



Image Source: Partnerships for Change

Case study

# Lessons from subsidising the start-up of early years centres

Partnership for Change in Ethiopia

July 2026

[www.globalschoolsforum.org](http://www.globalschoolsforum.org)

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## About the case study



This case study explores how Partnership for Change (PfC) is building financially sustainable childcare centres in Ethiopia through a smart subsidy model that combines targeted subsidy, financial planning, and technical assistance.

It is part of a series by the Global Schools Forum (GSF) documenting how organisations are building financially sustainable early childhood education and care services in low-resource and emergency contexts, drawing on lessons from **GSF's Growing Sustainably** toolkit.

It is structured in three parts:

1

### How the model works

This section explains PfC's approach to subsidies and how it is implemented in practice.

2

### Key learnings from implementation

This section highlights critical lessons, trade-offs, and adaptations from implementation.

3

### Application in your context

This section offers reflection questions and links to relevant tools drawn from PfC's experience and GSF's financial sustainability toolkit to support adaptation in your own setting.

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from  
the model

📖 Application in your context

📖 Tools and templates

## Background

In Addis Ababa, most women work, but the absence of affordable, safe childcare for children under five, who are not yet eligible for pre-primary school, constrains what work they can do and how productively they can do it. Many are confined to informal jobs near home, unable to travel for better opportunities; others reduce their hours, take on more unpaid care work, or leave employment altogether after having children.

Limited childcare access is affecting not only caregivers' livelihoods but also children's early development. A [2021 baseline survey](#) revealed substantial gaps in cognitive stimulation and learning opportunities for children under four years, making this a priority area for the city.

Recognising this, the response to these challenges is shaped at two levels.

- Nationally, the Ministry of Women and Social Affairs (MoWSA) leads Ethiopia's national childcare programme, setting the policy framework and standards within which centres across the country operate, including those in Addis.
- At city level, the "[Future Hope of Addis](#)" initiative, led by the Mayor of Addis, has set out to reach more than 1.3 million children with comprehensive early childhood services by 2026.

Despite strong policy commitment, growing demand, and access to underused spaces in many communities, housing associations, and workplaces, affordable, quality childcare remains out of reach for many families.

### Three key barriers exist:

1

**Early-stage capital:** Providers must invest upfront in renovation, equipment, and regulatory compliance before they can operate or generate any revenue. Yet most cannot access commercial finance without collateral, formal registration, or an operational track record. Existing subsidy mechanisms typically support centres only once they are open and compliant.

Providers are caught in a self-reinforcing trap: they cannot become operational without capital and cannot access capital until they are operational.

2

**Technical activation:** Even where capital exists, prospective providers lack the technical support needed to convert a space into a registered, quality-assured, financially viable centre. This includes navigating licensing requirements, meeting minimum standards, recruiting and training staff, and establishing a sustainable operating model.

3

**Qualified practitioners:** There is a lack of a strong pipeline of qualified childcare practitioners, supervisors, and centre leaders. In addition, limited training opportunities, weak professional pathways, and high staff turnover make it difficult for providers to recruit, retain, and develop the workforce needed to deliver quality childcare.

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## About the organisation

**Partnership for Change** (PfC) is a civil society organisation that works through local partnerships to build financially resilient early years centres.

In Ethiopia, PfC partners with the actors who already have demand and unused space — community committees, housing associations, employers, government departments, and NGOs. PfC equips them with the capital, technical know-how, and ongoing support needed to convert that space into a viable early years centre. The organisation's vision is of thriving communities where individuals have equal access to opportunities regardless of gender and background.



PfC has been operating in Ethiopia for 12 years. As of 2025, the ECCE programme has established or upgraded [118 centres](#) across Ethiopia, reached 3739 children aged 0–4 and trained 681 childcare workers alongside 120 supervisors and 42 managers.

PfC strengthens the early years system as a whole so that individual centres operate within a functioning ecosystem of government quality oversight, a growing professional workforce, and reliable local supply chains.

### Mutually reinforcing components

- 1 Centre-based childcare:** PfC establishes high-quality centres that are owned and managed by local partners.
- 2 Quality assurance:** PfC supports governments in setting national childcare standards to improve quality. In 2025, PfC and the MoWSA co-developed a national childcare standard, which has now been formally recognised in the country.
- 3 Workforce development:** PfC partners with universities and technical institutions, including Kotebe University of Education, to train and certify childcare professionals — building the technical know-how that local partners need to run high-quality centres. They have supported the development of a national childcare curriculum and competency framework that is expected to be delivered through technical and vocational education and training (TVET) colleges from September 2026.
- 4 Value-chain creation:** PfC works with local suppliers of educational materials, furniture, and food to develop reliable, affordable supply chains — reducing operating costs and supporting the long-term financial sustainability of centres.

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## Part 1 How PfC's smart subsidy model works

This case study focuses on PfC's smart subsidy approach, the mechanism through which PfC supports local partners to establish and operate early years centres.

Smart subsidies are targeted, outcome-linked, and time-bound financing mechanisms designed to make childcare more affordable for families while improving provider quality and sustainability. They come in two broad forms:

- demand-side, where funding flows to families, and
- supply-side, where funding flows to providers.

PfC implements a distinctive supply-side variant that offers support to providers and is built around three components:

- **One-time subsidy:** PfC provides a one-time capital covering set-up costs — renovation, equipment, and registration of existing, underutilised buildings. The fund is paid directly to contractors and suppliers and is sized to get providers over the registration and infrastructure threshold that most other financing mechanisms require them to already have cleared.
- **Financial planning for self-reliance from day one:** Before any construction/ renovation begins, PfC works with the centre to map operating costs, revenue sources, and fee structures — stress-testing the model against low-attendance months and payment arrears before committing to build.

From the first day of operation, centres are expected to cover their costs through a mix of parent fees, community contributions, and institutional funding from employers or government. Parent fees are set at 5–10% of household income — well below the informal-market norm of 20–30% — with a sliding scale, so the poorest families pay less or nothing.



- **Technical support:** For up to two years after opening, PfC provides coaching on financial management, staff training, and parent engagement, tapering as the centre builds its own capacity.

A key feature of PfC's model is a structured targeting system for the subsidy, enabled through two mechanisms:

- **Using available data from the Government** on service coverage, gaps, and community needs.
- **Partner readiness and contextual fit**, assessed through PfC's own due diligence process which can be [read more here](#).

A Memorandum of Understanding (MoU) then formalises each partnership, setting out roles and responsibilities, expectations, and the support tied to the subsidy for each partner.

# Case study

About the case study

Background

About the organisation

The programme model

Implementation approach  
Results

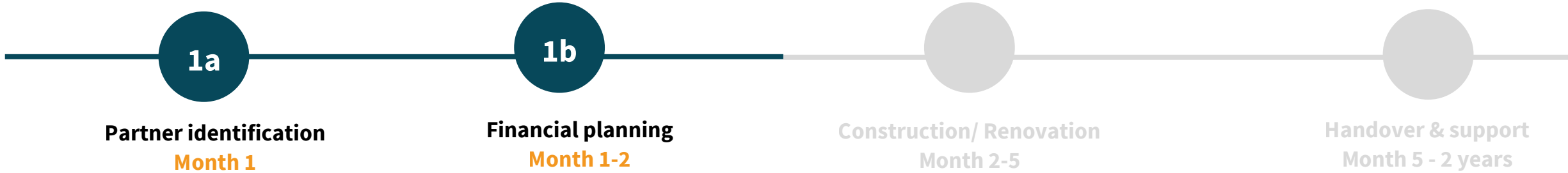
Key learnings from the model

Application in your context

Tools and templates

## Implementation approach

PfC’s smart subsidy approach is implemented through a staged process:



### Phase 1a: Partner identification & due diligence

PfC’s entry point is the identification of a viable space and a partner with the capacity to operate and sustain a childcare centre.

The partner selection process includes due diligence across three key dimensions, combining formal assessments with relationship-based due diligence.

- 1 Suitability of the physical space**  
Its potential to meet standards for child safety, hygiene, accessibility, and learning environments.
- 2 Viability of the operating arrangement**  
Assessed through operational capacity, financing mechanisms, institutional support, and community acceptance.
- 3 Partner credibility**  
A demonstrated commitment to the partnership, shown through a track record of follow-through, reputation among stakeholders, and openness to collaborative working relationships.

### Phase 1b: Financial planning

Once an operating partner is identified and before any construction/ renovation begins, PfC works with the partner to build a business plan that will govern the centre’s finances from day one. The plan covers two things:

- 1 What will it cost to run the centre?**  
Operating costs are projected against staffing ratios and child numbers. Budgets are set at 60% of maximum capacity, not full enrolment, to account for seasonal troughs when attendance can collapse.
- 2 What revenue can realistically be mobilised?**  
Sources are stress-tested against conservative assumptions and formalised in an MoU before renovation. Revenue is built from three layers:
  - Parents fees** Set at 5–10% of household income with a sliding scale. Fees typically cover ~95% of operating costs in stronger months.
  - Communal buffer fund** Where fees can't cover costs year-round, PfC helps establish a buffer fund and its governance — financed via housing-association levies, employer contributions or community reserves.
  - Government involvement** Government contributes through partnership — working with PfC on recruitment, training, supervision, and quality assurance, while PfC adds technical assistance and coaching to build long-term sustainability.

# Case study

About the case study

Background

About the organisation

The programme model

Implementation approach  
Results

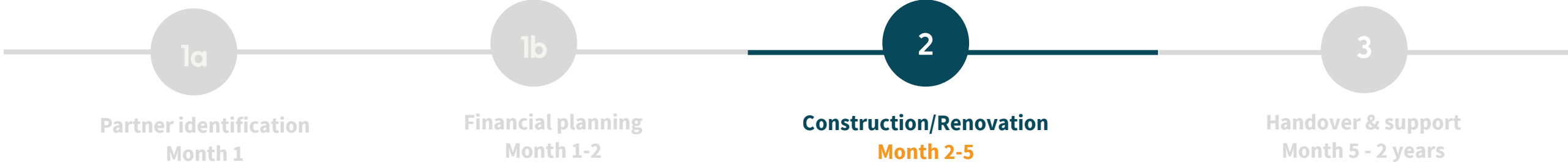
Key learnings from the model

Application in your context

Tools and templates









## Implementation approach

PfC’s smart subsidy approach is implemented through a staged process:



## Phase 2: Construction/Renovation

With the financial plan agreed and the MoU signed, PfC converts the identified space into a functioning centre, handing over a completed, ready-to-operate facility to the selected partner. This is achieved through three interconnected elements:

Renovation & procurement model	Delivery model	Handover & centre activation
<p> <b>Local first</b> — PfC engages local architects, contractors, furniture makers, and suppliers directly, channelling investment into local businesses and tradespeople.</p> <p> <b>Quality by design</b> — By managing procurement end-to-end, PfC embeds quality standards through the contracting process instead of inspecting for them after later.</p> <p> <b>Capital efficiency</b> — PfC optimises capital through bulk procurement and direct supplier relationships, ensuring the available funding goes as far as possible.</p>	<p> <b>Construction mechanism</b> — Contractors deliver the agreed scope within budget and are paid on completion, creating strong incentives to manage costs. PfC intervenes only in exceptional circumstances beyond the contractor's control.</p> <p> <b>Integrated quality assurance</b> — Architects, contractors, suppliers, and technical specialists work together throughout implementation to coordinate construction, procurement, and quality assurance.</p> <p> <b>Financing &amp; payment arrangements</b> — PfC structures payments to provide suppliers with sufficient working capital while linking disbursements to agreed deliverables.</p>	<p> <b>Registration &amp; licensing</b> — PfC links each centre with the relevant sub-city authorities responsible for registration and licensing.</p> <p>Once the required documentation is in place, registration typically takes around two weeks.</p> <p> <b>Operational readiness</b> — Staffing, governance, furniture, and learning materials are in place before opening so the centre can begin service delivery from day one.</p>

For furniture and learning materials, 70% is paid upfront to enable bulk procurement, with the remaining 30% released after quality assurance confirms delivery.

# Case study

About the case study

Background

About the organisation

The programme model

Implementation approach  
Results

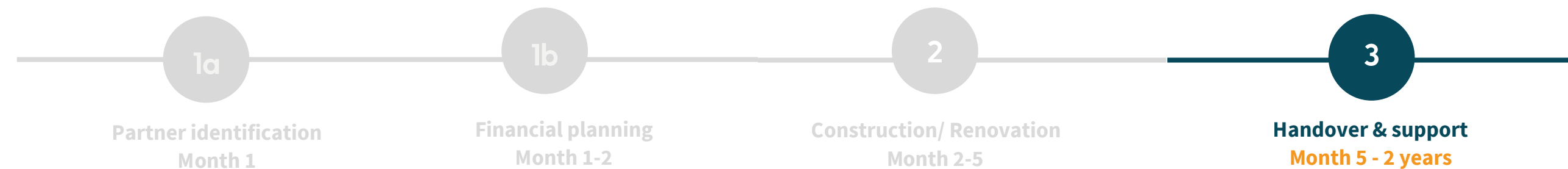
Key learnings from  
the model

Application in your context

Tools and templates

## Implementation approach

PfC's smart subsidy approach is implemented through a staged process:



## Phase 3: Handover & ongoing support

Once the centre opens, day-to-day responsibility is fully transferred to the local operating partner. PfC's capital role ends at this point, with no ongoing financial obligations. Support then shifts to three interconnected areas:

### Centre staffing & recruitment

Each centre is fully staffed before opening to ensure it is operational from day one. Recruitment is led by the community committee, strengthening local ownership and accountability, while PfC supports candidate selection through interviews and assessment against the required standards for early childhood care and centre management.

#### Role profiles hired [↗](#)

- **Childcare assistant:** Supports daily care and learning activities.
- **Supervisor:** Oversees centre operations and provides day-to-day supervision.
- **Centre manager:** Leads overall management, administration, and community engagement.

### Coaching & technical assistance

For up to two years, independent expert teams from Ethiopia provide structured support. This support is intensive at the start and gradually tapers as staff capability and centre quality improve. The pace of tapering is guided by staff competence and performance against the government's 'traffic light' quality framework. Support is delivered through three teams:

- **Child development:** Trains childcare assistants and establishes daily routines and age-appropriate learning.
- **Health:** Strengthens health, nutrition, hygiene, and safeguarding practices through training and coaching.
- **Parent engagement:** Establishes parent committees, delivers parent training, and maintains feedback between families and the centre.

### Workforce development

PfC is supporting workforce development through two complementary pathways:

- **Collaboration with an in-country university:** Co-developing a degree-level childcare curriculum with Kotebe University of Education.
- **Leveraging the government TVET system:** Creating a structured pathway for entry-level childcare professionals who do not hold a university degree. The programme is implemented by MoWSA and the Ministry of Labour and Skills, with PfC providing technical support across the following levels:
  - **Level 2:** Six-month entry pathway for Grade 10 graduates.
  - **Levels 3-4:** Progressive qualifications that build technical and professional competence.

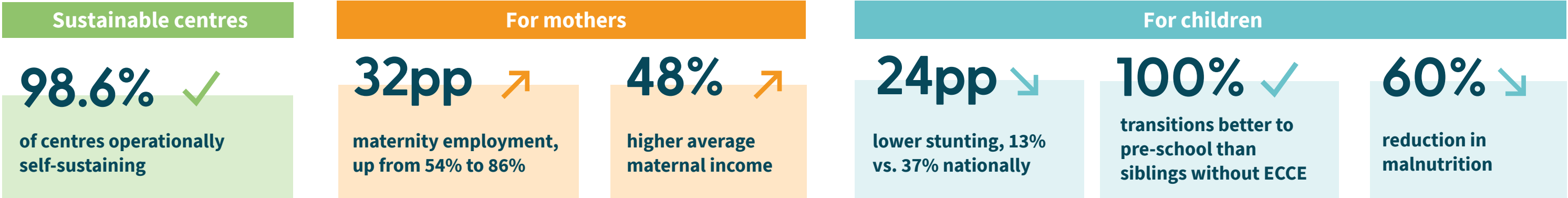
By September 2026, the TVET system is expected to operate through six centres in Addis Ababa, each training up to 200 students annually.

# Case study

- About the case study
- Background
- About the organisation
- The programme model
  - Implementation approach
  - Results
- Key learnings from the model
- Application in your context
- Tools and templates

## Results

The subsidy model has demonstrated that targeted early-stage financing and technical assistance can establish childcare centres that become operationally self-sustaining. Key metrics are below:



### In the words of the stakeholders,

**Mr. Zewdu, parent, Addis Ababa**

Before the daycare, Mr. Zewdu stayed home to care for his children while his wife worked as a petty trader. Some days the family could not afford lunch. Once their daughter joined a government-established centre supported by PfC, he was able to look for work. Our daughter now wakes us up early because she is so excited to go. Today, we can pay our rent and eat well. Even on days when work is scarce, I have peace of mind knowing my child is in a good place.

**Zenebech Berihun, parent, Addis Ababa**

Zenebech worked in people’s homes carrying her child with her, until her child fell ill and she had to stop working entirely. Her child joined a PfC-supported daycare at two years and eight months. My self-confidence has grown, my stress has reduced, and I now earn an income. This daycare has not only helped me but has also changed the lives of many other mothers in my community. Problems that once felt permanent are now being resolved.

### The model is also beginning to shape broader ecosystem behaviour.

**Kotebe University of Education, Addis Ababa**

There were no national curricula for training childcare professionals, and no government institution has been responsible. PfC plays a critical role in supporting us [...] technically in developing the ECCE curriculum.

**Yirgalem Garment PLC**

We were losing our top-performing employees due to lack of childcare. Four employees left before we established our daycare. Providing childcare became essential to retaining our talent.

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## Part 2 Key learnings from the model

The following section surfaces critical reflections on the conditions, trade-offs, and adaptations that shaped Pfc's experience.

### 1 Targeted capital support for set-up unlocks childcare supply without creating permanent subsidy dependency

For many childcare providers, the main challenge is not ongoing operations, but the barriers involved in getting a centre open in the first place. Pfc's model shows that targeted support for renovation, fit-out, registration, and centre activation can unlock childcare supply without relying on permanent operational subsidies.

But capital alone is not enough: the early months after opening also demand intensive technical support, which Pfc delivers through local specialists in child development, health, and parent engagement, building local capacity that outlasts the programme. Delays in licensing and approvals can slow activation even after construction is complete, so navigating these processes requires active support alongside the capital.

### 2 Trust with partners is a powerful asset that lowers both cost and risk

A defining strength of Pfc's model is the depth of trust it builds with partners, cultivated through time spent together and grounded in shared references and community standing. Pfc selects partners who have a clear stake in the centre's success and a strong reputation within trusted networks. Because partners have a real stake in the centre's success, oversight is light and quality and cost discipline follow naturally.

Pfc's experience suggests that partner commitment is often visible early. Consistent communication, decision-makers who are willing to engage directly and meet face-to-face, and openness in discussions are all important indicators that incentives are aligned and that the partnership is likely to succeed over the long term.



# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates



3

**Procurement expertise matters as much as the capital itself**

PfC manages procurement end-to-end. They select contractors, source materials locally, and embed quality standards through contracts which they measure in an ongoing manner. This approach keeps costs down through bulk procurement and direct supplier relationships, and ensures the facility meets quality and compliance standards from the outset. Where this expertise does not exist within an implementing organisation, it needs to be brought in. Its absence is one of the most common reasons set-up costs overrun and quality suffers.

4

**Locking in operational financing before construction begins is one of the strongest predictors of long-term sustainability**

A central feature of the model is that centres are designed around conservative financial assumptions before opening. Revenue models are stress-tested against seasonal fluctuations and low enrolment periods, while financing is diversified across parent fees, institutional contributions, and communal support mechanisms. This works in part because the set-up capital is ring-fenced from the operating model: construction is guaranteed and paid on completion, so it never has to be recovered from a centre's day-to-day revenue.

That said, even a carefully designed model does not guarantee reliable cash flow in practice. Attendance fluctuations affect fee income, and committees may be reluctant to aggressively enforce payments in tightly connected communities. In response, PfC is testing fixed monthly fee commitments regardless of attendance to stabilise revenue flows.

5

**Demand for formal childcare cannot be assumed, even where the need is clear**

PfC's experience shows that families' willingness to use formal childcare for young children often has to be built over time through sustained parent engagement, community mobilisation, and visible demonstrations of quality. PfC treats demand creation as a continuous part of the model rather than a one-time launch activity.

In new geographies, this work often needs to be designed from scratch, and the time it takes should be built into implementation timelines from the outset.

# Case study

## Part 3 Application in your context

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from  
the model

📖 Application in your context

📖 Tools and templates



PfC's experience in Addis Ababa demonstrates that targeted, time-bound capital with rigorous financial planning and technical assistance can help community-owned childcare centres become operationally self-sustaining. But the model depends on a set of conditions that do not exist everywhere: partners who already have space and community trust, families who can contribute to costs, and a city where demand for formal childcare is growing.

Before drawing on this model, it is worth asking not just whether you could implement it, but whether the underlying conditions that made it work in Ethiopia are present where you work. Where the answer is no, think about whether you can plan for it or build it, and what that would take.

The tables on the following page outline the key considerations for adapting the model and link each one to relevant tools, resources, and examples from PfC's experience that may support your planning and implementation.

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## Phase 1a

### Partner identification & due diligence

#### ? Considerations

- Is there supply of suitable space(s) that can realistically be converted into a childcare centre?
- Is there a credible organisation willing and able to operate the centre over time?
- Will families trust and use the service from the outset, or will demand and parent confidence need to be built gradually?

#### ↓ If not yet

Look for partners that are already feeling the cost of not having childcare. Like employers losing staff because of childcare, or housing associations dealing with complaints about informal arrangements.

#### 💡 Resources

🔗 **Guidelines for trust-based partner screening and due diligence**

## Phase 1b

### Financial planning

#### ? Considerations

- What level of service will the centre provide, and have you estimated the operating cost that choice implies?
- Are there reliable revenue sources (parent fees, employer contributions, government subsidies) sufficient to cover that cost?
- Are those revenue streams predictable enough to hold up through low enrolment, delayed payments, or seasonal dips?
- Does the model leave a surplus for maintenance, repairs, and contingencies once running costs are met?

#### ↓ If not yet

Start by deciding the level of service the centre will provide — what it covers versus what families bring — since cost, revenue, and sustainability all follow from that choice. Then identify at least one potential payer (families, employer, NGO, or government partner) and test willingness to support childcare costs.

#### 💡 Resources

🔗 **Illustrative operating cost profiles by level of service offered showing how cost structure shapes the main financial risk.**

🔗 **A five-year income forecasting template to test financial sustainability under different assumptions.**

🔗 **Governance of communal funds to manage reserve funds and cover temporary revenue shortfalls**

# Case study

📖 About the case study

📖 Background

📖 About the organisation

📖 The programme model

Implementation approach  
Results

📖 Key learnings from the model

📖 Application in your context

📖 Tools and templates

## Phase 2

## Renovation/ Construction

### ? Considerations

- Does the organisation have the technical and procurement capacity to deliver renovations effectively? If not, who will provide it?
- Is there a realistic budget envelope aligned with local construction costs and timelines?
- Is there a functioning regulatory environment in which centres can be formally registered and licensed, and a government counterpart willing to support that process?

#### ↓ If not yet

Bring in procurement expertise before breaking ground and establish a relationship with the relevant licensing authority early. Delays in registration are one of the most common reasons centres cannot open on time even after renovation is complete.

### 💡 Resources

- 📄 Indicative budget breakdown by cost category, showing where capital goes across a typical fit-out – renovation, furniture, materials, admin, training – and how much each category absorbs
- 📄 Contractor agreement, showing how scope, pricing, payment-on-completion, and overrun risk can be structured with a contractor

## Phase 3

## Handover & ongoing support

### ? Considerations

- Is there a pipeline of qualified childcare professionals (e.g. trained early childhood educators) to staff centers, either from existing training programs or the education system?
- Are training institutions or systems in place to sustain staffing needs beyond the initial cohorts?
- Is there a clear governance and accountability structure for ongoing centre performance?

#### ↓ If not yet

A partnership with a local university or training institution is probably the most important thing you can set up before the first centre opens. Building that pipeline will likely take 12–24 months, so it needs to sit in your timeline and budget from the start, not get added later when you realise it's missing.

### 💡 Resources

- 📄 Sample centre staff role profiles and job descriptions, covering duties and competencies for childcare worker, supervisor, and manager
- 📄 An example of how a technical expert team can be structured and composed.
- 📄 A sample centre owner agreement setting out post-handover obligations.

# Case study

 About the case study

 Background

 About the organisation

 The programme model

Implementation approach  
Results

 Key learnings from the model

 Application in your context

 Tools and templates

## Get in touch

If you are considering adapting any of these approaches or would like to connect with practitioners who have tried them, we would love to hear from you. Get in touch with [Priyanka](#) and [Sabina](#).

## Downloadable templates and resources

Resource	Link
<b>Partner screening and due-diligence guidelines</b> Selection criteria and walk-away signals when assessing a partnership	<a href="#">View here</a>
<b>Illustrative operating costs by levels of service</b> Cost figures from Pfc centres, broken down by level of service, showing how cost structure shapes the main financial risk.	<a href="#">View here</a>
<b>Income statement project template</b> A five-year forecasting tool to test financial sustainability under different assumptions.	<a href="#">View here</a>
<b>Governance of communal buffer funds</b> How communities can manage reserve funds to cover temporary revenue shortfalls.	<a href="#">View here</a>
<b>Indicative construction budget breakdown by cost category</b> A worked example from Pfc showing how start-up capital is allocated across renovation, furniture, learning materials, training, administration, and other major cost categories.	<a href="#">View here</a>

# Case study

 About the case study

 Background

 About the organisation

 The programme model

Implementation approach  
Results

 Key learnings from the model

 Application in your context

 Tools and templates

## Downloadable templates and resources

Resource	Link
<b>Sample contractor and renovation agreement</b> Showing how scope, pricing, payment-on-completion, and risk for overruns are structured with a contractor.	<a href="#">View here</a>
<b>Early years centre staff roles profile and job description</b> Sample duties and competencies for childcare worker, supervisor, manager, and other roles.	<a href="#">View here</a>
<b>Expert group composition</b> An example from Pfc illustrating how a technical assistance team can be structured and composed.	<a href="#">View here</a>
<b>Centre owner agreement and standard terms of engagement</b> Defines the centre owner's responsibilities after handover, including governance, staffing, child protection, and financial and operational sustainability.	<a href="#">View here</a>



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