
FINANCING EARLY CHILDHOOD PROGRAMS

The issue of who provides the financing and bears the costs becomes extremely important as ECCD programs are implemented and expanded, and as additional resources are sought. In most ECCD projects or programs, the real costs are a shared responsibility. The most common sources of support for ECCD programs are:

- Parents/families
- Communities
- The government (various levels)
- Private sector (employers, philanthropists, private providers, and businesses)
- Social sector (NGOs, churches, others)
- International institutions

Parents/Families and Communities

Parents and communities provide support to ECCD programs in a variety of ways. Sometimes this occurs through the contribution of labor to build a facility, or make equipment and toys. It can also occur through the donation of food and/or time. At present, considerable emphasis is being placed on “cost recovery” from participants and on “privatizing” ECCD programs. These strategies certainly have their place for certain elements of the general population. However, although part of the burden of support for ECCD programs can be taken on by families and communities, it is unrealistic to expect that low income families and communities will be able to bear all the program costs or sustain programs over time.

Government Financing

There are reasons that governments should subsidize ECCD programs. First, it should be kept in mind that the social benefits of participation in an ECCD program considerably outweigh the private benefits. Second, if governments take seriously a commitment to direct programs to low income families and children “at risk,” then they must realize that the ability of both individuals and communities to cover costs will be limited and subsidies will be necessary.

The government also needs to recognize that contributions are already being made by both users and communities that are not normally registered in cost calculations (e.g., provision of a building, contributions of food, provision of labor). Thus, it is important not to over-burden users if the service is to be used and if the social as well as private effects are to be realized. In a recent

case study of a rural preschool in Mexico, it was found that community members living at the survival margin withdrew their children from the preschool when they were obligated to donate a significant block of their time to the school as social service. The burden was too great, and the effect was counter-productive.

These lessons from experience run counter to the desires of many governments and funding agencies that seek to transfer the financing burden to communities and families over time. It suggests the need for new instruments of support and for an approach that emphasizes working in partnership. Possible sources of funding include:

REGULAR GOVERNMENT BUDGETS

This is most common source of financing for ECCD programs in most countries. The source of support for ECCD within the government budget varies considerably, depending on the type of program and the main target group. Most commonly, support comes from the education budget. Funds for ECCD programs can also be found within health, social welfare, women's programs, rural or urban development, agriculture, and others.

If a program is really seen as a priority (whether for political reasons or because it is thought to be cost-effective), resources will be identified and mobilized—even if that means reallocating them from another program.

In countries where educational and other social programs are being decentralized, the power of local governments to obtain funds through local taxing is often still weak. Therefore, funding may still depend on the central government budget and on the bases for distributing part of that budget to states.

SPECIAL TAXES OR ACTIVITIES

In a number of countries, a special tax has been instituted, the proceeds from which are earmarked for support of early childhood programs. The most notable example of this method of obtaining financing for ECCD is Colombia where a 3% payroll tax is collected from all enterprises over a certain size. The money from the tax is administered by the *Instituto Colombiano de Bienestar Familiar (ICBF)*. This system taps private sector as well as public sector funds.

Other countries collect similar revenues through the regular social security system. These funds are used to create day care centers for working mothers. However, these programs exclude the large proportion of the population working in non-formal jobs.

Designating a specific set of funds for ECCD can work for or against obtaining the resources required to establish quality ECCD programs.

- On the plus side, when there is a direct link between the origin of the funds and their use, ECCD funds do not disappear into a general pool from which a number of programs need to be funded.
- On the negative side, the existence of designated funds is undoubtedly taken into account as the bargaining process for allocating the general fund occurs. A set-aside fund for ECCD can be used as an excuse for not allocating additional funds to ECCD.

The desire by governments to mobilize resources to finance programs and cover costs of social programs, including ECCD programs, is more important in determining the level of investment in such programs than the actual cost of a particular program.

TRUST FUNDS

A number of countries have begun to experiment with the creation of a Children's or ECCD Trust or Social Fund to which government, international agencies, and the private sector can contribute. Since this is generally conceived of as a quasi-governmental body, it allows international funders to put money into government, but through a less-bureaucratic mechanism than that which exists when funds go directly to the government. The use of a children's fund also provides for greater accountability, as the funds can be monitored separately, and they do not become part of general revenue which can be difficult to track. The key to the successful implementation of a Trust Fund is ensuring that it is well-designed and managed, and that there are systems for monitoring the trust fund which are well established before it begins to receive and disburse funds.

An example of a trust fund that is being developed comes from the Philippines. As a part of the funding agreement for the National ECD Program in the Philippines, the donor community requires the creation of separate accounts so that it can monitor the use of its resources. It has been recommended that a Human Development Special Fund be created that will provide a mechanism for the control and disbursement of funds. It will provide an accounting system for the donor agencies, as well as a mechanism for the channeling of government and donor funds into the National ECD Program. Within the structure of the National ECD Program, grants will be made to Local Government Units (LGU), rather than central government.

The Trust Fund concept is also being experimented with in Namibia, South Africa, and Mexico. The potential of trust fund schemes as a method of handling ECCD financing has not been realized, but will undoubtedly continue to be explored.

PRIVATE SECTOR DONATIONS AND PHILANTHROPY

Although philanthropy seems to be growing, it has not been a major source of funds for ECCD programs to date. Yet the provision of funds is not the only way that the private sector can make a contribution. Private sector contributions may also be made in the following ways:

- payment of general taxes on profits, a portion of which are used by government;
- mandated contributions to an assurance scheme linked to ECCD (e.g., Temporary Disability Insurance payments);
- on-site provision of services for which there is no government subsidy (may be mandated for firms over a certain size or with a certain number of female employees);
- financial support for the development of an ECCD center in close proximity to the workplace;
- provision for families of a stipend to purchase the child care of their choice;

- paid leave programs in which services are foregone (mandated through either social security or work laws);
- in-kind donations of goods or services to ECCD programs run by others.

In addition, a relatively new idea is the creation of an endowment that would generate funds to support an early childhood program. This concept is being experimented with in East Africa through the Madrasa Resource Centers and their affiliated programs. The exact mechanism for creating, managing, and disbursing the endowment has not been finalized, but it is an intriguing alternative in the financing of ECCD programs.

The Consultative Group on Early Childhood Care and Development, 1998.

Early Childhood Counts: Programming Resources for Early Childhood Care and Development. CD-ROM. The Consultative Group on ECCD. Washington D.C.: World Bank, 1999.