkey: Expanding Opportunities for the Next Generation*. Washington, D.C.: The World Bank.

<sup>45</sup> Neuman, Michelle J.; Devercelli, Amanda E.. 2013. *What matters most for early childhood development: a framework paper*. Systems Approach for Better Education Results (SABER) working paper series; no. 5. Washington, DC: World Bank Group.; OECD. 2006. *Starting strong II: Early childhood care and education*. Paris: OECD.; UNESCO 2006. *Strong foundations: Early childhood care and education*. Paris: UNESCO.

<sup>46</sup> Global Monitoring Report. 2015. *Education for All 2000-2015: Achievements and Challenges*. Paris: UNESCO.

<sup>47</sup> Education for All Global Monitoring Report. 2015. "Pricing the Right to Education: The Cost of Reaching New Targets by 2030." Policy Paper 18. Paris: UNESCO.

<sup>48</sup> Data Collection Instruments for India, Malawi, and Nepal.

Based on the most recent estimates from the Global Education Monitoring Report, the cost to provide one year of pre-primary education will need to increase from US\$4.8 billion to US\$31.2 billion – a much larger jump than what is needed for other levels of education (see Figure 13). Government expenditure on pre-primary as a percent of GDP will also need to increase from 0.08% in 2012 to 0.32% in 2030.<sup>49</sup>

Figure 13. Annual total cost by education level, US\$ billion, 2012 and 2015-2030 (average), and cost increase

Level of Education	2012	2015-2030 average	Cost Increase
Pre-primary	4.8	31.2	6.5 x
Primary	68.1	129.4	1.9 x
Lower secondary	38.0	81.8	2.1 x
Upper secondary	37.7	97.1	2.5 x

Source: GMR Policy Paper 18, July 2015 Update

Figure 14. Government budget/expenditure as a percent of GDP by education level, percent

Level of Education	2012	2030	Percent increase
Pre-primary	0.08	0.32	300
Primary	1.51	1.76	17
Lower secondary	0.83	0.95	16
Upper secondary	0.60	0.86	43

Source: GMR Policy Paper 18, July 2015 Update. Excel sheet.

Findings from our country case studies indicate similar levels of underfinancing across other sectors beyond education. India, for example, spent only 0.573% of GDP on ECD services in the education, health, nutrition, and social and child protection sectors in 2012-2013. Similarly, in Colombia, only 0.6% of GDP was spent in 2011 on ECD services for children 0 to 5 years of age. In Tanzania, a recent Public Expenditure Review identified spending on nutrition to be 0.06% of GDP in 2012-13, which reflected only 22.9% of expenditure needed to implement the National Nutrition Strategy.<sup>50</sup> Tanzania's experience is not unique; globally, US\$ 3.9 billion is spent on nutrition, and based on the latest cost estimates, additional annual investments of US\$7 billion over the next 10 years is needed to reach targets to reduce stunting among children and anemia in women, increase exclusive breastfeeding rates, and mitigate the impact of wasting.<sup>51</sup>

**Finding 4: Households make significant contributions to ECD programs which has severe equity implications.**

Given limited public funding and provision in most developing countries, private enrollments in ECD programs are high, with households contributing substantial resources. For example, a recent scoping study of four peri-urban areas in Sub-Saharan Africa found that in Mukuru slum in Nairobi, over 80% of 4 and 5-year-olds were enrolled in preschool, with 94% of them attending informal private schools.<sup>52</sup>

<sup>49</sup> Ibid. See excel sheet link: <https://en.unesco.org/gem-report/node/819#sthash.jcApxYDy.dpbs>

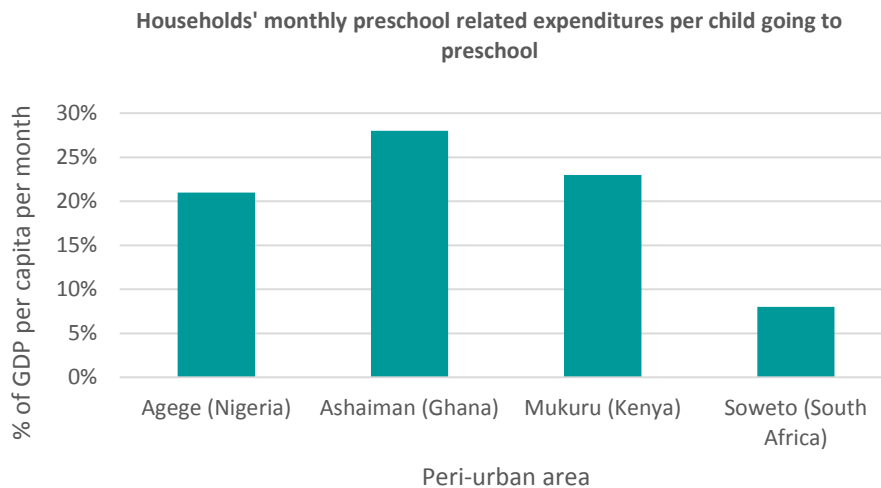
<sup>50</sup> Ministry of Finance. 2014. *Public Expenditure Review of the Nutrition Sector*. Dar es Salaam: Republic of Tanzania.

<sup>51</sup> Shekar, M, Kakietek, J, D'Alimonte M, Walters D, Rogers H, Dayton Eberwein J, Soe-Lin S, Hecht R. 2016. Investing in Nutrition. The World Bank and Results for Development Institute.

<sup>52</sup> UBS Optimus Foundation. 2014. "Exploring Early Education Programs in Peri-urban Settings in Africa: Final report summary."

High private enrollments raise major concerns about burdening families in Kenya and the other countries studied. Figure 15 below shows the high household expenditure on preschool. For example, in the Ashaiman area in Ghana, households spent on average 28% of GDP per capita per month on preschool. A substantial portion of these expenditures were related to food and school feeding expenses, with direct school fees representing only around half of total household expenditures.<sup>53</sup>

Figure 15.



Source: UBS Optimus Foundation. 2014. “Exploring Early Education Programs in Peri-urban Settings in Africa: Final report summary.”

In many of the programs reviewed for this report, fees, in-kind support, and voluntary contributions are made by households. In Kenya, pre-primary programs in Nairobi County, which are partially funded by the government, still require fees. While specific fees are not charged in Malawi, families are expected to contribute food during the time of harvest and manual labor to support the physical infrastructure and operation of CBCCs. Communities also contribute cash to support caregivers’ salaries.<sup>54</sup> For some programs, families may be asked for voluntary contributions, as has been the case in Colombia, with the Hogares Comunitarios de Bienestar (HCBs) program, where contributions support salaries of the community mothers who run the programs.

While household contributions support needed ECD services, they can be burdensome and lead to inequitable delivery and concerns about quality. In China, it can cost more for a child to attend preschool than university due to the abundance of government subsidies for higher education in comparison to those at the pre-primary level.<sup>55</sup> However, some countries have been able to reduce the household burden for financing pre-primary education by subsidizing services for children most in need. In the case of France, families pay for crèche services on a sliding scale, which is based on income. In Chile, a mix of public and government-subsidized providers offer pre-primary education, with subsidies available to support children in the bottom three income quintiles.<sup>56</sup> Other countries have supported households with Conditional Cash Transfers (CCTs) which reduce the monetary burden on households and incentivize early childhood investments (See Box 2).

<sup>53</sup> Ibid.

<sup>54</sup> Malawi Data Collection Instrument

<sup>55</sup> Watson, James. 2012. “Starting well: Benchmarking early education across the world.” Economist Intelligence Unit.

<sup>56</sup> Global Monitoring Report. 2015. *Education for All 2000-2015: Achievements and Challenges*. Paris: UNESCO.

**Box 2: Cash transfer programs: A promising demand-side approach for improving ECD outcomes**

Conditional cash transfer (CCT) programs are a popular social protection mechanism to directly increase incomes of poor or vulnerable households while also requiring beneficiaries to commit to certain actions. Unconditional cash transfer (UCT) programs place less emphasis on having families undertake certain actions but may use information and other “soft conditions” to encourage behavior change.

CCT programs started in Mexico and Brazil in the late 1990s and have spread quickly around the world. For example, Brazil’s Bolsa Familia transfers money to families on the condition that their children ages 0 to 6 receive certain vaccines, attend regular health check-ups, and participate in growth monitoring. In families with older children, transfers are tied to school enrollment and attendance. In South Africa, a CCT program targets the poorest 20% of households, who are without other forms of social assistance and/or affected by HIV/AIDS and other chronic illnesses. Children under 5 are required to visit health centers, and caregivers are obliged to participate in child development activities.

Cash transfer programs can be effective ways of supporting families to make investments in early childhood; for example, increased income can partially relieve a family’s financial constraints, potentially allowing them more time to spend interacting with their children. In addition, with extra income, families may be encouraged to purchase nutritious foods or learning and play materials for young children, which can support positive developmental outcomes. While cash transfer programs may encourage families to invest in early childhood, evidence on the impact of CCT programs on children’s developmental outcomes is thin, with mixed results. Although several studies have pointed to CCT programs’ success in encouraging families with young children to utilize health services, the health and nutritional status of these young children have not always significantly improved. Fewer studies have looked at the impact on cognitive and socio-emotional outcomes or have tested conditions for young children outside the health sector (e.g., attendance at parenting programs or preschools).

A new wave of cash transfer experiments are now focusing on how to improve young children’s development. For example, in Nicaragua, children under age 7 whose families were randomly assigned to receive cash transfers showed better socio-emotional and language development than children in the control group. Although the health check-up condition was not enforced, a “social marketing” campaign informed parents about the benefits in ECD. Parents in the treatment group were more likely to provide more nutrient-rich food, preventative health care, and stimulation in the home. In Uganda, a study found that cash transfers linked to preschool enrollment led to a significant increase in children’s cognitive measures compared to the control group. Parents were more likely to increase their cash contributions to preschool teachers which both improved their motivation and the quality of the centers. Preschools operated more often and children attended more frequently. In rural Niger, an ongoing pilot encourages parents to adopt positive parenting practices by offering monthly assemblies on child nutrition, hygiene, health, and stimulation for all villagers in the target areas along with smaller group meetings and home visits for parents participating in an UCT program. Results are forthcoming.

Although evidence has shown the potential of cash transfer programs to support investments in early childhood, further research is needed to address questions related to the most effective targeting strategies, size of the transfer needed to improve outcomes, and the extent to which conditionality matters. Addressing supply-side constraints to the availability and quality of health, parenting, and preschool programs will also likely be important to strengthen the impact of cash transfer programs.

Sources: Fiszbein, Ariel; Schady, Norbert; Ferreira, Francisco H.G.; Grosh, Margaret; Keleher, Niall; Olinto, Pedro; Skoufias, Emmanuel. 2009. Conditional Cash Transfers: Reducing Present and Future Poverty. World Bank Policy Research Report. Washington, DC: World Bank.; Gillian, DO and Roy, S, 2016. The effect of transfers and preschool on children’s cognitive development in Uganda, 3ie Impact Evaluation Report 32. New Delhi: International Initiative for Impact Evaluation (3ie).; Naudeau, S. et al. (2011). Investing in Young Children.; Niger safety nets project impact evaluation: Cash transfers, parenting training, and holistic early childhood development. 2015, from <http://www.worldbank.org/en/programs/sief-trust-fund/brief/niger-safety-nets-project-impact-evaluation>



**Finding 5: A diverse financing and delivery system supports wider reach of quality services, though it can create coordination challenges.**

Early childhood is distinct from many other policy areas in that multiple delivery and financing approaches coexist within a single country, which can work to ensure that programs reach diverse populations. Community and home based ECD programs, which exist in many countries, exemplify this diversity. In Nepal, for instance, ECD programs are delivered in schools run by District Education Offices which are part of the existing education system and in community based centers which are often run by NGOs.<sup>57</sup> Having more than just a school based option has been important in the country, since community-based centers often provide better quality and more holistic services.<sup>58</sup> At the same time, these community-based centers allow for community participation, which is important for raising awareness around early childhood services and making services contextually relevant. While this approach is cost-effective in that it encourages communities to provide resources for programs, it can be difficult to strike the right balance such that communities are not overburdened.

In Lebanon, there have traditionally been three types of ECD programs: public, private, and semi-private.<sup>59</sup> However, with the current influx of refugees, the existing public system has been overstretched. In response, the government's Reaching All Children with Education Strategy (RACE), has made provisions for making ECD opportunities available to refugees who cannot be accommodated in the public system through community-based programs.<sup>60</sup> In Turkey, where female labor force participation and availability of formal childcare services have been limited, the Mother Child Education Program (MOCEP) has filled an important gap.<sup>61</sup> Through this program, delivered through the National Family program in public Adult Education Centers, mothers are trained with knowledge and skills to support child development.

Despite the benefits, the presence of diverse delivery models can create challenges for coordination and management by the government. For example, in many countries, private providers, whether for-profit or non-profit, do not need to meet the same quality requirements as public providers in terms of staff qualifications and pay.<sup>62</sup> However, such coordination challenges can be offset by multi-sectoral planning and oversight. In Chile, coordination challenges across sectors involved in providing services for young children under the Chile Crece Contigo system have been minimized as the Ministry of Social Development, which is not sector specific, takes on the role of coordinating the entire system.<sup>63</sup>

**Finding 6: Decentralization of authority for ECD often comes without sufficient financing to deliver quality services.**

In recent years, many countries have devolved a broad range of services to subnational governments without ensuring the provision of necessary revenues.<sup>64</sup> ECD is no exception. In Kenya, for example, the passing of the County Early Childhood Education Bill in 2014 gave counties the responsibility for delivering ECE services. However, the central government has provided limited resources to counties who struggle to deliver on their responsibilities. In Nairobi City County, out of over 250,000 ECE

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<sup>57</sup> Nepal Data Collection Instrument.

<sup>58</sup> Nepal Data Collection Instrument

<sup>59</sup> Arab Resource Collective. 2006. "Comparative, regional analysis of ECCE in four Arab countries (Lebanon, Jordan, Syria, and Sudan)." Background report for Education for All Global Monitoring Report 2007.

<sup>60</sup> Ministry of Education and Higher Education. 2014. "Reaching All Children with Education Strategy." Beirut: MOEHE.

<sup>61</sup> "Profile of Mother Child Education Program." [http://blogs.tc.columbia.edu/transitions/files/2010/09/80.Turkey-Mother-Child-Education-Program\\_profile.pdf](http://blogs.tc.columbia.edu/transitions/files/2010/09/80.Turkey-Mother-Child-Education-Program_profile.pdf)

<sup>62</sup> Neuman, M., Josephson, K., & Chua, P. 2015. *A review of the literature: Early childhood care and education (ECCE) personnel in low- and middle-income countries*. Early Childhood Care and Education Working Paper Series. Paris: UNESCO.

<sup>63</sup> Chile Data Collection Instrument

<sup>64</sup> Dillinger, W. & Fay, M. 1999. "From Centralized to Decentralized Governance." *Finance & Development* Vol 36, No. 4.



eligible children, only 12,000 have been able to attend public preschools. The City County has only been able to finance a portion of these schools through the combined resources of the county government and parents. Another challenge arising from decentralization is a lack of clear accountability mechanisms. In Kenya, head-teachers, deputies, and senior teachers, do not report to county education officers. Instead, they report directly to the Teacher Service Commission. This results in a weak system of accountability.

Some decentralized systems have identified ways to transfer funds to lower levels of government for service delivery (See Box 3). In Brazil, responsibility for ECE rests at the municipal government level. In order to finance ECE, municipalities pay into a state fund which is then redistributed to municipalities based on the number of enrolled public school students. If the funds received by municipalities are lower than a certain established amount per child enrolled, the federal government provides additional transfers.<sup>65</sup> While municipalities contribute to financing ECE in Brazil, the federal government ensures that there are adequate funds available.

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<sup>65</sup> Kosec, K. (2014). Relying on the private sector: The income distribution and public investments in the poor. *Journal of Development Economics*, 107, 320-342.; Evans, D. E., & Kosec, K. (2012). *Early child education: Making programs work for Brazil's most important generation*. Washington DC: International Bank for Reconstruction and Development / The World Bank.

### Box 3: Scaling up Grade R (pre-primary education) in South Africa

Expanding compulsory education in South Africa to include pre-primary became a topic of discussion in the late 1980s and continued with growing interest throughout the 1990s. In 1997, a three-year pilot project was launched by the national government in collaboration with provincial governments and civil society to test the feasibility of Grade R provision at scale. The South African Department of Basic Education (DBE) in 2001 officially introduced a national reception year, or Grade R, for children five years of age with the goal of reaching universal access by 2010 and making Grade R compulsory by 2019.

Grade R now forms the first year of primary education and more than 90% of classes are housed in public primary schools to leverage existing infrastructure and accountability systems. Other Grade R classes are located in community-based ECD centers or private schools. Provincial governments hold responsibility for funding Grade R, through grants on a per-child basis to either registered community-based centers or public primary schools.

For the first three years of the national roll-out of Grade R, the National Treasury provided conditional grants to national and provincial governments to fund some 4,500 sites, train practitioners, and monitor and support the program. Less than one-third of these funds were spent in 2001, however, due to limited personnel and capacity at the provincial level to coordinate the program and implement the grant. By 2004, governments were able to spend 75% of these grants. Provincial education departments were required to include Grade R in their budgets by the 2004 to 2005 academic year. In 2008, pro-poor subsidies were introduced to provide additional funds to the poorest 40% of schools, primarily used to supply additional learning materials and reduce the number of children per classroom.

Access is now nearly universal, with 96% of Grade 1 students in 2014 having attended Grade R previously, an increase from 85% in 2009, and nearly 90% of public primary schools now offer Grade R. Despite substantial progress in scaling up the provision of Grade R, challenges remain to achieving quality and sustainability. National norms have established a Grade R per-learner target cost that is 70% of that for Grade 1 learners, yet spending can be as low as 30% and vary significantly by province. Limited human resources to implement and support the program and poorly qualified practitioners additionally threaten the success of Grade R. A 2013 impact evaluation of Grade R on learning outcomes revealed small gains for children in the poorest 60% of schools, where one year (200 days) of Grade R education translated to only 12 days of gains in math, and 50 days in the home language. However, results were more promising in higher-performing and wealthier schools, raising concerns that Grade R may intensify, rather than alleviate, education inequities.

As other countries in Sub-Saharan Africa (e.g., Ghana, Kenya, Nigeria, Tanzania), look to scale up pre-primary education, it is important to learn from the South African experience. First, shifting responsibility from the central government to provinces (or counties) needs to be done in phases, with attention to the absorption and capacity of lower levels of government. Second, pro-poor subsidies can be used to help take into account the challenges faced by schools in lower-income areas though in the South Africa case, even this financial support has not succeeded in equalizing outcomes for more disadvantaged young learners. Third, more attention to quality, particularly for schools that are already under-resourced, is needed.

*Sources: Biersteker, L. (2010). Scaling-up Early Child Development in South Africa: Introducing a Reception Year (Grade R) for children aged five years as the first year of schooling. Wolfensohn Center for Development Working Paper 17. Washington, DC: Brookings Institution.; Department of Basic Education. (2015). Action Plan to 2019: Towards the realization of Schooling 2030.; Van der Berg, S., Girdwood, E., Sheperd, D., Van Wyk, C., Kruger, J., Viljoen, J., Ezeobi, O. & Ntaka, P. (2013). The impact of the introduction of Grade R on learning outcomes: Final full report for the Department of Basic Education and the Department of Performance Monitoring and Evaluation in the Presidency. Stellenbosch: University of Stellenbosch.*

### **Finding 7: The overall capacity of the public sector limits the effectiveness of funds allocated for ECD.**

The challenges faced by governments are not only financial, but also involve administrative and coordination constraints. For one, lack of coordination and criteria for budgeting hamper effectiveness of funds. Budget allocations for ECD are often uncoordinated and are not based on explicit criteria or need. In India, for example, scaling of the Integrated Child Development Services has lagged because program budgets are calculated based on the existing number of beneficiaries rather than using census

data of all children in the target age group. On the other hand, in Indonesia, central-level budgets use explicit criteria to determine ECD spending, which can support the effective use of funds. In education for example, the government considers the number of children served, school construction or renovation projects, and education materials required.<sup>66</sup>

Delays in the delivery of funds also impact the ability of lower levels of government and service providers to put funds to use. ICDS has experienced delays in the flow of funds down to the grassroots level where the services are delivered due to the limited time within a fiscal year to spend budgetary resources. In addition, central governments often change cost sharing norms during the middle of the fiscal year, necessitating budget revisions which ultimately delay the delivery of funds to the lower levels of government.<sup>67</sup>

Although clear criteria for spending and accountability mechanisms can support the effective use of funds, these are often not in place. In Nepal, for example, the amount of funding made available to school based ECD centers is meant to be based on how centers meet certain standards. However, due to weak monitoring mechanisms, it is difficult to base funding allocations on such criteria.<sup>68</sup> On the other hand, in the Philippines, local government units (LGUs) are required to submit certificates describing how they have utilized funds to the ECCD Council, who transfer and manage resources provided to lower levels of governments. In 2014, out of 74 fully constructed National Child Development Centers (NCDCs), financed through gaming taxes, only one had fully utilized funds and 65% had only partially utilized funds.<sup>69</sup> With such information on how funds are utilized, the ECCD Council can hold LGUs accountable and support them in improving access and quality of services provided.

Another good example comes from Chile, where local institutions that receive funds for services delivered through the Chile Crece Contigo system are required to report monthly expenditures. These requirements, along with framework agreements signed between municipalities and the central government which specify standards for implementation, promote accountability in how municipalities spend money.<sup>70</sup> Similarly, in Indonesia, guidelines on how block grants can be used helped support communities in identifying the most efficient ways to spend their money. For example, there were restrictions on how much could be spent on infrastructure which encouraged communities to use existing space in order to save on the cost of facilities.<sup>71</sup>

### **Finding 8: Data on financing ECD services is difficult to obtain and analyze.**

Tracing the flow of ECD financing from sources of funds to beneficiary is extremely challenging. Many countries have uncoordinated institutional arrangements for financing ECD and/or an opaque budget development process. In addition, governments often have poor public expenditure tracking systems, which further compounds the lack of data on ECD financing.

Even when information is available, it is often piecemeal. Finance data may only be available for the education sector and only for a single year. Poor data limits the ability to conduct any kind of rigorous

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<sup>66</sup> Denboba, Amina Debissa; Hasan, Amer; Wodon, Quentin T.; Adams, Lindsay Sarah; Hadiyati, Titie; Hartono, Djoko; Kim, Janice Heejin; Roesli, Rosfita; Putri, Mayla Safuro Lestari; Sayre, Rebecca Kraft. 2015. *Early childhood education and development in Indonesia: an assessment of policies using SABER*. A World Bank study. Washington, D.C.: World Bank Group.

<sup>67</sup> India Data Collection Instrument

<sup>68</sup> Nepal Data Collection Instrument

<sup>69</sup> Philippines Data Collection Instrument

<sup>70</sup> Chile Data Collection Instrument

<sup>71</sup> Indonesia Data Collection Instrument



analysis which can provide a better understanding of what is happening in the system, what needs may exist for additional financing, and how they can be best addressed.

Aid data on ECD are equally difficult to obtain. The OECD-Development Assistance Committee (DAC) Creditor Reporting System (CRS) database is the only comparable database on aid flows. However, CRS data should be interpreted with caution as there are often major discrepancies in what donors report to the OECD-DAC and what they publish themselves. The CRS database also does not disaggregate ECD by sector. As noted earlier, the only pertinent indicator available is data on “early childhood education” spending, which is only one of several components of ECD.

Finding 9: Innovative sources of finance have been explored; however, challenges similar to those encountered in traditional finance have been faced.

Given the current state of underinvestment and often poor quality of ECD services, domestic stakeholders, private actors, and bilateral and multilateral donors are increasingly exploring innovative finance to leverage new sources of finance and to improve the effectiveness of service delivery. Our research found that several countries have explored the use of innovative finance for ECD, which can be organized in two distinct categories. The first is innovative sources of finance and the second is innovative allocation and delivery mechanisms which usually tie payments to outcomes or outputs.<sup>72</sup> These contingent delivery mechanisms are designed to create beneficial incentives, transparency, accountability, and improve performance management. Figure 16 below provides an overview of innovative financing mechanisms and outlines examples of innovative sources and innovative delivery mechanisms.

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<sup>72</sup> Gustafsson-Wright, E., & Gardiner, S. 2016. *Using Impact Bonds to Achieve Early Childhood Development Outcomes in Low- and Middle-Income Countries*. Washington, D.C.: The Brookings Institution.

Figure 16.

Innovative Financing Sources	Description	Case Examples
Lottery	Through income from lottery ticket sales, grants are awarded to projects.	<ul style="list-style-type: none"> <li>• Big Lottery Fund in the United Kingdom distributes some of the funds to ECD projects designed and run by community organizations through grant awards.<sup>73</sup></li> <li>• 80.3% of overall lottery funds in California are used for K-12 public education.<sup>74</sup></li> </ul>
Sin tax	A tax is imposed by the government on goods that are regarded as harmful to society in order to raise funds for particular programs or services.	<ul style="list-style-type: none"> <li>• The Philippines Amusement and Gaming Corporation provides funding for the construction and implementation of ECD centers.</li> <li>• Revenues from California’s cigarettes and tobacco taxes are used to fund community healthcare, better quality child care and early childhood education programs.<sup>75</sup></li> </ul>
Payroll tax	A tax is imposed by the government on salaries of employees or employers to raise funding for certain programs or services.	<ul style="list-style-type: none"> <li>• The Colombian Institute for Family Welfare (ICBF) mobilizes funding for ECD activities through a 2-3% payroll tax.</li> </ul>
Corporate Social Responsibility (CSR)	Private companies contribute in various forms, forming partnerships and finding creative ways to support social services.	<ul style="list-style-type: none"> <li>• “Soar with Reading” program was launched by Jet Blue and PBS KIDS to inspire children’s imaginations through reading in the United States. It provided early childhood literacy tools in-flight and online. The program also aimed at providing age-appropriate books to children in low-income neighborhoods and donated \$200,000 worth of books in 2012.<sup>76</sup></li> </ul>
Innovative Financing Delivery Mechanisms	Description	Case Examples
Impact bonds (Innovative Financing Source and Delivery Mechanism) See Box 4 for more detail.	An investor provides upfront capital to a service provider and if pre-determined outcomes are achieved, a third party repays the investor.	<ul style="list-style-type: none"> <li>• A social impact bond being implemented in South Africa will fund community health workers and early childhood practitioners.</li> <li>• The Utah High Quality Preschool Program uses a social impact bond to finance a high-impact preschool program for at-risk children.<sup>77</sup></li> </ul>
Conditional Cash Transfers (CCT) See Box 2 for more detail.	Cash is transferred to families dependent on their commitment to particular objectives (e.g. sending children to school).	<ul style="list-style-type: none"> <li>• Oportunidades is a CCT program in Mexico that gives 20-35% of household income to families for keeping children in school.<sup>78</sup></li> <li>• Bolsa Familia transferred small amount of cash to poor families in Brazil to keep children in school and ensure attendance at preventive health visits.<sup>79</sup></li> </ul>
Vouchers	Funds are allocated to families in the form of child care vouchers or coupons which families can use to pay for services.	<ul style="list-style-type: none"> <li>• The government of Hong Kong has implemented the Pre-primary Education Voucher Scheme since 2007, offering direct subsidies to parents with kindergarteners.<sup>80</sup></li> </ul>
Block grants	Governments use block grants as a form of grant-in-aid to state and local governments so as to raise funds for particular programs or services. <sup>81</sup>	<ul style="list-style-type: none"> <li>• The Child Care Development Fund is a voucher program in the United States, which is allocated as a direct block grant to states.<sup>82</sup></li> <li>• Block grants are distributed to local government to support public, private, and community-based ECD services in Indonesia.</li> <li>• Municipalities in Sweden receive block and equalization grants from national grants to support ECCE services.<sup>83</sup></li> </ul>

<sup>73</sup> Big Lottery Fund. *10 big lottery fund facts*. Retrieved 07/06, 2015, from <https://www.biglotteryfund.org.uk/about-big/10-big-lottery-fund-facts>

<sup>74</sup> Calottery. (2015). *Contribution to education*. Retrieved 07/06, 2015, from <http://www.calottery.com/about-us/lottery-performance/contribution-to-education>

<sup>75</sup> First 5 Association of California. *Overview of proposition 10*. Retrieved 07/07, 2015, from <http://first5association.org/overview-of-proposition-10/>

<sup>76</sup> JetBlue Airways. (2015). *CSR - youth & education*. Retrieved 07/08, 2015, from <http://www.jetblue.com/about/corporate-social-responsibility/youth-and-education/>

<sup>77</sup> Goldman Sachs. (2013). *Social impact bond to finance early education: Creating a model to address social challenges without tax dollars*. Retrieved 07/03, 2015, from <http://www.goldmansachs.com/s/esg-impact/places/salt-lake-city/social-impact-bond/>

<sup>78</sup> Ibid.

<sup>79</sup> Wetzel, D. & Economic, V. (2013). “Bolsa Familia: Brazil’s Quiet Revolution.” Retrieved 04/20, 2016, from <http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-brazil-quiet-revolution>

<sup>80</sup> Fung, C. K. & Lam, C. (2008). The Pre-Primary Education Voucher Scheme of Hong Kong: A promise of quality education provision? *Education Journal*, 36 (1 – 2), 153 – 170.

<sup>81</sup> Dilger, R. & Boyd, E. (2014). “Block grants: perspectives and controversies.” Retrieved 04/20, 2016, from <https://fas.org/sgp/crs/misc/R40486.pdf>

<sup>82</sup> Belfield, C. (2006). *Financing early childhood care and education: An international review*. New York, United States: Queens College, City University of New York.

<sup>83</sup> Ibid.

Several countries in our study have explored innovative sources and mechanisms of finance. In Peru, through the Social Development Cooperation Fund (FONCODES) and private sector partnerships, investments are being made to expand Cuna Más, which supports child care and home visiting services across the country. In addition, the government is supporting the program through a results-based financing approach.<sup>84</sup> In Colombia, a national payroll tax supports services run by the Colombian Welfare Institute (ICBF), which include health services, childcare, preschool education, and parent education. In the Philippines, a tax on gaming corporations supports National Child Development Centers. Each of these examples demonstrates how innovative finance can be tapped for supporting ECD.

While additional funds can be leveraged for ECD through innovative finance, several challenges have been faced. For example, in Colombia, the use of the payroll tax has not insulated ICBF from financial instability resulting from tax evasion by corporations and macroeconomic conditions in the country. In addition, the revenue generated from the payroll tax and transferred to ICBF has created competition for funds among ministries which support ECD services outside of those offered by ICBF.<sup>85</sup>

Other challenges include the need for strong legal and policy frameworks to support innovative financing mechanisms. Such an enabling environment can often be beyond the reach of countries that already face government capacity constraints. Even when there is capacity to support innovative finance mechanisms, countries still face obstacles. For example, in Nairobi County in Kenya, a modified development impact bond is being explored for ECD, which would necessitate complex public-private partnership legislation built on highly stringent measures and extensive prequalification processes.<sup>86</sup> In setting up impact bonds, countries also have to bear the burden of high transaction costs of implementation – costs that are not often explicitly included in project design (see Box 4).<sup>87</sup>

There are also concerns that “sin” taxes (for alcohol, tobacco, and gambling) are fiscally regressive since the poor, who often spend a larger proportion of their income on alcohol and tobacco, are taxed at the same rate as wealthier individuals.<sup>88</sup> However, even though sin taxes may be politically challenging to introduce due to opposing incentives of powerful interest groups and lobbyists, they may allow an earmarked source of revenue for ECD. There is also evidence of the sustainability of these taxes over time. Proposition 10, for example, is a tobacco tax that California voters passed in 1998. The tax, which levies a US\$0.50 per pack on tobacco products, generates approximately US\$700 million a year for ECD services.<sup>89</sup>

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<sup>84</sup> Merino, M. F., Equipo, J., Ibarraran, P., Araujo, M. C., Tejerina, L., Nieder, F., et al. “Peru: Results-based management program for social inclusion.” Washington, D.C.: Inter-American Development Bank.; Ministerio de Desarrollo e Inclusión Social, Oficina General de Comunicaciones. (2014). *MIDIS presentó Fondo de Estímulo al Desempeño y Logro de Resultados Sociales (FED) para incentivar Desarrollo Infantil Temprano en las regiones* [Press Release]. Retrieved from <http://www.midis.gob.pe/index.php/es/centro-de-informacion/842-midis-presento-fondo-de-estimulo-al-desempeno-y-logro-de-resultados-sociales-fed-para-incentivar-desarrollo-infantil-temprano-en-las-regiones>

<sup>85</sup> Vargas-Baron, E. 2006. “Payroll Taxes for Child Development: Lessons from Colombia.” UNESCO Policy Brief on Early Childhood.

<sup>86</sup> Wattanga, H. “Perspectives on Impact Bonds: Working around legal barriers to impact bonds in Kenya to facilitate non-state investment and results-based financing of non-state ECD providers.” *Brookings Institution*. December 21, 2015.

<sup>87</sup> *Ibid.*

<sup>88</sup> Banerjee, A. V., & Duflo, E. 2007. The Economic Lives of the Poor. *The Journal of Economic Perspectives: A Journal of the American Economic Association*, 21(1), 141–167. <http://doi.org/10.1257/jep.21.1.141>

<sup>89</sup> First5 LA. Retrieved from: <http://www.first5la.org/index.php?r=site/tag&id=689>

**Box 4: Impact Bonds: Paying for Success in ECD**

An impact bond is an outcome-based financing mechanism where one party – the investor – provides upfront capital to a service provider and, if pre-determined outcomes are achieved, a third party – the outcome funder – repays the investor the principle cost and interest. A Social Impact Bond (SIB), where the government acts as the outcome funder, may mitigate government risk for investing in early childhood services, as the government does not need to put up front capital and only pays if the program is successful in achieving certain outcomes. Alternatively, a Development Impact Bond (DIB), where a non-governmental entity such as a private donor acts as an outcome funder, can be a useful mechanism to help programs demonstrate results and make a case for investment when government will not or cannot pay.

Impact bonds may be innovative and effective financing mechanisms for improving the quality and efficiency of ECD services, due to their focus on achieving outcomes and the need for rigorous monitoring and evaluation. Since impact bonds reduce governments' risk in investing in programs, they are well suited for funding ECD services, which are preventive in nature and have faced challenges in receiving adequate investments due to an asymmetry between the timeline for when benefits accrue and how long leaders stay in office. At the same time, impact bonds may be easier to implement for services where there has been a history of diverse delivery, which also makes them suitable for ECD. However, in low and middle income countries, impact bonds may face challenges due to the need for supportive enabling environments. Since there are many costly hurdles in the process of designing, implementing and maintaining an impact bond contract, government support and capacity is needed. Impact bonds also require program metrics that are measurable within a reasonable timeframe, inexpensive to track, resistant to statistical manipulation, and representative of program success. This may prove challenging for some ECD services given the long-term nature of program impact.

In recent years, there has been growing interest in using impact bonds to fund ECD services and several have been implemented and are in the development stages. States in the U.S. are experimenting with SIBs for preschool and home-visiting programs and in South Africa, Social Finance and the Bertha Centre for Social Innovation and Entrepreneurship have designed SIBs to fund community health workers and early childhood practitioners to work with pregnant women and children up to five years of age to improve antenatal care, prevent mother to child transmission of HIV, promote exclusive breastfeeding, reduce growth stunting, and improve cognitive, language and motor development. The Departments of Health and Social Development in Western Cape Province have committed to paying for outcomes. Nairobi City County in Kenya is exploring the potential of a modified DIB (m-DIB) model, where initial investment would be provided by a new donor-funded Nairobi City County Education Trust (NCCET) to fund the operation of 97 new privately-run preschools. The county government, rather than paying back the principal investment, would gradually absorb operating costs as certain outcomes are achieved.

*Sources:* Gardiner, S., & Gustafsson-Wright, E. 2016. "South Africa is the First Middle Income Country to Fund Impact Bonds for Early Childhood Development." *Brookings Institution*. April 6, 2016. Gustafsson-Wright, E., & Gardiner, S. 2016. *Using Impact Bonds to Achieve Early Childhood Development Outcomes in Low- and Middle-Income Countries*. Washington, D.C.: The Brookings Institution.; Wattanga, H. "Perspectives on Impact Bonds: Working around legal barriers to impact bonds in Kenya to facilitate non-state investment and results-based financing of non-state ECD providers." *Brookings Institution*. December 21, 2015.

**Finding 10: Effective advocacy efforts supported by contextually specific evidence have helped secure, to a certain degree, increased investments in ECD.**

Based on the experiences of countries in our study, advocacy efforts supported by evidence on the impact of ECD programs have been important for placing ECD on the policy agenda and securing additional domestic financing. In Turkey, policymakers were incited to support ECD when evidence on its impact in the country was available. One of the most important publications was a report by the





Turkish Industry and Business Association titled Right Start: Pre-Primary Education in Turkey.<sup>90</sup> Other factors influencing broader support for ECD included a campaign supported by the Mother Child Education Foundation (ACEV), “7 is too late,” which exposed 40 million people to media coverage on the importance of ECE. With greater evidence as well as a campaign to bring greater awareness around ECD, increased political commitment among high-level politicians and senior education officials was attained. In 2011, the Ministry of Education made preschool education mandatory and universally accessible in 57 of 81 provinces.<sup>91</sup>

In addition, ECD advocates in Turkey have used broader economic arguments to gain support for ECD. For example, ACEV and the Women Entrepreneurs Association of Turkey (KAGIDER) drafted a proposal for the government to consider a national incentive program, which would provide monthly subsidies for working mothers for childcare and educational expenses to increase female labor force participation. As part of the proposal, a public finance model was developed which demonstrated a net cumulative benefit to the country of US\$23.3 billion and an increase in the female labor force participation rate.<sup>92</sup>

In Chile, pre-investment studies were commissioned by the government to assess the benefits of investing in ECD services, after which a Presidential Advisory Council was convened to review proposals for action. The evidence from the pre-investment studies as well as strong leadership and political will for ECD provided the thrust needed to develop and institutionalize Chile Crece Contigo.<sup>93</sup>

Malawi was recently successful in increasing government allocations for ECD by 25 times, albeit from a low base. This was a product of effective advocacy by the Association of ECD in Malawi (AECDM) which lead a task team of organizations, including Action AID, UNICEF and Save the Children, and approached the country’s Minister of Finance, Economic Planning and Development. The task team carefully presented the Minister with information on the importance of ECD, as well as the consequences of inadequate funding, and how to improve ECD services in the country. After that conversation, the Minister requested that the task team develop an addendum to the budget, which was then approved, leading to a substantial addition of resources for ECD in the country.<sup>94</sup> Such national successes would have been much more difficult without country-specific data and analyses.

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<sup>90</sup> World Bank. 2013. *Expanding and improving early childhood education in Turkey*. Washington, DC: World Bank.

<sup>91</sup> Results for Development Institute. 2015. “What Can the Early Childhood Field Learn from Leading Advocacy Initiatives? Lessons from Global Advocacy Partnerships and National Early Childhood Campaigns.”

<sup>92</sup> Mother Child Education Foundation (ACEV) and Women Entrepreneurs Association of Turkey (KAGIDER). 2012. “Proposal for a Childcare and Education Incentive Program to Increase Female Employment in Turkey.” *Information Brief*.

<sup>93</sup> Chile Data Collection Instrument

<sup>94</sup> UNICEF Malawi. “Additional MK 500 million for Early Childhood Development (ECD) in Malawi” [http://www.unicef.org/malawi/development\\_16909.html](http://www.unicef.org/malawi/development_16909.html)



## Strategic Recommendations

More than 25 years after global education leaders announced that “Learning begins at birth,” young children now feature prominently in SDG Target 4.2: “By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.” Although early learning is higher on the global agenda than ever before, international and domestic financing have not kept up with the science about short- and long-term benefits for individuals, families, and societies of providing children with positive, nurturing experiences in the early years. There is both an unprecedented need to increase funding and an unprecedented opportunity to support government and non-government actors in delivering quality programs that really make a difference for young children, especially for the most disadvantaged.

Based on our research and analysis, we propose 6 recommendations for the International Commission on Financing Global Education Opportunity to consider:

### **Recommendation 1: Prioritize and significantly increase funding for early childhood development**

National and international actors need to prioritize investment in ECD interventions – including parenting support, early health care and nutrition services, and preschool – for children from birth through the transition to formal schooling. There is an enormous financing gap between what is current being spent and what is required. Providing a single year of universal quality pre-primary education alone by 2030 would require an annual average investment that is nearly seven times current cost estimates.<sup>95</sup> Similarly, the cost of achieving global nutrition targets will require a large funding increase – an average annual investment of US\$7 billion over the next 10 years in addition to the US\$3.9 currently spent by donors and governments.<sup>96</sup>

For early childhood care and education alone, governments should aim to spend 1% of GDP to ensure quality provision for all children. However, in order to provide an entire package of ECD services, they will need to invest even more. Taking into account existing spending levels, it is clear that developing countries starting from a low base will need support over the coming years. International actors should work with these countries to reinforce the critical importance of including early childhood within sector plans and budgets. They can also incentivize domestic financing through matching funds, which the Early Learning Partnership<sup>97</sup> is doing on a small scale.

The financing gap in low-income countries and fragile and conflict affected states will not be filled without increased aid. Bilateral and multilateral agencies must step up their financing for ECD to support these countries. Bilaterals, for the most part, have been woefully absent from the international financing picture and need to do their share to support ECD within national education and health reforms. It is encouraging that the World Bank has increased investments in ECD in response to strong

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<sup>95</sup> UNESCO Education for All Global Monitoring Report Policy Paper. (2015). “Pricing the Right to Education: The Cost of Reaching New Targets by 2030.” Retrieved from <http://unesdoc.unesco.org/images/0023/002321/232197E.pdf>

<sup>96</sup> Shekar, M., Kakietek, J., D’Alimonte, M., Walters, D., Rogers, H., Dayton Eberwein, J., Soe-Lin, S., & Hecht, R. 2016. Investing in Nutrition the Foundation for Development: An Investment Framework to Reach the Global Nutrition Targets.

<sup>97</sup> See Early Learning Partnership website for further information: <http://www.worldbank.org/en/topic/education/brief/early-learning-partnership>



country demand. GPE is also emerging as an important funder; other global funds (e.g., Global Finance Facility and the Power of Nutrition) are potential new sources of funding.

**Recommendation 2: Ensure public financing for ECD services and utilize innovative finance to jump start investments**

As a newer and less institutionalized area, with diverse forms of delivery, ECD lends itself to innovation and experimentation. There are some interesting country examples of non-traditional financing sources and mechanisms to both raise funds and improve service delivery. While innovative sources and mechanisms can help jump start investments and improve service delivery in a sector where quality is an enormous challenge, ultimately, ECD should not solely be associated with innovative financing. By 2030, national governments should seek to fully integrate ECD in existing financing for other core education, health, nutrition, and protection services, such as primary and secondary education. In the short term, innovative financing should be explored to address urgent financing needs and to better understand how quality can be improved.

**Recommendation 3: Focus financing systems on improving quality and assuring equity**

National governments should decide how to allocate their scarce resources to reach Target 4.2 according to their specific contexts and needs, guided by the principles of improving quality and assuring equity. It is concerning that there are wide disparities in access to the full range of ECD services based on young children's family income, geographic location, and/or ethnicity. Despite limited government funding, parent demand for early learning opportunities is strong; for example, the growth in private preschools has surged in some urban areas of Sub-Saharan Africa. Even when fees are low, they can be a significant portion of household income. In addition to burdening households, limited regulation and uneven supply remain significant challenges in systems that are financed primarily through household contributions. Lack of public financing compromises quality too, as parent fees alone cannot cover the full cost of providing quality provision, including support for qualified workers. Governments should ensure that services – regardless of whether they are publicly or privately delivered – are of high-quality, are affordable, and universally available, with additional resources and support going to those most at risk.

**Recommendation 4: Build off existing delivery systems by strengthening the capacity of the public sector to effectively allocate and use financing**

While a diverse delivery system brings challenges given the multiple sectors, levels of government, and providers involved in supporting young children, it can be harnessed to support scaling of ECD services in a cost-effective way. Rather than creating new programs and services, existing education, health, and social protection platforms can be used to expand supports to young children and families. However, the capacity of the public sector has constrained countries from effectively allocating and monitoring existing resources for ECD. As systems expand to reach more children, building the infrastructure to support budgeting processes, service delivery, monitoring, and accountability will be essential. For example, many countries have decentralized responsibility for early childhood services without providing the requisite financial resources and technical support to accompany this transition of authority. As a result, the funding may not reach the intended recipients in a timely manner which compromises both access and quality. Similarly, as programs scale, it is important for countries to address basic inefficiencies in budgeting for ECD, for example, by developing clear criteria to base budget calculations and allocation decisions. Where early childhood services are provided outside the public sector, governments need to play a strong regulatory role to assure quality.

**Recommendation 5: Encourage multi-sectoral policy planning to scale programs, and ensure efficiency, coordination, and alignment across financing streams**

Given that young children’s care, development, and learning are intertwined, support from different sectors and services (e.g., education, health and nutrition, protection, etc.) are essential for achieving positive outcomes in the early years and beyond. In most countries, multiple agencies and actors are involved in funding and financing early childhood development. Lack of coordination across ministries and budgets can lead to duplication and inefficiencies. Multi-sectoral policy planning should be encouraged at the top levels of government to assure efficiency, coordination and alignment across financing streams. This will facilitate efficient planning for better quality services using existing mechanisms. Better coordination accompanied with more consistent reporting on budget commitments and expenditures will also help fill some of the data gaps and provide a more complete picture about existing resources as well as the needs to be addressed.

Recommendation 6: Support the generation of contextually relevant evidence that can influence advocacy efforts to increase domestic financing and quality improvements

While some leaders need more information on the potential impact of ECD within their country, many leaders in the countries in our study are already convinced to invest more in ECD but are struggling to identify the most appropriate models that can be implemented at scale in their context. Countries should not wait for the findings of more studies to act. However, to further guide policy development, it is important to continue to build the evidence base by demonstrating the longer-term effects of quality

**Box 5: Areas for Further Research**

- Develop and pilot methodology for a Public Expenditure Tracking for ECD
- Develop and pilot a standardized methodology for reporting domestic and international expenditures on ECD
- Support research to better understand most effective delivery mechanisms for scaling ECD in specific contexts

ECD programs on children, families and the larger economy particular to low- and middle-income countries and by understanding which models are most effective for supporting quality services at scale (See Box 5).<sup>98</sup> There also is a need for more effective advocacy to communicate to decision makers, especially Ministers of Finance, the value of increasing domestic financing and how to allocate resources.<sup>99</sup> Although national advocacy should be led by in-country stakeholders who know the main players and opportunities to influence, financing from donors, including foundations, can support such efforts. In the

face of changing leadership and priorities, advocacy efforts should be ongoing in nature and not considered as one off activities.

<sup>98</sup> World Bank SIEF is helping to contribute to the knowledge base with its early stimulation and early learning clusters of impact evaluations in developing countries.

<sup>99</sup> For example, lessons from other sectors such as global health and nutrition suggest that packaging key messages into a common narrative that can easily be adapted to different country contexts can be an efficient and persuasive way to communicate evidence to those who hold the purse strings.<sup>99</sup>

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## APPENDIX 1: Country Selection Methodology

For further study on Early Childhood Development (ECD) financing, R4D identified the following twelve countries: Chile, Colombia, France, India, Indonesia, Kenya, Lebanon, Malawi, Nepal, Peru, Philippines, and Turkey. The following note describes the methodology for selecting the 12 proposed countries and the Appendix provides further details on them.

### Rapidly Improving Low and Middle Income Countries

In the proposed methodology for country selection, R4D indicated that 10 of the 12 countries included in the study would be from the low and middle income groups in order to ensure applicability of findings to other countries at these income levels.

Given that the study leverages existing data, a first step in selecting the 10 low and middle income countries on which the study focuses involved identifying countries for which there exists sufficient data. Countries were identified as having high data availability if there were existing SABER-ECD, National Education Accounts, or National Child Health Accounts reports. Data available from the 2016 Inter-American Development Bank flagship report, *The Early Years*, which includes a chapter on government spending on early childhood programs, as well as individual country studies with national level expenditure data, were also considered.

Once a subset of countries with high data availability was identified, countries were further narrowed to those which could be identified as rapidly improving, in order to facilitate the extraction of lessons for other countries. Countries were classified as rapidly improving if they had experienced improvement on at least one of the below indicators related to early childhood over the most recent five year period for which data were available:

- Pre-primary gross enrollment ratio
- Under 5 mortality rate
- Prevalence of stunting in children under 5

In addition, at least one country from the East Asia and Pacific, Europe and Central Asia, Latin America & the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa regions was selected, with preference given to countries where existing networks and knowledge could be leveraged for collecting additional data needed through key informant interviews, and where there has been some experience related to innovative financing mechanisms for early childhood programs. Finally, we ensured representation from fragile and conflict-affected states, indicated by countries with an index of 90 or higher on the Fund for Peace's Fragile States Index or included on the World Bank's Harmonized List of Fragile Situations.

### High Performing High Income Countries

In the proposed methodology for country selection included in our initial proposal, R4D indicated that 2 of the 12 countries included in the study would come from the high income group in order to capture lessons learned in these contexts. Given the high coverage rate of pre-primary education as well as focus on disadvantaged children and families, we propose including France. In addition, we included Chile, given its rapid improvement in expanding access to pre-primary education in the past 5 years.

Country	Region	Income Group	Fragile State	Data Source (s)	Change in early childhood indicators	Other Notes
Chile	Latin America & Caribbean	High income		IDB Early Years study; OECD data	Pre-primary GER increased from 82% in 2008 to 120% in 2013 Under 5 mortality rate declined from 8.8/1,000 births in 2010 to 8.1/1,000 births in 2015 Prevalence of stunting in children under 5 declined from 2% in 2008 to 1.8% in 2013	An integrated child protection system, Chile Crece Contigo, has generated financing for early childhood programs, including the JUNJI public pre-school programs and pre-school/crèches administered by Fundación Integra. This system supports vulnerable children in particular, by giving them differentiated support and guaranteeing that children from the poorest 40% of households receive critical services, including free pre-school.
Colombia	Latin America & Caribbean	Upper middle income		SABER-ECD; IDB Early Years study	Pre-primary GER increased from 42% in 2006 to 49% in 2011 Under 5 mortality rate declined from 19/1,000 births in 2010 to 16/1,000 births in 2015 Prevalence of stunting in children under 5 declined from 16% in 2005 to 13% in 2010	A national payroll tax funds ECD programs.
France	Europe & Central Asia	High income		OECD data	Pre-primary GER declined from 111% in 2008 to 109% in 2013 Under 5 mortality rate remained 4.3/1,000 births between 2010 and 2015	Financing ECD programs involves the provision of subsidies to ECD providers, as well as tax credits and allowances to families, which vary by income and the number of children in a family. Funding for programs comes from national, state, and local governments.
India	South Asia	Lower middle income		Forthcoming SABER-ECD report	Pre-primary GER increased from 40% in 2006 to 58% in 2011 Under 5 mortality rate declined from 59.9/1,000 births in 2010 to 47.7/1,000 births in 2015 Prevalence of stunting declined from 51% in 1999 to 48% in 2006	Central and state governments fund the delivery of several ECD programs through the Ministry of Women and Child Development, including the Integrated Child Development Services Program (ICDS) and the Rajiv Gandhi National Crèche Scheme for Children of Working Mothers. While the government is making efforts to universalize ICDS, it mainly covers rural and tribal populations. Limited innovation grants have also been given to districts to support ECCE as part of the

						Sarva Shiksha Abhiyan (SSA) scheme to universalize primary education.
Indonesia	East Asia & Pacific	Lower middle income		SABER-ECD	Pre-primary GER increased from 43% in 2008 to 51% in 2013 Under 5 mortality rate declined 33/1,000 births in 2010 to 27.2/1,000 births in 2015 Prevalence of stunting in children under 5 declined from 40% in 2007 to 36% in 2013	The Ministry of National Education (MONE) has funded block grants to private and nonprofit organizations to expand their provision of ECD services.
Kenya	Sub-Saharan Africa	Lower middle income	X	National Child Health Accounts; Study on private sector by UBS Optimus Foundation/Innovations for Poverty Action	Pre-primary GER increased from 48% in 2007 to 60% in 2012 Under 5 mortality rate declined from 62.1/1,000 births in 2010 to 49.4/1,000 births in 2015 Prevalence of stunting declined from 35% in 2009 to 26% in 2014	Private sector participation is significant. An endowment fund was established to provide dividends to communities operating Madrasa Resource Centers for the purpose of improving the quality of education. Community Support Grants from the central government support some ECD programs at the County level.
Lebanon	Middle East & North Africa	Upper middle income	X	Key Informant Interviews to supplement sources such as van Ravens and Aggio's macro-level cost estimates for the Arab States	Pre-primary GER increased from 75% in 2008 to 101% in 2013 Under 5 mortality rate declined from 10.1/1,000 births in 2010 to 8.3/1,000 births in 2015 Prevalence of stunting declined from 48% in 2006 to 44% in 2011	The role of the private sector is significant, as over 80% of KG enrollments are private.
Malawi	Sub-Saharan Africa	Low income		SABER-ECD	Net pre-primary enrollment rate was 40% in 2015 (SABER-ECD Report) Under 5 mortality rate declined from 90.9/1,000 births in 2010 to 64/1,000 births in 2015 Prevalence of stunting declined from 48.8% in 2009 to 42.4% in 2014	The Ministry of Health and Population (MoHP) provides free universal coverage for a package of essential health services, including for example, childhood vaccines. These health services are supported by development partners who contribute up to 54% of Malawi's health care budget. The Ministry of Gender, Children, Disability and Social Welfare (MoGCDSW) oversees pre-primary education for 3-5 year olds which is supposed to be free; however, no allocations are made

						for operating costs which result in families paying for meals and contributing to teacher's salaries.
Nepal	South Asia	Low income	X	SABER-ECD	Pre-primary GER increased from 58.9% in 2008 to 84.2% in 2013 Under 5 mortality rate declined from 45.4/1,000 births in 2010 to 35.8/1000 births in 2015 Prevalence of stunting declined from 49.3% in 2006 to 40.5% in 2011	Local bodies are responsible for establishing and operating centers with financial and technical support from the national government.
Peru	Latin America & Caribbean	Upper middle income		IDB Early Years Study	Pre-primary GER increased from 72% in 2008 to 86% in 2013 Under 5 mortality rate declined from 21/1,000 births in 2010 to 17/1,000 births in 2015 Prevalence of stunting declined from 30% in 2005 to 20% in 2011	The Social Development Cooperation Fund, FONCODES, is making significant investments in a national program, Cuna Más, which provides home visiting and day care services for children under 3. Priority for participating in the program is given to families living in poverty.
Philippines	East Asia & Pacific	Lower middle income		Asian Development Bank project documents	Pre-primary GER increased from 37% in 2004 to 51% in 2009 Under 5 mortality rate declined from 31.9/1,000 births in 2010 to 28/1,000 births in 2015 Prevalence of stunting declined from 33.8% in 2003 to 33.6% in 2011	Taxes on gaming corporations fund early childhood health services.
Turkey	Europe & Central Asia	Upper middle income		National Education Accounts; World Bank Life Chances study	Pre-primary GER increased from 18% in 2008 to 28% in 2013 Under 5 mortality rate declined from 19.1/1,000 births in 2010 to 13.5/1,000 births in 2015 Prevalence of stunting declined from 12.3% in 2008 to 9.5% in 2013	The Ministry of National Education (MONE) funds teacher salaries and infrastructure costs of center based preschool programs, but user fees contribute to overall financing. MONE collaborates in financing and delivering a parenting program with other partners, such as the Mother Child Education Foundation.