THiNK PIECE NO.8

CAMBRIDGE EDUCATION

Feasible options for financing early childhood care and education in Uganda

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Introduction

Participation in high quality Early Childhood Care and Education (ECCE) is critical as it sets a firm foundation for future development and lifelong learning, and because it has long-term economic impact. Globally, investment in ECCE is a priority. The Sustainable Development Goal (SDG) 4.2, underscores the target of all pre-primary age girls and boys by 2030 having access to quality early childhood development, care and pre-primary education so that they are ready to enter primary school. Uganda's current National Development Plan (NDP II) highlights the provision of ECCE among its priorities. The development of the national ECD Policy in 2007 by the Ministry of Education and Sports (MoES), was a key milestone in steering investment and promoting provision of ECCE in the country. Alongside this progress, challenges persist in the delivery of ECCE in Uganda, including issues of capacity, inequity of access, quality and financing. Furthermore, ECCE programming has not been adapted to the local context. Public investment in ECCE is weak and low, currently standing at less than 0.1% of the total annual expenditure on basic (pre–primary and primary) education. This paper examines the issue of financing of ECCE in Uganda, by diagnosis of the current situation and proposing some options for addressing the current shortfall.

Current structure of financing ECCE in Uganda

Funding sources

There are essentially two sources of funding for ECCE: Public (Government and international donors) and Private (donors, families and parents, entrepreneurs, non-governmental organisations (NGOs), faith-based organisations (FBOs) and communities). However, data on the quantities of funding from these two sources is lacking. The sector budget and expenditure data provide figures for basic education, which combine both pre-primary and primary under a single accounting vote. The vote does not reflect any specific allocation for pre-primary education. Sector reports estimate expenditure on pre-primary as less than 0.1% of the budget for basic education. Therefore, a proxy analysis indicates that the total public expenditure on pre-primary education for 2015/16 could be estimated at a mere Ushs 90 million (USD 25,000) annually. Donors fund ECCE either directly through projects, or through government via budget support, so data are not widely available or consolidated on this stream of funding. Private sources are predominantly in the form of household expenditure on their children's education.

Records from a cross-section of urban ECCE centres show that households spend in the range of Ushs 600,000 (USD 167) in peri urban to Ushs 3,000,000 (USD 833) in urban areas annually on ECCE. NGOs, FBOs and charities fund some ECCE programmes within rural and poorer peri-urban communities, where households pay at a much lower level or not at all, as their involvement is subsidised. ECCE data are not currently being captured separately from primary schooling data and in a comprehensive manner, but it is critical that this is rectified so as to allow for estimates of private sector investment in ECCE programmes.

Funding mechanisms: Public funding at the macro-economic and micro level

The budget cycle

The budget cycle commences when the Ministry of Finance Planning and Economic Development (MoFPED) issues a 'Budget Call Circular' to line ministries including the MoES. The Circular indicates the 'proposed budget allocation for the sector for the following financial year and the medium term'. MoES makes allocations internally to the various sub-sectors/accounting votes on the basis of its priorities. The basic education sub-sector makes allocations internally to its planned activities for that financial year. The MoES then prepares the 'Sector Ministerial Policy Statement' showing budgetary allocations for the medium term (on a three-year rolling basis), which is presented to Parliament for discussion and approval. Upon approval this becomes the sector Medium Term Expenditure Framework (MTEF), which is the basis for requisitioning funds from the MoFPED. MoES requisitions funds from MoFPED on a quarterly basis, upon which MoFPED effects transfers of funds directly to the bank accounts of the various expenditure points (central level, districts and institutions).

Over the last four years, annual public expenditure on pre-primary education (i.e. ECCE) is estimated at between Ushs 50 million (USD 20,000) and Ushs 90 million (USD 25,000) as is shown below (assuming 0.1% of basic education budget).

Sub Sector	Financial Year (Ushs 'million)			
	2012/13	2013/14	2014/15	2015/16
Basic Education	46,757	50,627	62,011	91,303
Pre-primary	50	50	60	90

Author analysis of the MoES MTEF

Although figures show a substantial increase in public expenditure on ECCE in nominal terms, the real value of this rise has been minimal due to the depreciation of the Uganda shilling, over the plan period, and the tiny amount of funding.

In view of the fact that basic education is a decentralised service, the public funds made available for delivery of ECCE are disbursed to and utilised by the MoES and districts, and for staff to undertake approved ECCE-related activities. However, information on this cycle of funding is very scanty.

Private funds are mobilised and utilised at the same expenditure point (ECCE centres). Information

[1]This is 0.1% of the total annual budget for basic education of Ushs 91.303bn for 2015/16
[1]Only ECCE centres around Kampala and other regional towns could be contacted

on private funding mechanisms is still scantier. A proxy analysis indicates that private (household expenditure to entrepreneurship-operated ECCE services) is in the range of Ushs150, 000 million (USD 42 million) annually, which is around 40% of the expenditure on ECCE provision in the country. The remaining expenditure on ECCE provision includes government, which is currently estimated to contribute 1.9% of overall spending on ECCE, with NGOs/Community contributing an estimated 30.1% and FBOs28%.

Allocation criteria and targeting

The MoES adopted the ECD Policy in 2007, which placed the full financing burden on private sources of funding, but implementation of the Policy is weak. As a result, while the ECCE sub-sector has been expanding, there is no evidence of prioritisation and proper targeting in terms of resource allocation and deployment. Reports indicate that public funds are targeted towards increasing enrolment, and improving quality and efficiency, though there is no evidence of the basis for allocation. Reports also indicate that the funds have been utilised solely by MoES and district staff for some limited training of pre-primary teachers, and supervision and monitoring of ECCE provision at ECCE centres countrywide. Public investment in the ECD policy remains ad hoc, and its outcome and impact are not clear. Broadly, and as would be expected from the current policy, ECCE programmes remain the preserve of the private sector. Private investment in ECCE is largely needs-driven, as centres are established to offer programmes that address the needs of the immediate households/communities, and are mostly provided on the basis of the ability of households to afford the wide range of fees charged.

Analysis of the current structure ›››

The 2007 ECD Policy recognises and makes provision for private investment in the provision of ECCE in Uganda, which is the practice in many countries. The Government's decision to adopt this policy has not led to well-funded ECCE delivery. The sector vote for basic education is meant to allocate public funds to both pre-primary and primary education appropriately, but the criteria and basis for this allocation is not clear, leaving pre-primary seriously under-funded and 'marginalised' while the policy and legal frameworks are geared towards private provision. The government is institutionally weak to mobilise resources as well as leverage available private resources for efficient deployment and targeting towards priority ECCE policy objectives. For instance, although public funding has been utilised for some limited training of pre-primary teachers, and supervision and monitoring of ECCE provision to enhance access and quality, the access to, and quality of ECCE, is nonetheless still quite low.

According to the author's analysis of the Ministry of Education and Sports Medium Term Expenditure Framework for 2016/17, public investment in ECCE of 0.1% of the basic education budget (approximately 0.0014% of GDP) is very low in absolute terms and as compared to most sub–Saharan countries. International best practice suggests that nations should devote at least 0.5 to 1 percent of GDP to ECCE. The public expenditure of around Ushs 90 million (USD 25,000) for 2015/16, translates into only Ushs 191.4 (USD 0.05) per child annually. In Kenya, following the devolution of ECCE services from the centre to County Local Governments, public funding increased significantly, especially in the remote regions. Therefore, allocation per child in Kenya is currently at a minimum of USD 9 annually, or 180 times more per child than the Ugandan allocation. However, given the macro-economic constraints and modest increase in funding to basic education, public investment in ECCE is not likely to increase significantly in the near

[1]USD vs Ush exchange rate has shifted from around Ushs 2,500 in 2012/13 to Ushs 3,600 in 2015/16
[1]Conservative estimates based on enrolment data and ECD fee charges for Kampala and other regional towns

future. Nonetheless, internationally many countries have made significant efforts to provide pre-school opportunities for all families, despite budgetary difficulties and relatively lower average per capita incomes. Even efficient deployment of the available public resources could potentially deliver ECCE programmes with more impact. Therefore, the next section will examine possible options for improving the use of existing resources.

Feasible options for financing ECCE in Uganda ›››

A hybrid financing model is proposed as the best option for tackling funding shortfalls in Uganda. This model incorporates public and private investment through two streams:

a. Private resources targeted to the high incomes groups/regions/communities, with Public oversight;
b. Public and Private resources targeted to more disadvantaged and poorer rural groups, regions and communities.

Private resources targeted to the high income groups/regions/communities, with public oversight

Private operators/entrepreneurs dominate provision of ECCE, and have concentrated in the urban and peri-urban areas of the country, largely because they operate profit-making portfolios. They are driven by ability–to–pay motives, thus locate themselves among the higher income earning communities. Private or entrepreneurship financing is more suited to operate ECCE services among higher income communities, with government funding limited to regulation and supervision and ensuring that private actors provide quality ECCE services. However, entrepreneurial operations would not be prohibited among the low-income communities, where some would still operate freely, as long as the demand for their services is maintained.

Resourcing and mechanisms for financing ECCE programmes would include donor, government and household funds. A functional analysis of financing would be as shown in the table below.

Donor and Government	Provide policy, standards, curriculum, and qualifications framework; regulate standards; train and accredit pre-school teachers; produce instructional materials
District	Register, monitor, superviseand support ECCE programmes and centres
Household	Provide funds in the form of fees for ECCE centre activities
Entrepreneur	Establish ECCE centres; provide quality ECCE to household children; administer centres, hire pre-school teachers and provide instructional materials

While the wealthier families tend to be sensitive to quality of education, and enroll their children in ECCE centres that traditionally perform well, it is not guaranteed that they would objectively determine, and even influence this to happen in all the entrepreneur-operated centres. To ensure quality ECCE provision, its design should entail a transparent, open, inclusive and results-based mechanism for the ECCE providers to account to children's families in terms of value-for-money for household expenditure. Providers should be obliged to demonstrate publicly and objectively that their ECCE services attest to the minimum standards of quality education. Sharing of supervision reports of the District staff responsible for ECCE provision would be instrumental in serving this purpose.

Public and private resources targeted to more disadvantaged and poorer rural groups, regions and communities

Given that NGOs tend to concentrate among the poorest communities, it is highly probable that they have been catering to the real needs of such communities in providing ECCE services. They mobilise resources externally to provide services to the poorest communities on a not-for-profit basis. Both government and NGOs/FBOs would be, therefore, more suited to provide ECCE services among the most disadvantaged and poorest rural communities, despite the inherent operational challenges that this entails. The role of government would expand beyond regulation and supervision, to include hiring of ECCE practitioners and provision of instructional materials in order to enhance access and equity. The role could even include subsidisation of programmes or pre-school learner places to improve access for children. For instance, in Kenya the County Local Governments in the remote districts increased funding for ECCE provision and are responsible for construction and refurbishment of centres, childfeeding programmes and hiring of pre-school teachers. The expanded role of government provides the safety net for sustained ECCE provision, against signficant dwindling of aid and grants to NGOs/FBOs over time and resulting reduction of funding of the emoluments of practitioners and provision of instructional materials on a sustainable basis. Given the high poverty levels and poor attitude towards ECCE among rural communities, NGOs/FBOs would not charge fees from the households, as this could result in parents keeping their children from using ECCE centre services. The communities would be encouraged to augment NGOs' and FBOs' efforts in establishing and maintaining ECCE centres.
Resourcing and mechanisms for financing ECCE programmes will include donor, government, NGOs/ FBOs, CBOs/community and household funds. A functional analysis of financing would be as shown in the table below:

Donor and Government	Provide policy; provide curriculum; regulate/set standards; train, accredit and hire pre-school teachers; produce and distribute instructional materials; and potentially directly subsidise placements for the poorest children
District	Monitor, supervise and support ECCE programmes and centres
NGOs/FBOs	Mobilise resources for, and oversee CBOs/community, ECCE centres –deploy pre-school volunteers and teachers, distribute instructional materials
CBOs/Community	Establish ECCE centres, provide quality ECCE to household children, administer and supervise ECCE practitioners
Household	Make minimal contribution/provide materials for their children

Entrepreneurs opting to operate among the poorest communities would be acceptable, as well as being able, like NGOs, to benefit from government financing arrangements, in the form of subsidies. Government might choose to subsidise family expenditure on ECCE services, by funding fees for children enrolled in entrepreneur-operated ECCE centres either fully or as top–up. This is particularly relevant where private provision is not forthcoming and so government and NGOs/communities have to establish ECCE centres.

Generally, private funding and delivery systems have been shown to be more efficient at delivering ECCE services as opposed to government systems where funds are often not disbursed on time. Private providers that participated in the Universal Secondary Education (USE) programme under a Public-Private Partnership arrangement were seriously impacted by delays in receiving government releases for USE students. As a result, these providers were increasingly dependent on the fees paid by private students; so, in the end many private operators abandoned the partnership. Thus, a successful Public-Private Partnership would need to adopt mechanisms to address such challenges.

Poorer communities and households have been known to abuse and misuse public cash transfers as in previous development initiatives, such as for income generation and acquisition of agro-inputs. Even in some programmes where supplies have been provided, they have not been utilised for the intended purpose. Poorer households are typically prone to cyclical lack of income and means to acquire their immediate needs, especially food, so they tend to use any funds they can access to meet their nutritional needs. In view of this scenario, if a cash transfer system were to be adopted, it should not provide for direct transfer of funds to households, but instead to the ECCE providers, in order to serve the intended purpose. In addition, a cash transfer system to households would be costly in terms of follow-ups to ensure that funds are utilised properly, whereas centralising the funding to the provider/centre also centralises the monitoring and audit function, making it easier and cheaper to manage.

Although the poorer communities and households would be motivated to enroll their children in ECCE centres by not being required to pay heavily for it, they generally do not have the knowledge and capacity to ascertain the quality of education. Equally such communities lack the political strength to force ECCE centres to deliver higher quality services. Therefore, if the MoES adopts the option of paying subsidies to ECCE centres it also needs to put in place a transparent, open, inclusive and results-based mechanism for the ECCE providers to account to the families and donors in terms of value-for-money for the grants. The recipients of the funding along the chain (NGOs, FBOs, CBOs, etc.) should be obliged to demonstrate publicly and objectively that their ECCE services reach minimum standards of quality education. Evidence of provision of quality education could be adopted in the funding cycle as a trigger for subsequent financial support.

Rationale for ECCE delivery using a PPP Mechanism

i. International practice reveals that financing for ECCE is optimised through a mix of public and private investment. Public and private systems can function in an interdependent way towards delivery of ECCE that helps ensure access, equity, quality and efficiency.

ii. The private sector is the major provider of ECCE services both in Uganda and other similar countries such as Kenya, Senegal, South Africa and India. Elements of the private sector have wide experience in management and delivery of ECCE. The sector thus boasts of a comparative advantage over the public sector in providing efficient ECCE services.

iii. The government sector is extensive and reaches out to both the wealthier and poorest/rural communities. So, Government ECCE systems are more likely to impact on access and equity than privately funded ones.

iv. The Government of Uganda is currently resource-constrained, with financing for Universal Primary Education (UPE) declining in real terms against increasing demands. Government needs to leverage private resources to supplement its efforts in offering a holistic ECCE service.

v. In Uganda, government cash transfers tend to be effectively utilised when delivered directly to service providers as opposed to poor households. Any voucher system should direct funds to private, NGO or community ECCE providers for children in poor households to enroll pre-schools.

Critical success factors that are needed to underpin successful ECCE delivery

i. For ECCE to be recognised as a government priority in the education sector it must develop a robust ECCE policy and accompanying costed strategy. At the same time the ECCE section of the MoES needs to be elevated to a department that is headed by a Commissioner and is thus eligible for a separate Accounting Vote i.e. its own budget. This should be replicated in the districts with the appointment of dedicated ECCE staff with clear ECCE roles – planning/budgeting, monitoring, supervision, reporting and accountability. Effective resource mobilisation is a logical consequence of the adoption of a progressive ECCE policy and costed strategy.

ii. Both government and non-state actors ought to be dedicated to their specific and complimentary obligations and roles in ECCE delivery for better access, quality, equity and efficiency. Government should ensure quality of ECCE delivery by private entrepreneurs in the wealthier communities. It should also ensure quality and provide the critical inputs for ECCE delivery by NGOs/CBOs in poorer communities. The design has to highlight these respective roles.

iii. A robust PPP model should be established with in-built mechanisms to mitigate the inefficiencies in government systems through disbursement of cash transfers to privately operated ECCE centres for the benefit of targeted poor families.

iv. MoFPED and MoES could explore the feasibility of establishing a Special Fund[1] to finance ECCE programmes in the interim period to attract external financing. Management of a special fund tends to be more transparent and efficient, as its replenishment is triggered by Results-Based Performance among the private ECCE providers. Tying some portion of payments to outputs or outcomes tends to create beneficial incentives, encourage performance management, and provide transparency and accountability.

v. The spread of NGOs across the country is likely to be uneven, and the capacity and experience of NGOs and FBOs in ECCE support and oversight could be inadequate in some cases. A study mapping the spread of professionally competent NGOs and FBOs needs to be undertaken to inform the adoption and design of options that involve NGOs.

[5]What is proposed is a separate MoFPED-managed account at the Bank of Uganda with funds earmarked for ECCE, where government and interested donors would jointly commit and channel funding for ECCE countrywide. MoES would periodically

References

- Brookings Institute (2015). Global Economy and Development Programme Working Paper 81, February 2015
- Institute of Economic Affairs (2015). Child Budget Analysis in Kenya.

Early Childhood Care and Education Think Piece Papers

A Set of ECCE Topics for Consideration in Uganda

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