

# Trends in early childhood development funding

RESEP Webinar  
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Zaheera Mohamed & Daniel McLaren

[zaheera@ilifalabantwana.co.za](mailto:zaheera@ilifalabantwana.co.za)

[daniel@ilifalabantwana.co.za](mailto:daniel@ilifalabantwana.co.za)

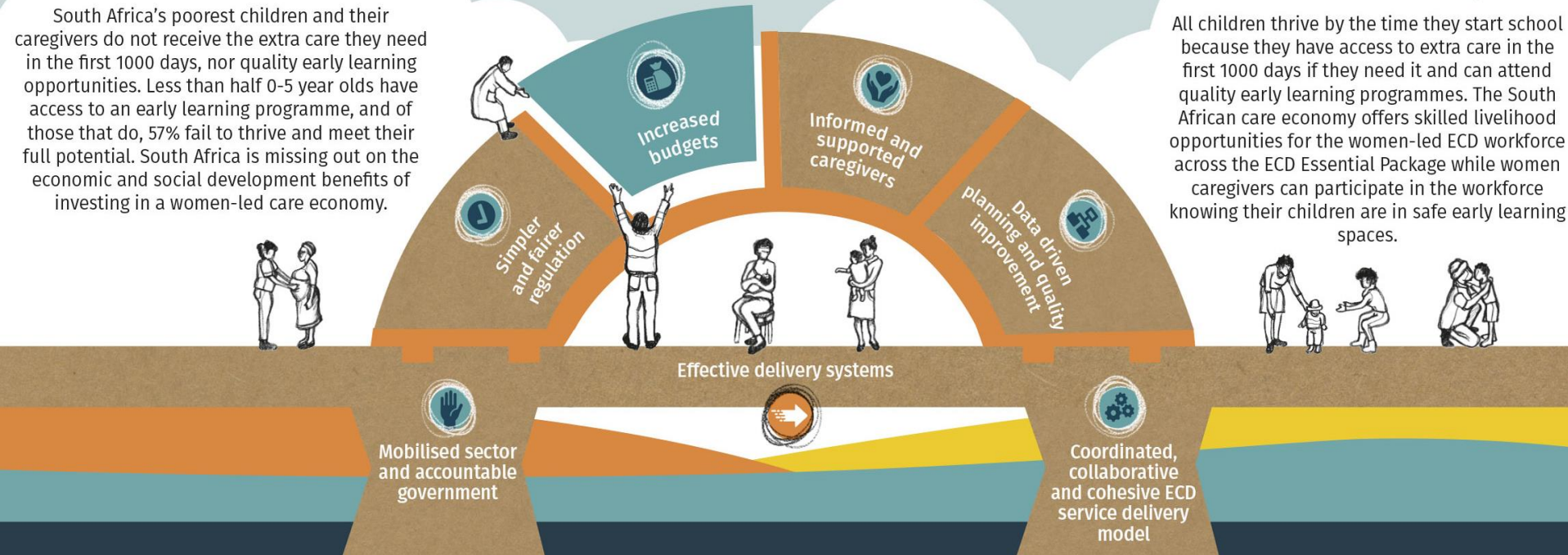
Securing an *equal start*  
for all Children



## Towards a South Africa where every child benefits from quality ECD services and women earn sustainable livelihoods.

South Africa's poorest children and their caregivers do not receive the extra care they need in the first 1000 days, nor quality early learning opportunities. Less than half 0-5 year olds have access to an early learning programme, and of those that do, 57% fail to thrive and meet their full potential. South Africa is missing out on the economic and social development benefits of investing in a women-led care economy.

All children thrive by the time they start school because they have access to extra care in the first 1000 days if they need it and can attend quality early learning programmes. The South African care economy offers skilled livelihood opportunities for the women-led ECD workforce across the ECD Essential Package while women caregivers can participate in the workforce knowing their children are in safe early learning spaces.



Ilifa Labantwana aims to secure an equal start for all children living in South Africa through universal access to quality early childhood development services.

Quality early childhood development for all children that also supports caregivers, creates sustainable livelihoods for women and builds an equitable and prosperous South Africa

**ECD is a collective term for the kinds of experiences we have during our first 6 years of life, of which the science says lays the foundations for our education outcomes, our employment prospects, our risk taking behaviour, our health, and our ways of engaging with others**

The essential components of the comprehensive package are:



**Maternal and child  
primary health  
interventions**



**Nutritional  
support**



**Support for primary  
caregivers**



**Social services**

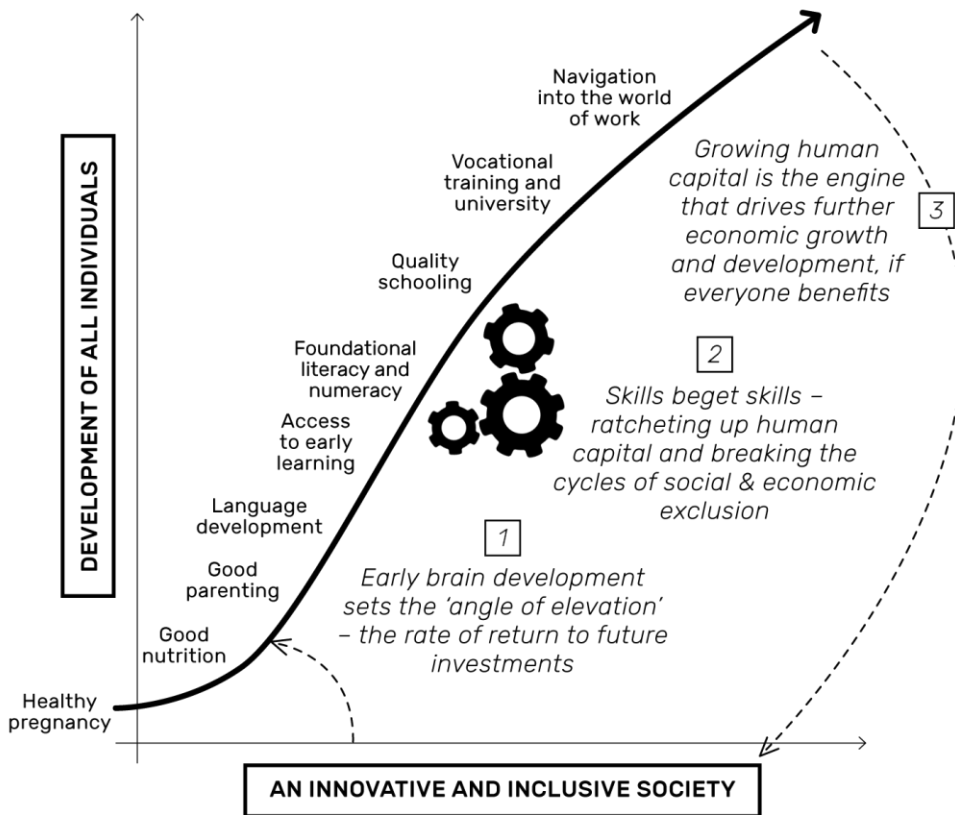


**Stimulation for  
early learning**

**By situating ECD as a lever for deep systems change, we can unlock children's full potential, secure and expand jobs for historically-marginalised women, shift the skills pyramid, stimulate local economies, and promote a more just and thriving society.**

# The socio-economic case for ECD

# Apartheid destroyed human capital development pathways in SA



Human capital consists of the knowledge, skills, and health that people accumulate throughout their lives, enabling them to realise their potential as productive members of society.

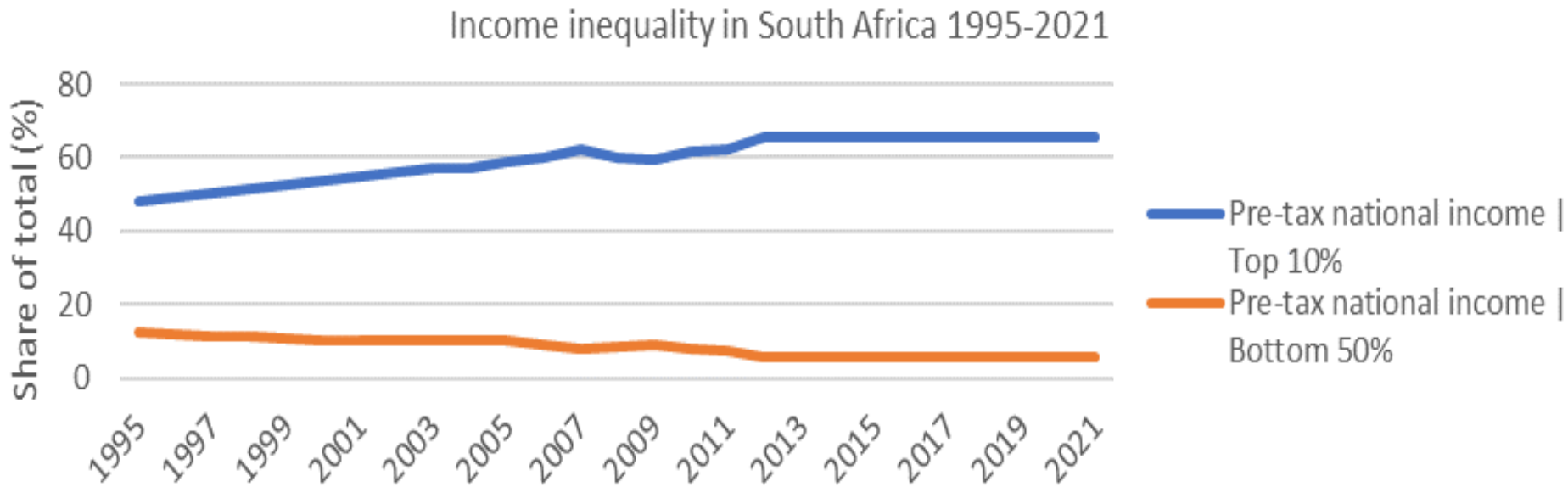
We can reduce poverty and create more inclusive societies by developing human capital.

This requires investing in people through nutrition, health care, quality education, jobs and skills.

Apartheid destroyed human capital development pathways by excluding the majority of people from accessing these inputs.

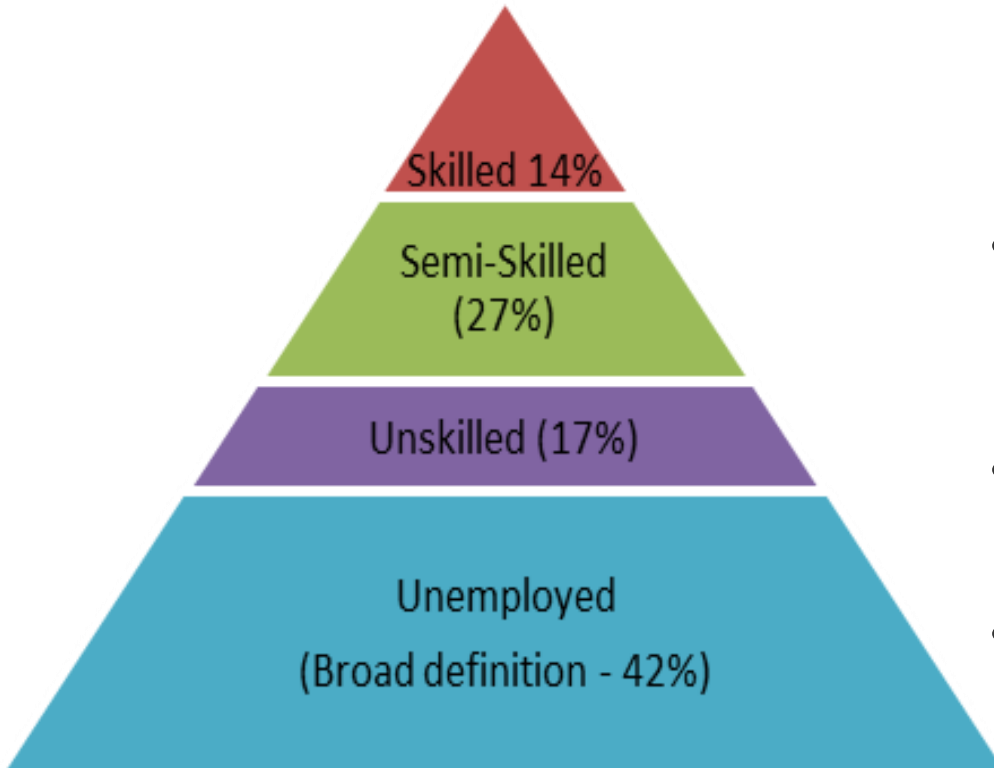
# The importance of investing in ECD

- Income inequality has worsened since 1994



Source: World Inequality Data, 2023

# The importance of investing in ECD



Source: StatsSA 2023 Q4 QLFS

- Our pyramid shaped labour market remains an obstacle to inclusive economic growth
- **11.6 million unemployed** (broad definition)
- **52% of unemployed** are women
- **10.2 million youth aged 15-24** not in employment, education or training

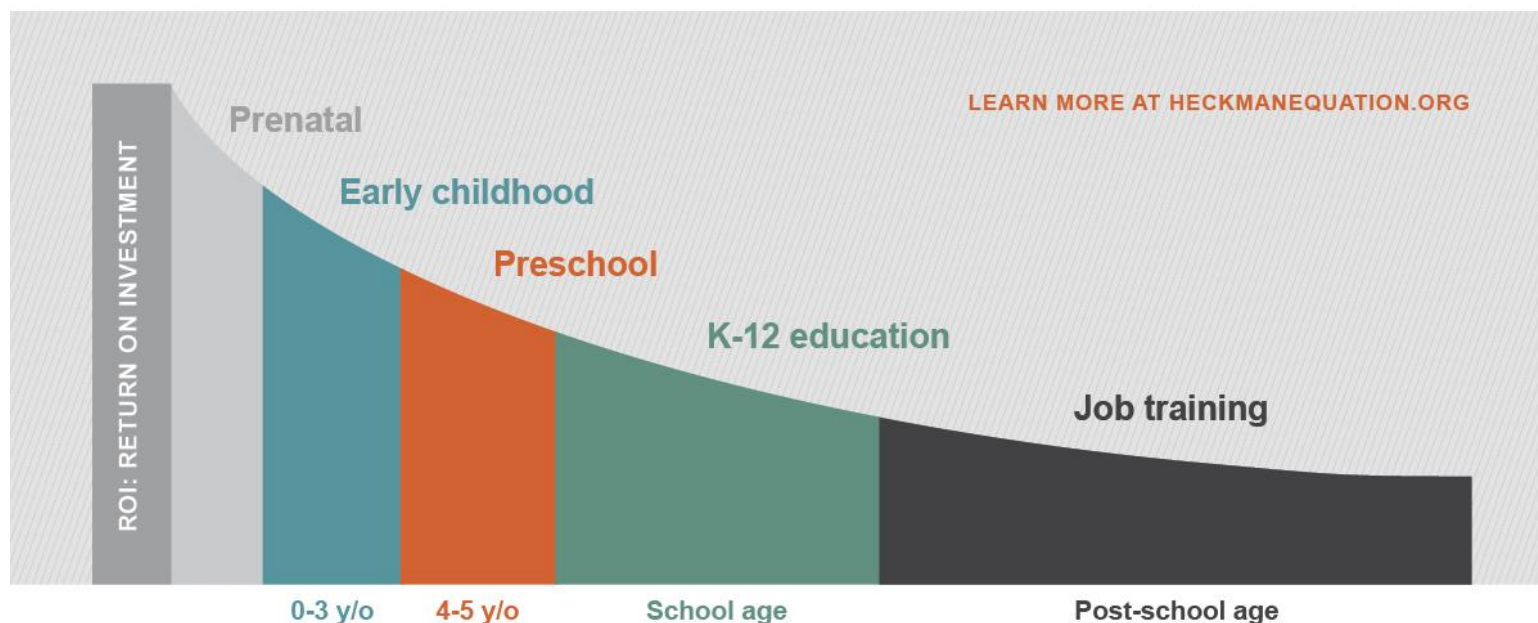
StatsSA 2023 Q3 QLFS

# The importance of investing in ECD



Return on Investment

## Economic impact of investing in early childhood learning.



### World Bank, South Africa Public Expenditure and Institutional Review for ECD, 2023:

*At the societal level, the long-term benefits of investing in ECD established across countless studies, include reduced involvement in crime, better health-seeking behaviours and increased social cohesion and equality, all of which promote economic growth and reduce the burden on government systems.*





# ECD builds the intellectual, physical and emotional scaffolding for all future investments in human capital

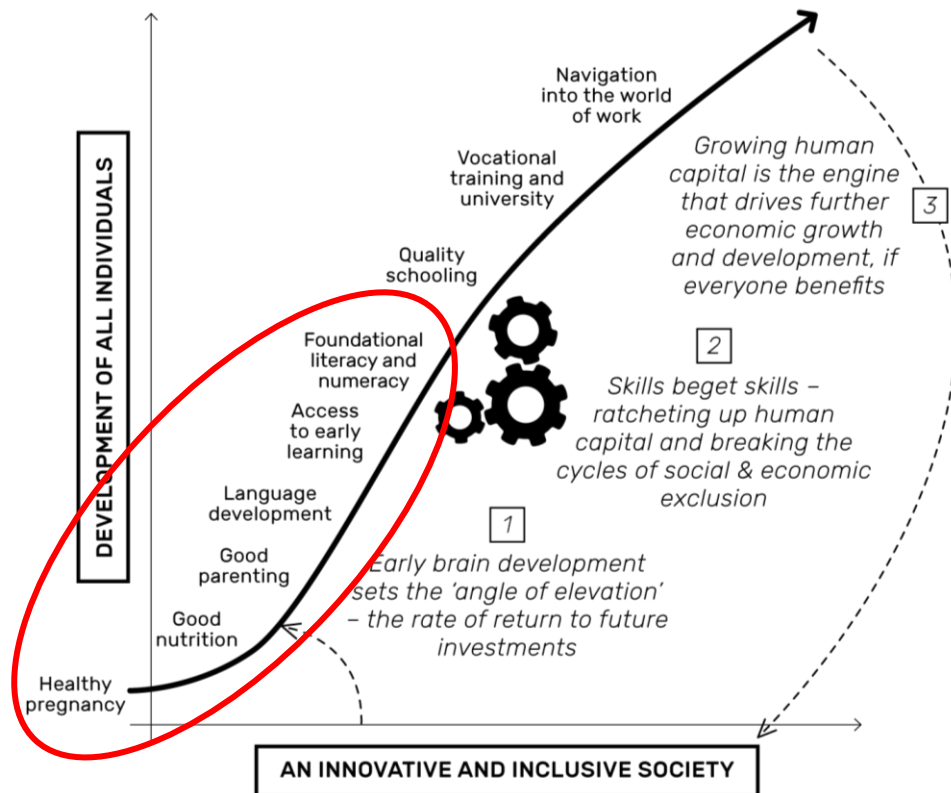
***“Early childhood development is the most important investment in human capital that a country can make”<sup>1</sup>***

Quality ECD improves the rate of return to schooling, technical and vocational training and university education.

For every Rand invested in quality early childhood development, SA will get at least R10 back.<sup>2</sup>

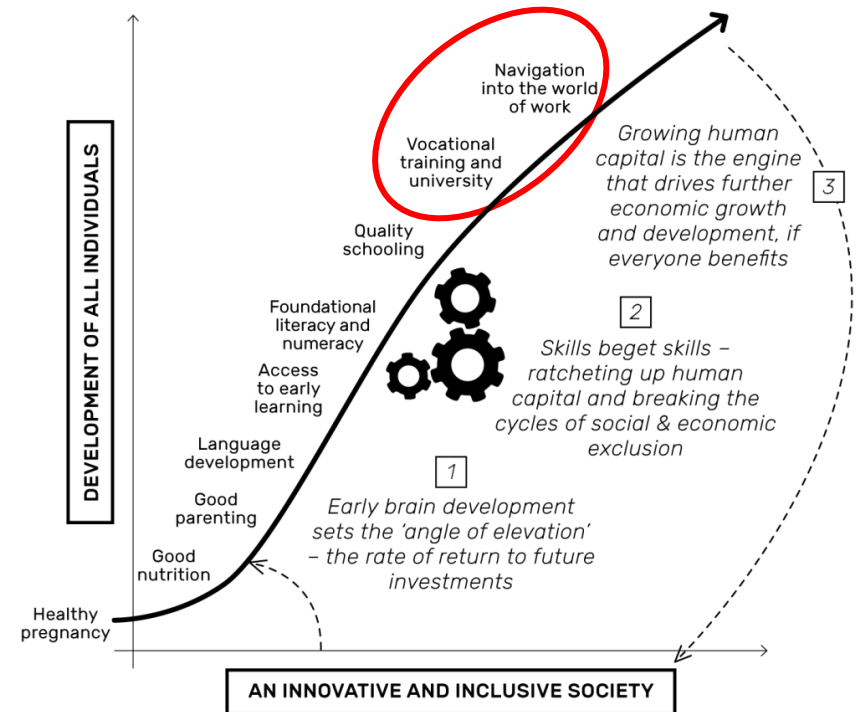
1. Heckman J (2006). Skill formation and the economics of investing in disadvantaged children. *Science*, 30, 1900-1902

2. Engle P, Fernald L, Alderman H, Behrman J, O’Gara C, Yousafazi A, de Mello M, Hidrobo M, Ulkuer N, Ertem I, and the Global Child Development Steering Group (2011). Strategies for reducing inequalities and improving developmental outcomes for young children in low-income and middle-income countries *The Lancet* 378:1339-1359

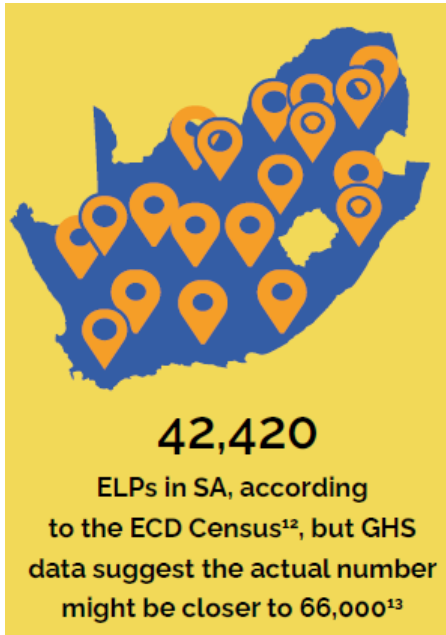


# Increasing access to ECD services also provides a massive opportunity to unlock human capital development for women and enhance the social economy in the short-term

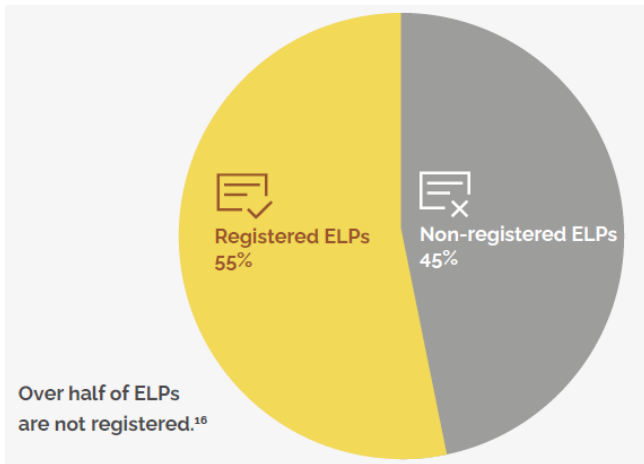
1. Ensuring quality in all existing ECD programmes will improve skills and working conditions among the 224,000 women already working in the ECD sector, moving many from the unskilled to the semi-skilled segment of the labour market
2. Expanding services to reach universal access will create 320,000 new livelihood opportunities for women
  - 75% of these should be in the semi-skilled segment, which requires us to ensure that the training and credentialing systems are appropriate
  - They should earn at least a minimum wage and enjoy good working conditions
3. The provision of affordable childcare will enable up to an additional 2 million women to participate in the workforce, by relieving them of the burden of care
  - This contributes to addressing gender inequality in SA
    - ✓ Increase employment rate for women
    - ✓ reducing the gender employment gap



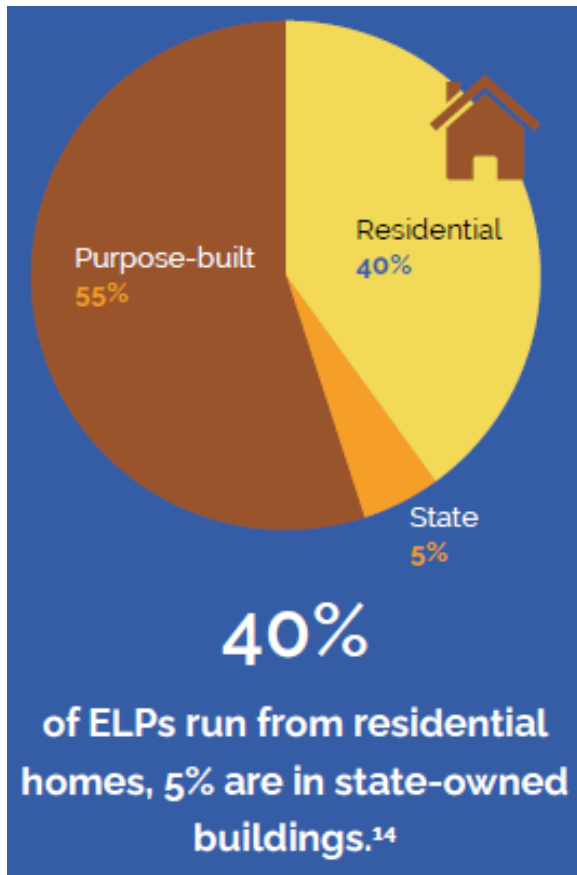
# ECD context



- Early learning is not state provided – draws on vibrant **social capital within communities**
- Approx 70% **informal and unregistered** providers who cannot access govt funding
- An estimated **two thirds not known to government**
- Excluded from **oversight and support**
- 95% of workforce are black women with **low pay, poor working conditions and little skilling support**



# The cost-effectiveness of investing in early learning programmes

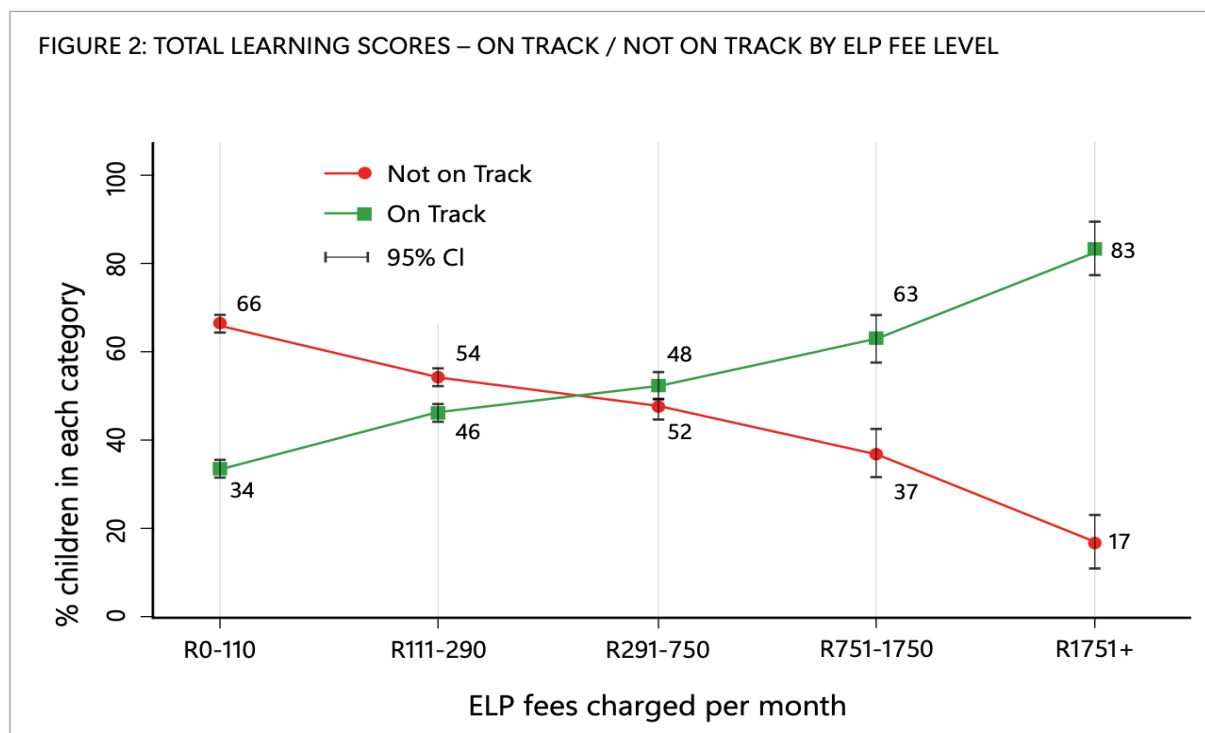


- Almost all ELPs are **privately owned and managed**
- **These owners are making the investments** to get programmes started, recruit and train staff, and manage the whole operation of an early learning programme
- The state's role is to **efficiently regulate and support** these programmes through subsidies and other forms of support
- And to step in to provide ECD in the **most underserved communities**

Source: DBE ECD Census.

# Are children developmentally ready for formal schooling?

In 2021, 57% of children faced barriers to thriving. These children's physical and/or cognitive development is not on track. They encountered obstacles to growth that reduced their chances of reaching their full potential. A child's likelihood of being on track is largely affected by their households' socio-economic conditions as shown in the chart below, where children from wealthier households can pay more for higher quality ELPs and thus benefit from better quality programmes.



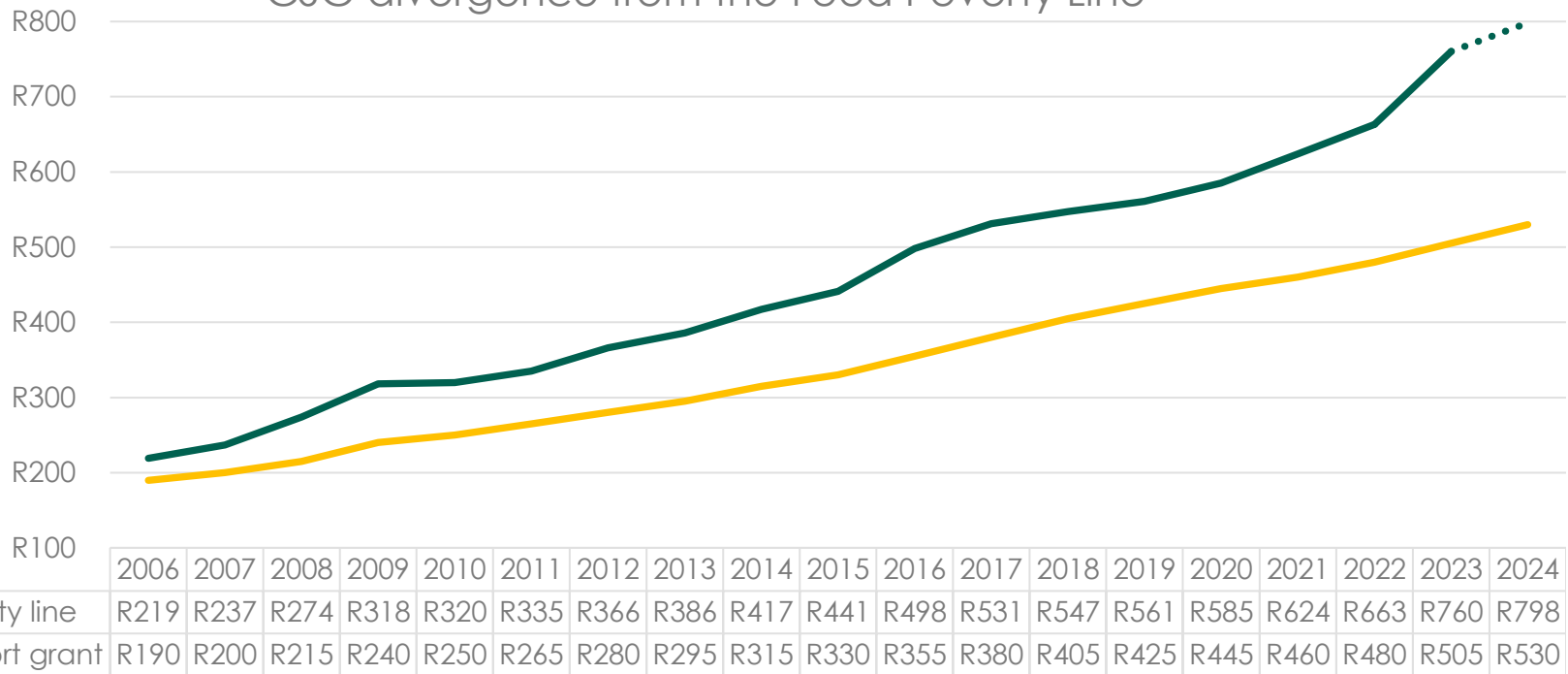
Source: Henry and Giese 2023

# Social security

- 4.3 million children aged 0-5 receive the Child Support Grant (2022 GHS)

- But 1 in 4 children are stunted by age 5
- Value of CSG has moved further and further away from the food poverty line

CSG divergence from the Food Poverty Line



Adapted from Hall, Proudlock & Budlender, Children’s Institute, 2023, *A review of child poverty and the value of the child support grant.*



# Early learning programmes

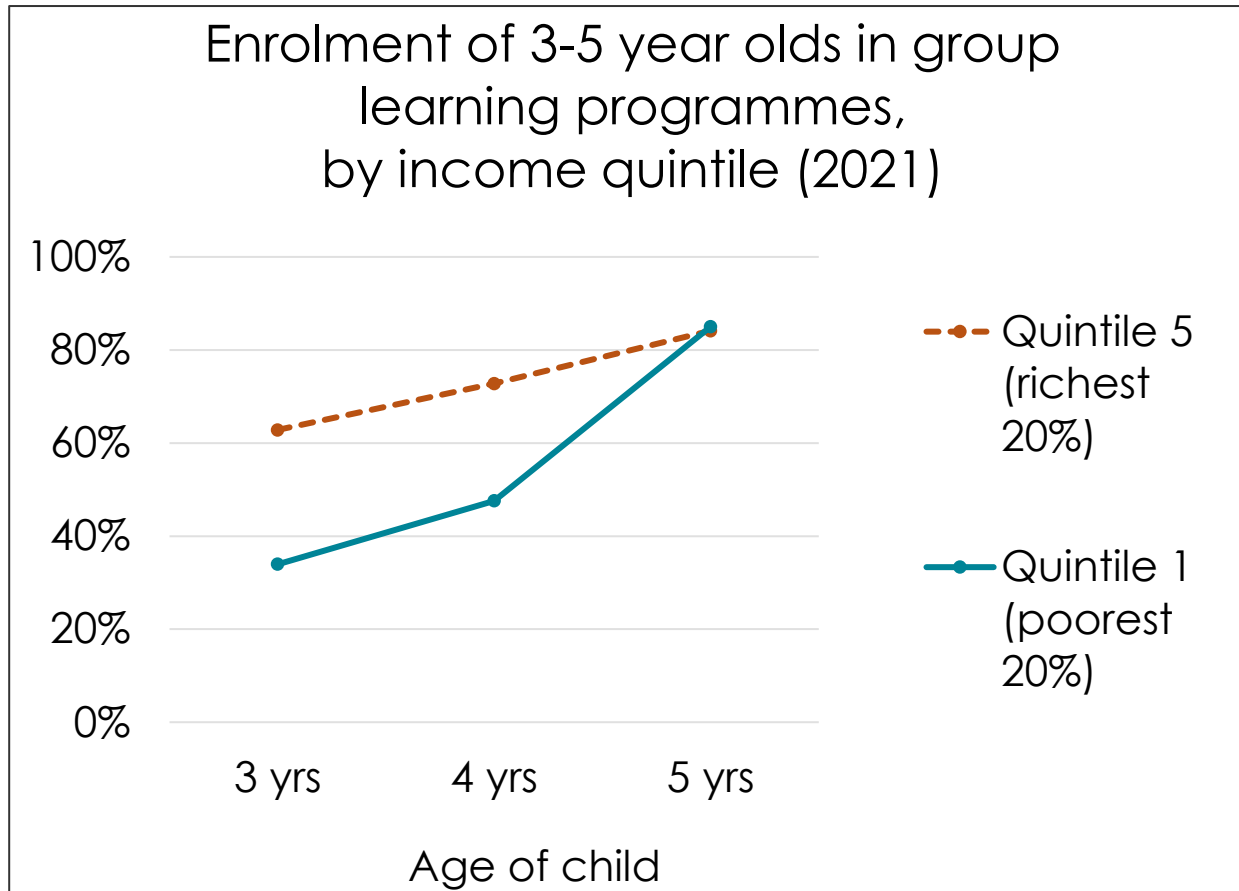
# Early learning programmes



- **Of 7 million children aged 0-5,** 3.1 million access some form of ELP (46%), though the quality of these programmes vary significantly
- **Of 3.5 million children aged 3-5,** about 2.2 million access an ELP or Grade R (63%) (GHS 2022)
- DBE target is for **2.9 million children** in this age group to be accessing ELPs (83%)



# Early learning programmes – unequal access

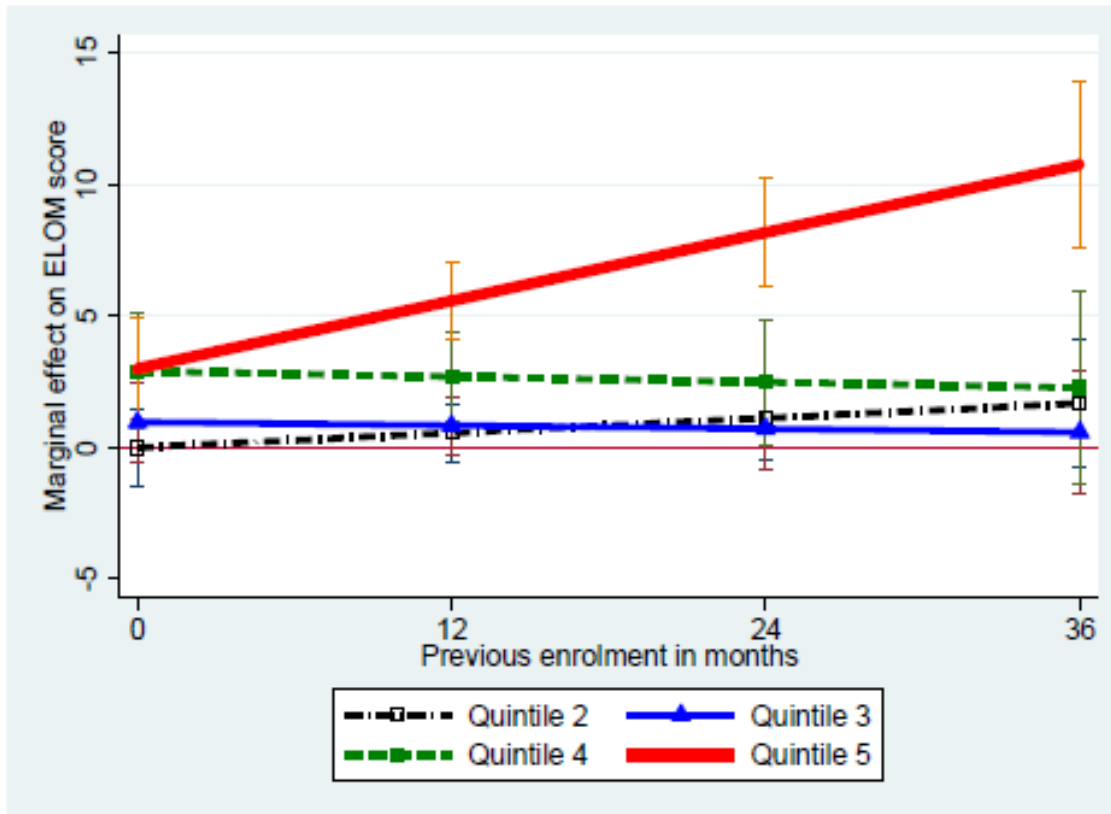


- Large access gaps for the poorest children aged 3-4
- Access equalizes at age 5 years due to compulsory Grade R
- But large variations in ELP quality

Source: 2022 GHS

# Early learning programmes – quality is uneven

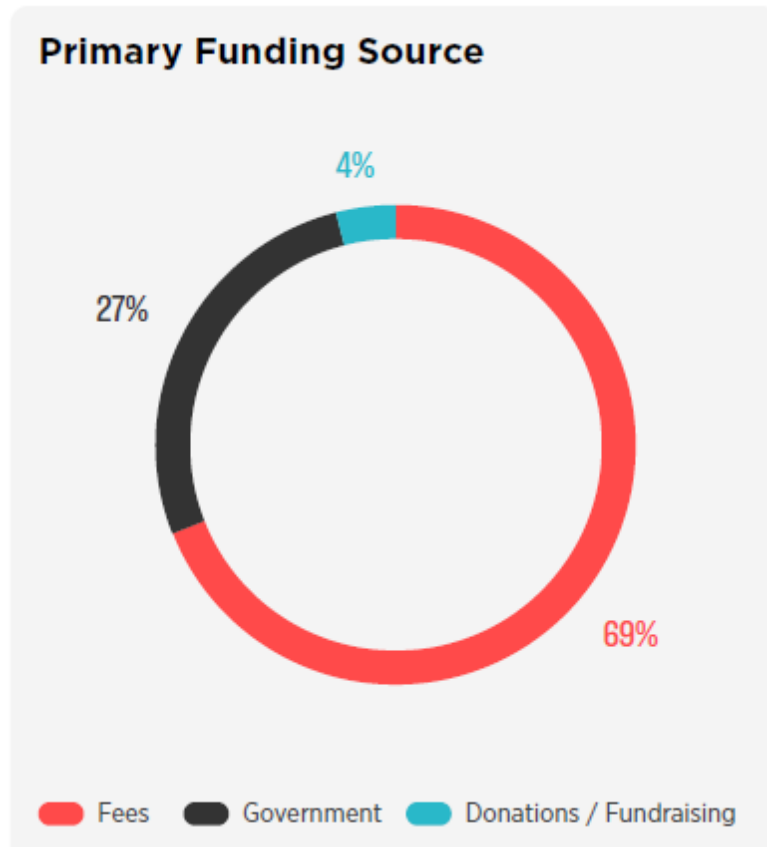
Figure 3: Average marginal effects with a 95% confidence level



Van der Berg 2023  
Working Paper on  
cognitive gains made by 4-  
5 year olds in ELPs  
sampled from the  
nationally representative  
2021 Thrive by Five  
survey:

“Prolonged ECD exposure is associated with improved cognitive performance only in ECD centers in proximity to Quintile 5 (affluent) schools”

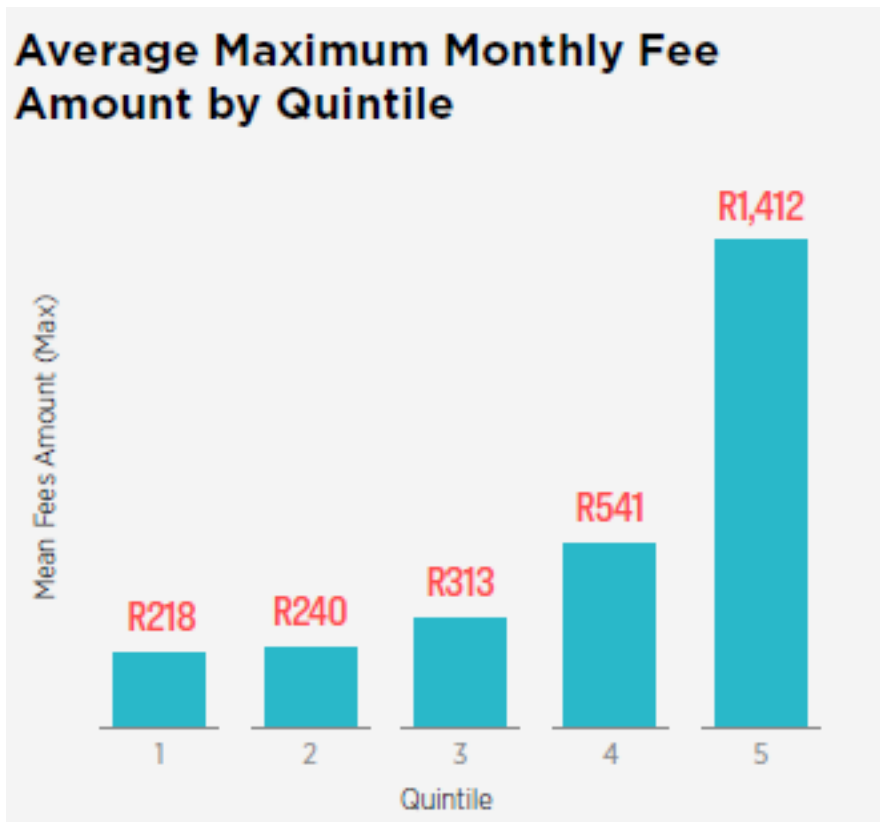
# Early learning programmes – fees a barrier to equitable access



Source: 2021 ECD Census

- **National Integrated ECD Policy (2015)** requires the state to ensure that fees are not a barrier to universal access
- **Yet, fees are charged by 94%** of providers and remain the primary income source for most ELPs

# Early learning programmes – fees a barrier to equitable access



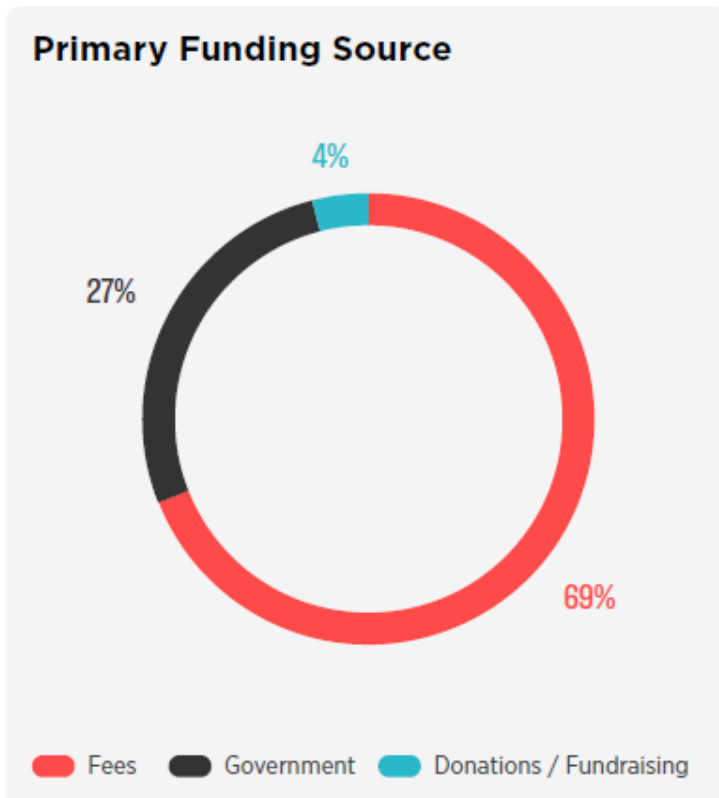
Source: 2021 ECD Census

- **Average fees for ELPs serving quintile 1 – 3 communities range from R218 – R313 per month.**
- These fees equate to 40 – 60% of the current CSG value (R530)
- Average fees at quintile 5 ELPs are **6.5 times higher** than for quintile 1 ELPs, ensuring unequal outcomes

# Early learning programmes – fees a barrier to equitable access

## Reliance on fees:

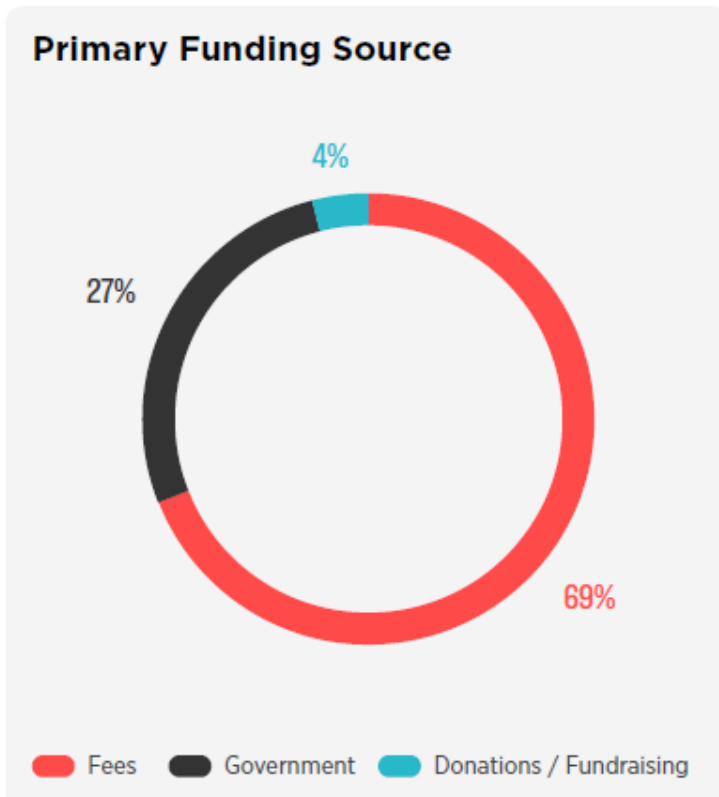
- perpetuates inequality by making it harder for low income families to access services
- makes starting or running an ELP serving a low income community financially unsustainable
- makes ELP operators vulnerable to changes in economic conditions
- is a driver of poor quality, as ELPs that operate in poor communities do so with uncertain and severely limited funding



Source: 2021 ECD Census

# Early learning programmes – fees a barrier to equitable access

## Reliance on fees:



Source: 2021 ECD Census

- Forces the mainly black, female ECD workforce to subsidise access to ECD by working for pitiful wages and under dire working conditions
- Despite these hardships, 62% of ELPs provide fee exemptions
- And ELPs charging the lowest fees are nevertheless the most likely to allow full or partial fee exemptions

Kika-Mistry & Wills, 2024, Cost, Compliance and User Fees in the Early Childhood Care and Education Sector in South Africa

# ECD subsidy: value and coverage

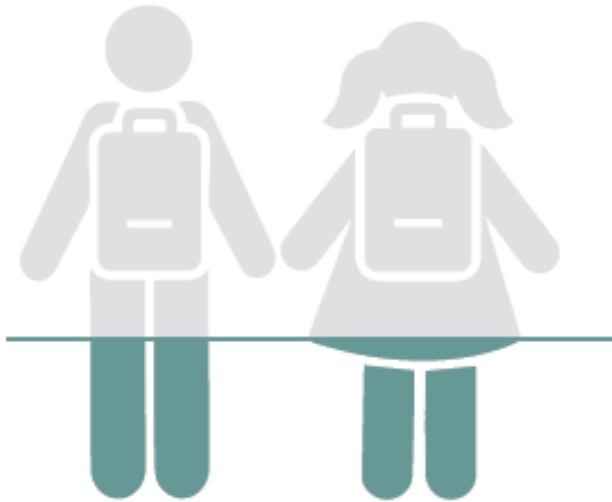
# Importance of the ECD subsidy



- **Improving the value and reach** of the ECD subsidy is absolutely critical to reduce reliance on fees and increase the supply and quality of ELPs in SA
- Beyond the subsidy, interventions are needed to **reduce the cost** of starting and operating an ELP



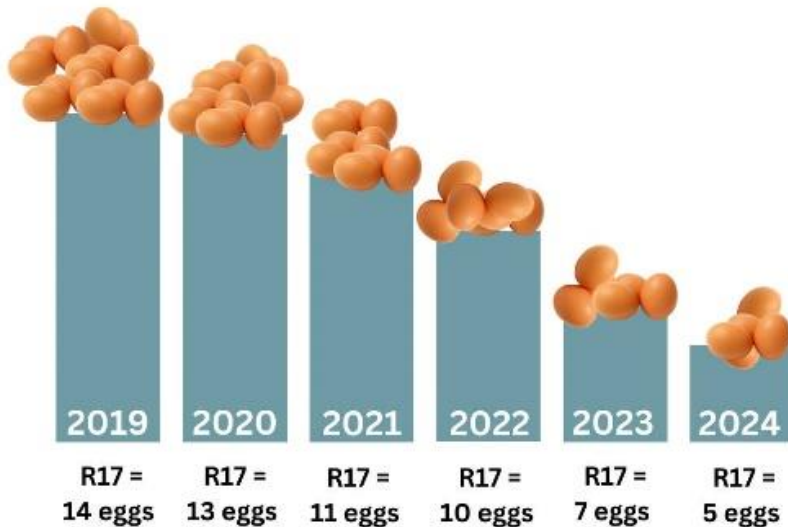
## ECD subsidy: low access among CSG recipients



- Of the 4.7 million CSG recipients aged 0-5, 2.2 million are attending ELPs
- All these children are eligible to benefit from subsidised access, **but only around 750 000 actually access the subsidy**
- **1 in 6** poor children benefit from subsidized access to ECD

## ECD subsidy: value too low

**The SA ECD subsidy has been pegged at R17 per child per day for 6 years, while food prices have increased 39%**



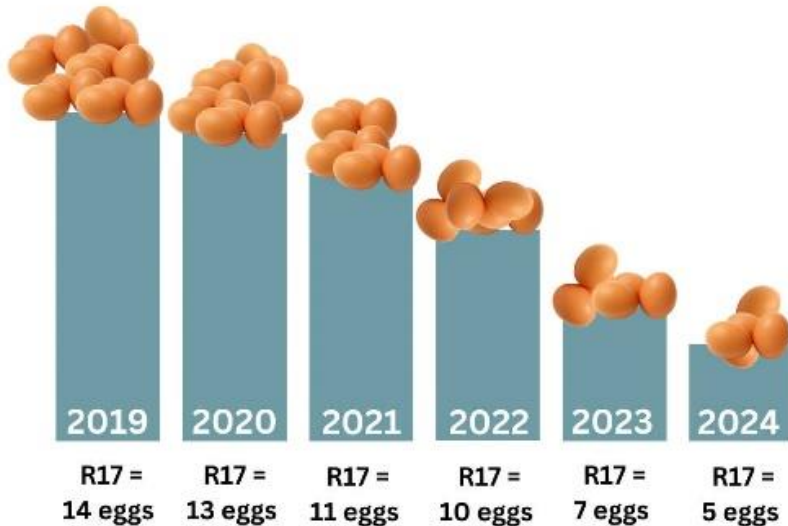
Source for 2019-23: SA Poultry Association, Source for 2024: Retail [www.ilifalabantwana.co.za](http://www.ilifalabantwana.co.za)



- The value of the ECD subsidy has been pegged at R17 per child per day since 2019
- Equates to R374 per child per month
- The 40%-40%-20% ratio means that the subsidy contributes a maximum of R150 to food, R150 to practitioner wages and R75 to learner support, monthly.
- This is far too little to encourage new start-ups and enable existing ELPs to provide access to quality services at low or zero cost to caregivers.
- As well as being too low to support quality, the funding model doesn't take into account other costs like maintenance, rent, rates, phones etc.

# ECD subsidy: value too low

**The SA ECD subsidy has been pegged at R17 per child per day for 6 years, while food prices have increased 39%**



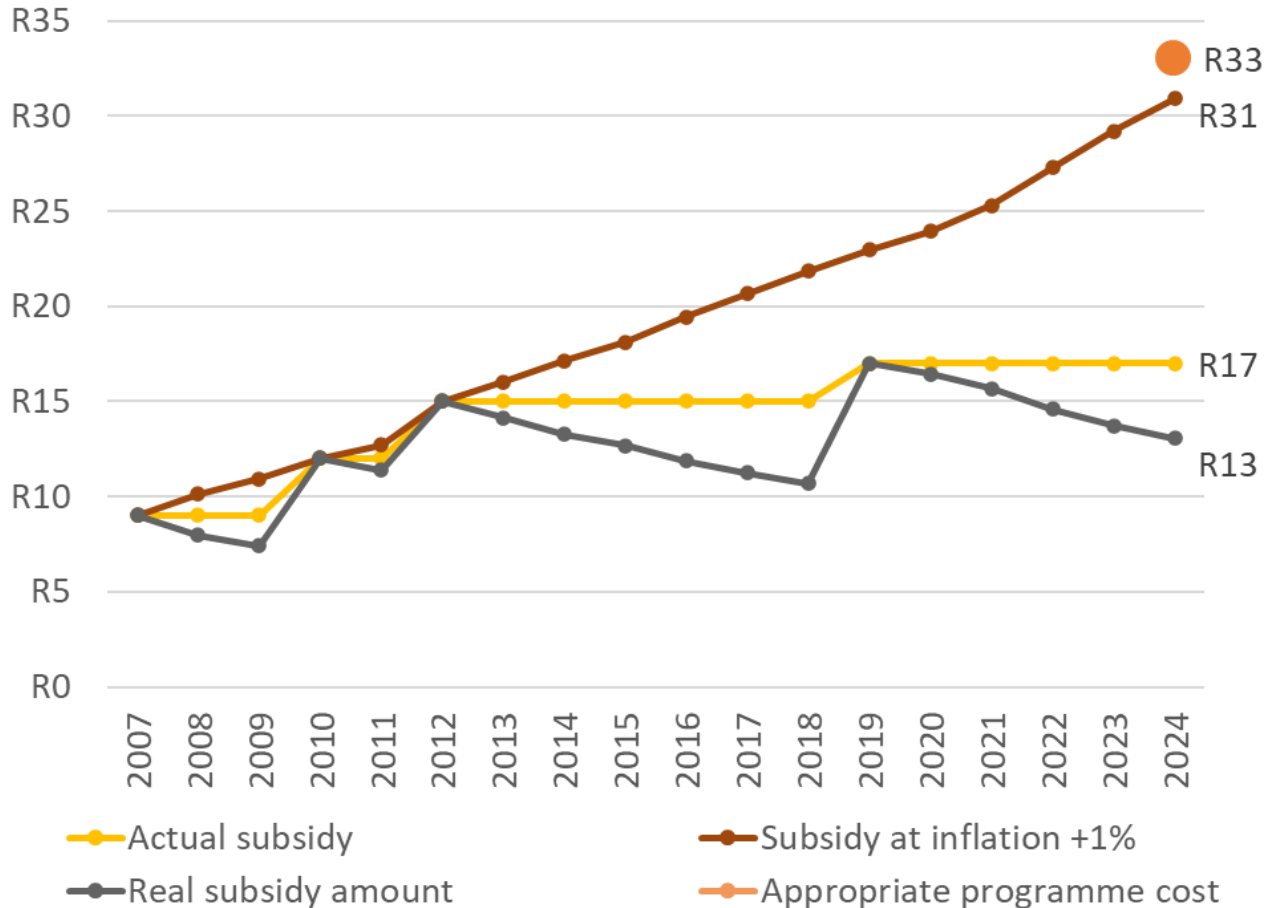
Source for 2019-23: SA Poultry Association, Source for 2024: Retail [www.ilifalabantwana.co.za](http://www.ilifalabantwana.co.za)



- Estimated cost of providing a basic, quality ELP in a low-income setting is R33 per child per day / R726 per month
- This would allow ELPs which rely on the subsidy as their main source of income to provide programming that meets health, safety, quality and nutrition standards while paying staff at least at the minimum wage

# ECD subsidy: value too low

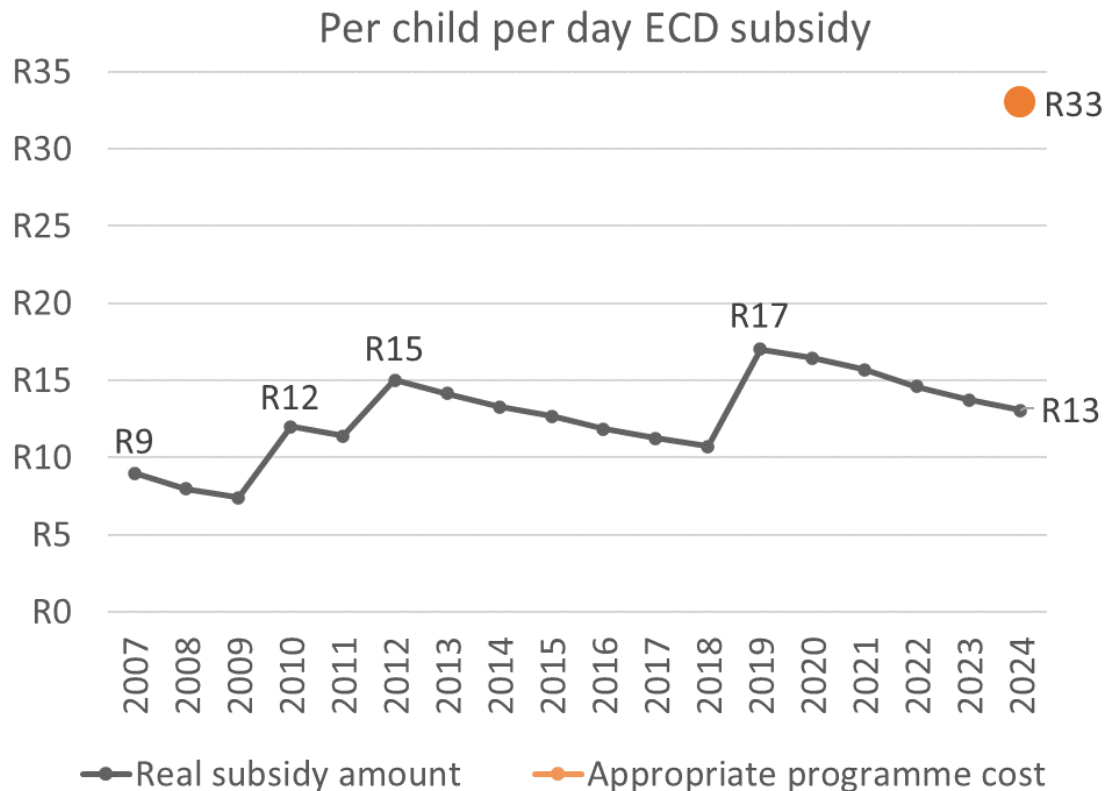
Per child per day ECD subsidy



Purchasing power of the subsidy has been severely eroded since 2012

If the value had kept pace with CPI inflation +1 it would be R2 away from the appropriate programme cost

# ECD subsidy: value too low to promote quality, equity OR access



- Subsidy of R374 per child per month is too low to support the start up of new ELPs.
- Can an ELP currently receiving subsidies enrol more children while its per learner funding declines in real terms?
- Can an ELP experiencing funding decline provide more fee exemptions?

# DBE's 2030 Strategy for Early Learning Programmes

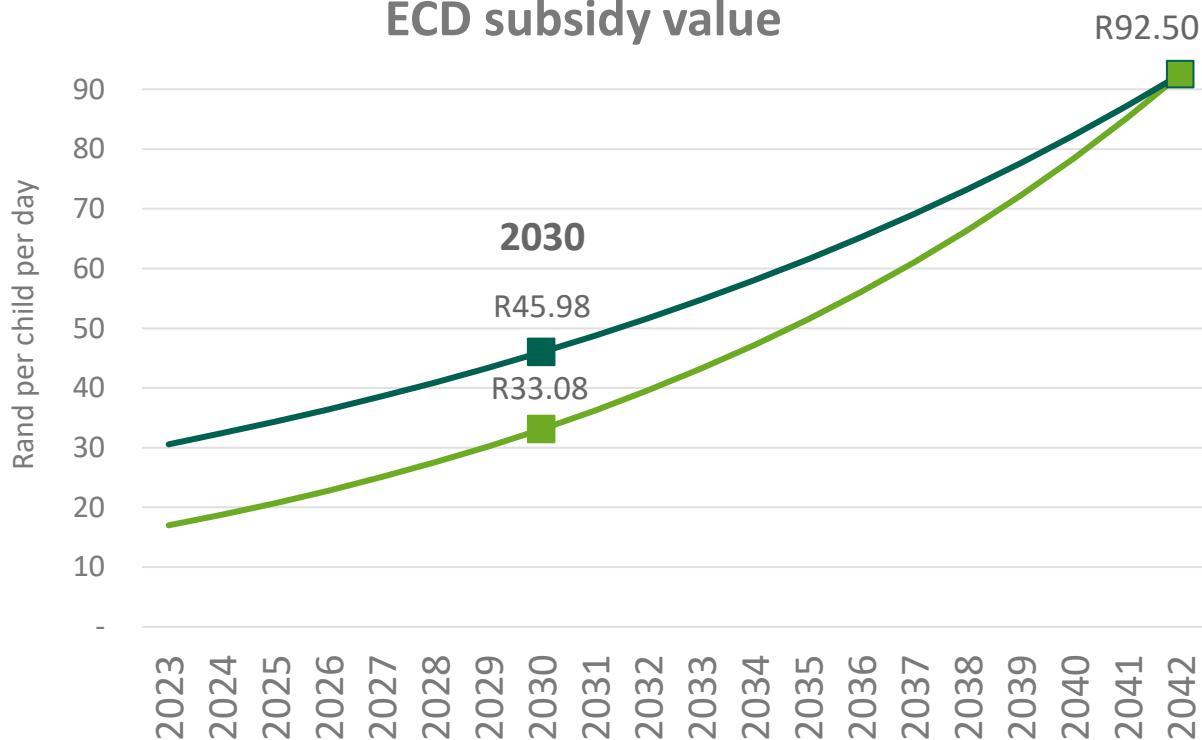
## Early learning programmes – DBE 2030 access goals

- ✓ **1 million more children** accessing ELPs. Total access = **4 million**
- ✓ **1.5 million more children** accessing ECD subsidies. Total subsidized children = 2.3 million
- ✓ **170 000 more children** accessing ELPs per year
- ✓ Registration and expansion of existing ELPs and creation of around **115 000 new ELPs**
- ✓ **270 000 new ECD practitioners**
- ✓ Training 50% of existing 200 000 strong ELP workforce

Target supply/places			Gap in supply/places
Age (years)	Children	Percentage	Children
0-2	1,074,719	30%	353,328
3	855,219	70%	361,559
4	988,428	85%	305,215
5	1,035,189	95%	161,978
<b>Total</b>	<b>3,953,557</b>	<b>57%</b>	<b>1,182,080</b>

## ELPs – DBE 2030 Strategy, approximate costs

DBE 2030 Strategy: proposed increase to  
ECD subsidy value



✓ Increase subsidy value to R33.08 per child per day by 2030 = 65% of the cost of provision

✓ Increase value to R92.50 by 2042 = 100% of the cost of provision

✓ **2030 subsidy cost = R19 billion per annum**



# ELPs – DBE Strategy, approximate annual costs by 2030

- ✓ Total access = 3.2 million, of which 2.3 million are subsidised

**= R13 billion**

- ✓ Registration and expansion of existing ELPs and creation of around 115 000 new ELPs

**= R3 billion**

- ✓ Training 50% of existing 200 000 strong ELP workforce

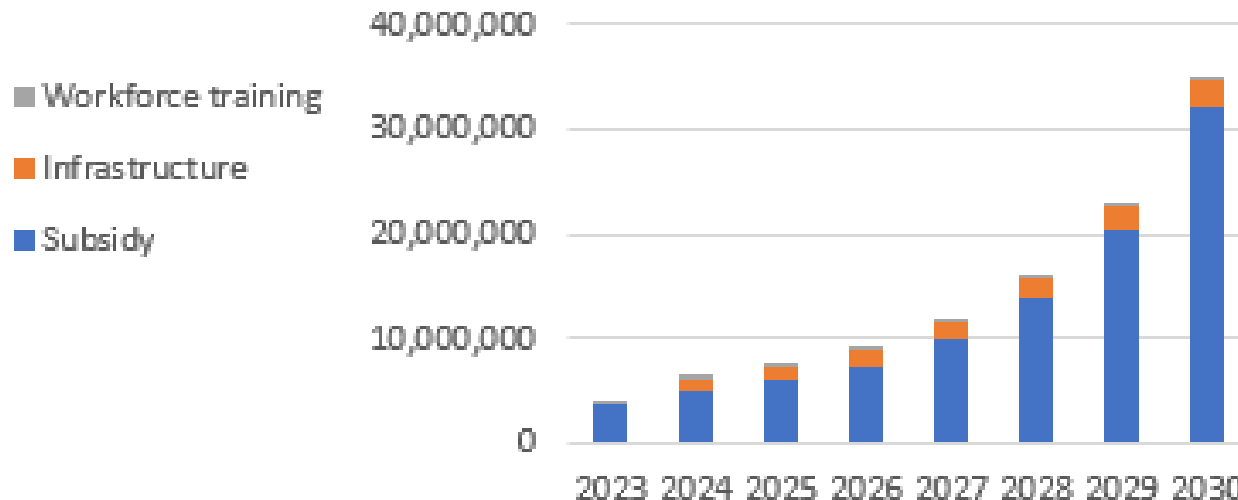
**= R350 million**

- ✓ Human resource development, Management Information and Quality Assurance Systems

**= R180 million**

# ELPs – DBE Strategy, approximate annual costs by 2030

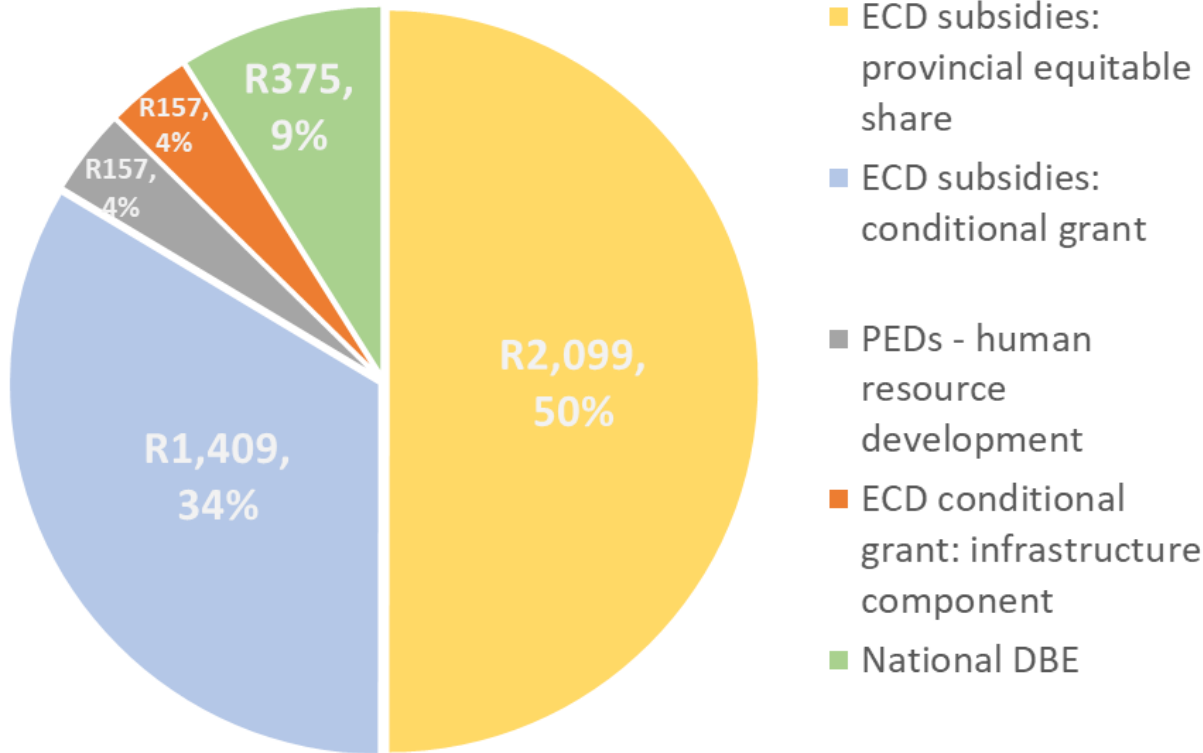
Total annual cost of  
“universal access” @65% of  
programme cost in 2030  
**= R35.5 billion**



# Current public funding for ECD

# Early learning programmes: government funding mix

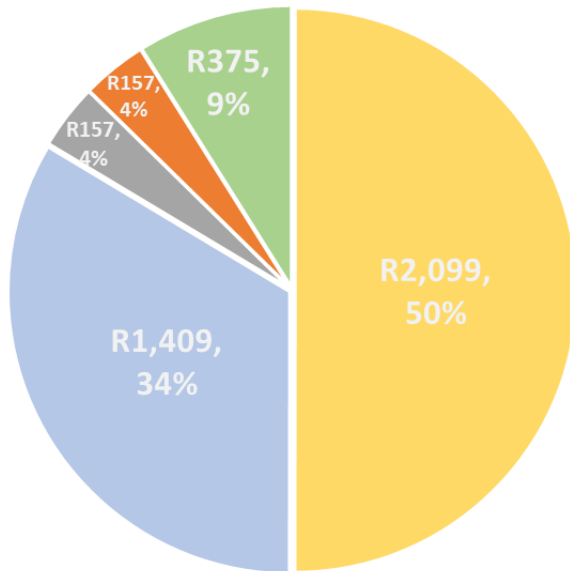
2024/25 ELP funding mix R'million



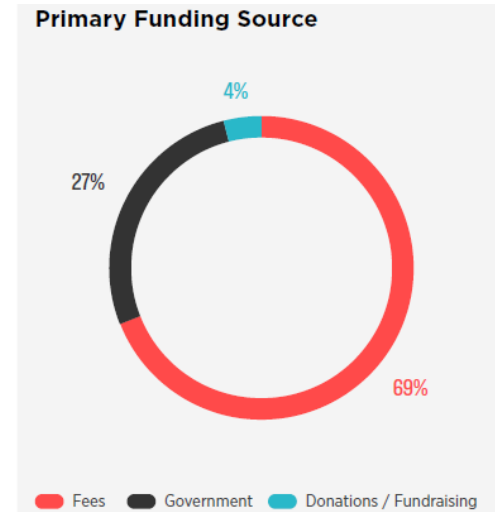
- **Dedicated public funding to ELPs = R4.2 billion**

# Early learning programmes: government funding mix

2024/25 ELP funding mix R'million



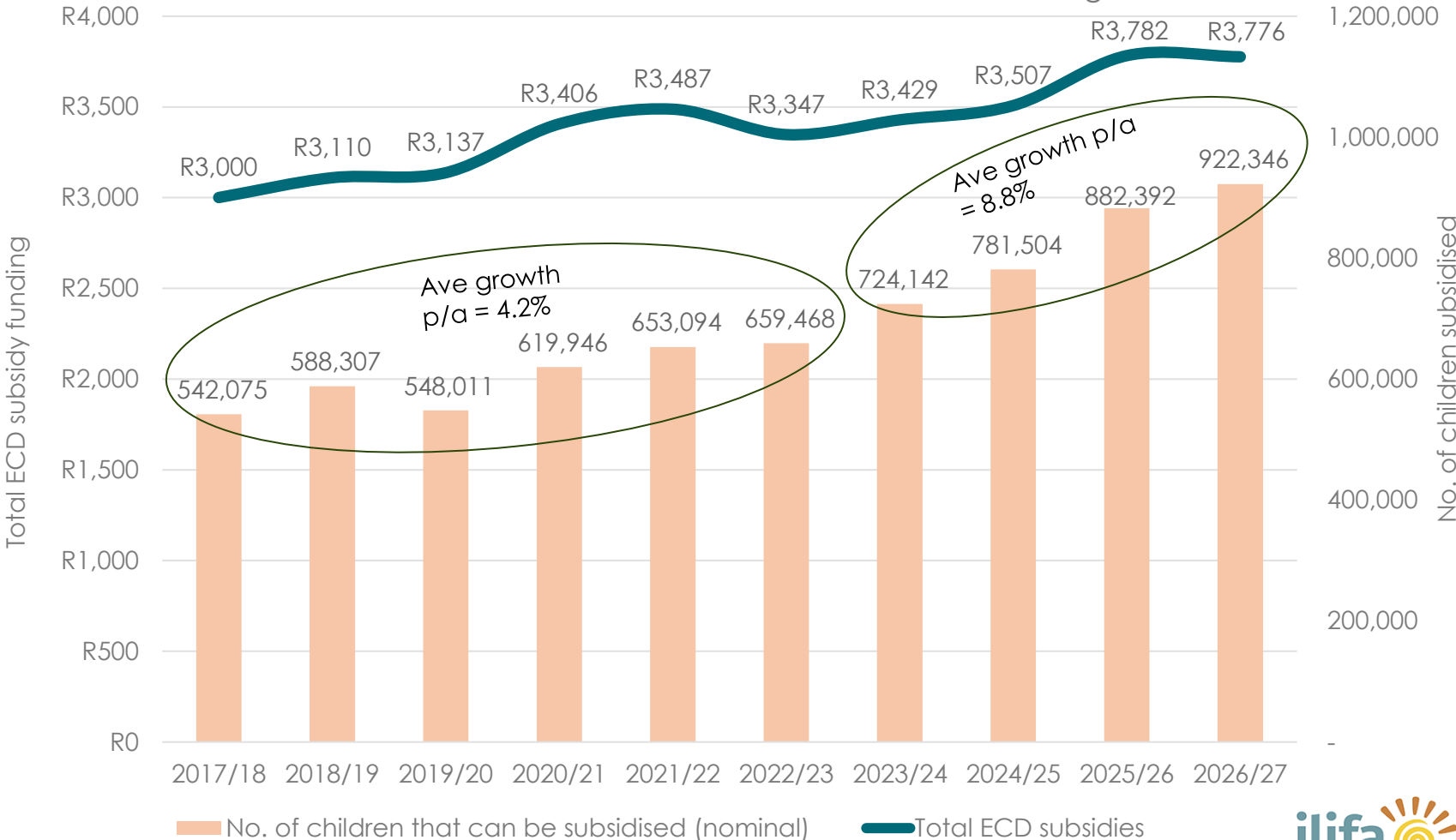
- ECD subsidies: provincial equitable share
- ECD subsidies: conditional grant
- PEDs - human resource development
- ECD conditional grant: infrastructure component
- National DBE



- **NB:** Does not include parent fees.
- WB (2023) estimated R14 billion of private expenditure on fees in 2022, of which **R3.7 billion was by the poorest 60% of households**

# ECD subsidy: total funding, 2017/18 – 2026/27

Total ECD subsidy spending (R'000,000, constant 2024/25 Rand) and estimated no. of children that can be subsidised with this budget

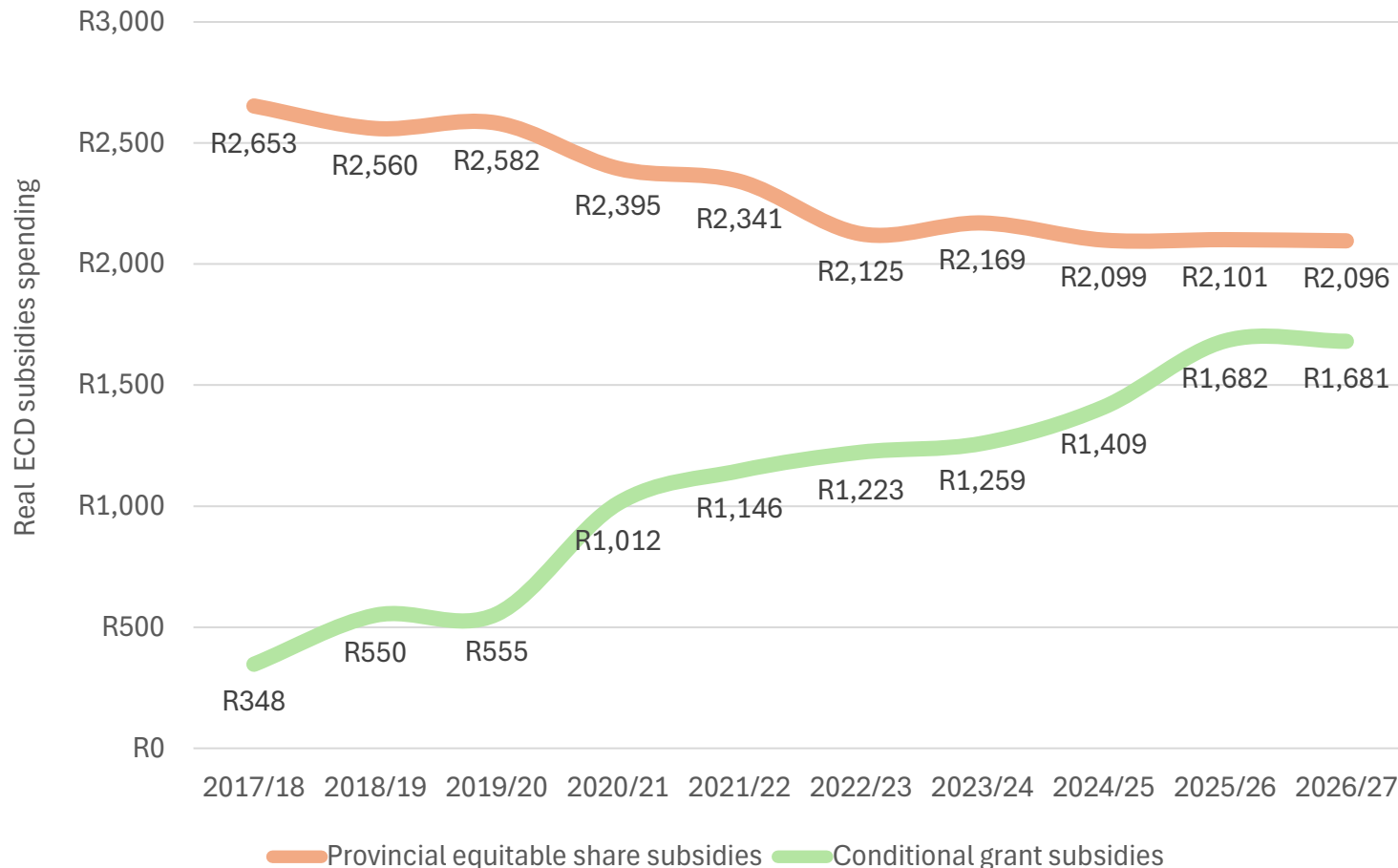


■ No. of children that can be subsidised (nominal)
 — Total ECD subsidies



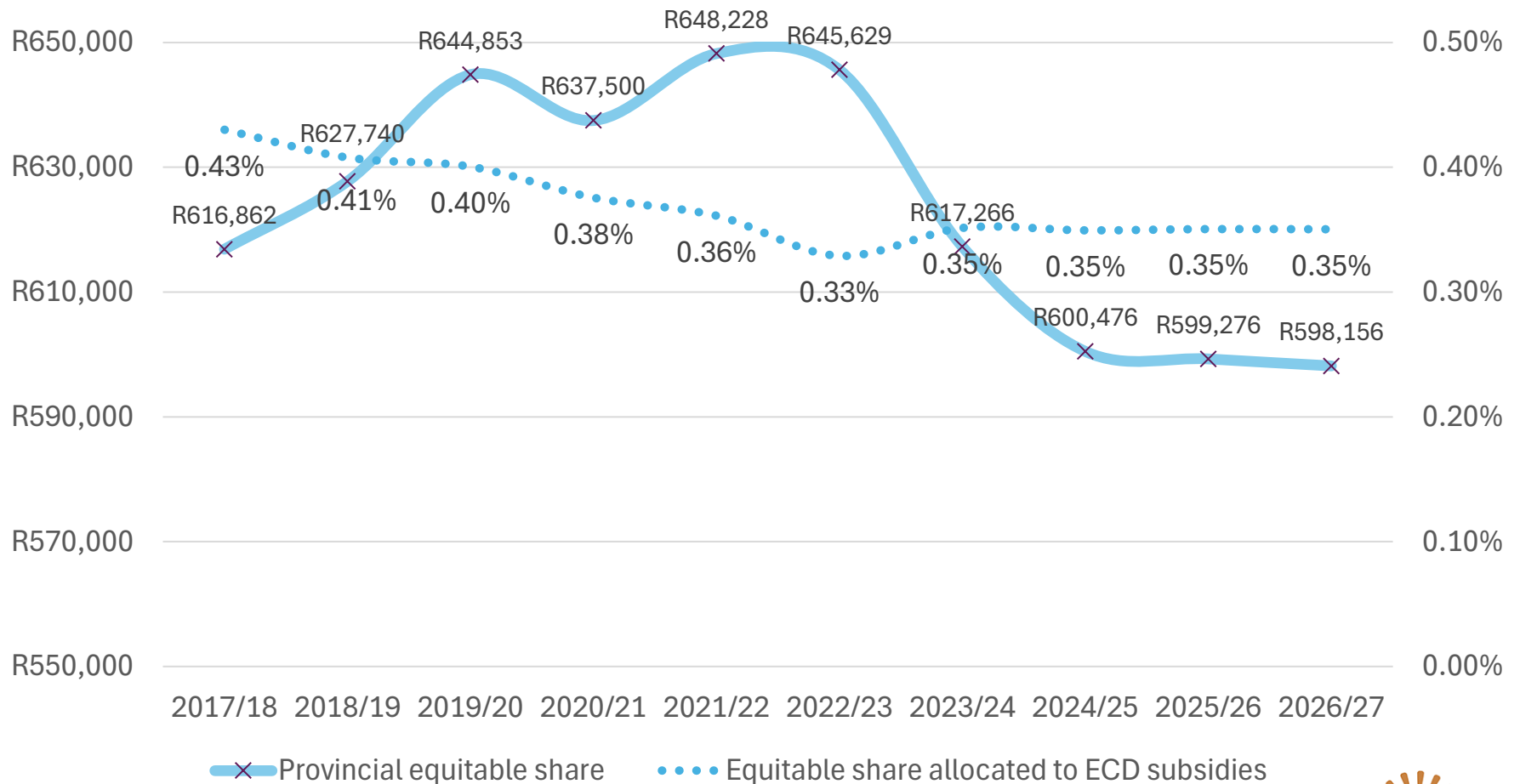
# ECD subsidy: relative contribution of conditional grant and provincial equitable share

PES vs CG subsidy funding (R'000,000, constant 2024/25 Rand values)



# ECD subsidy: relative contribution of conditional grant and provincial equitable share

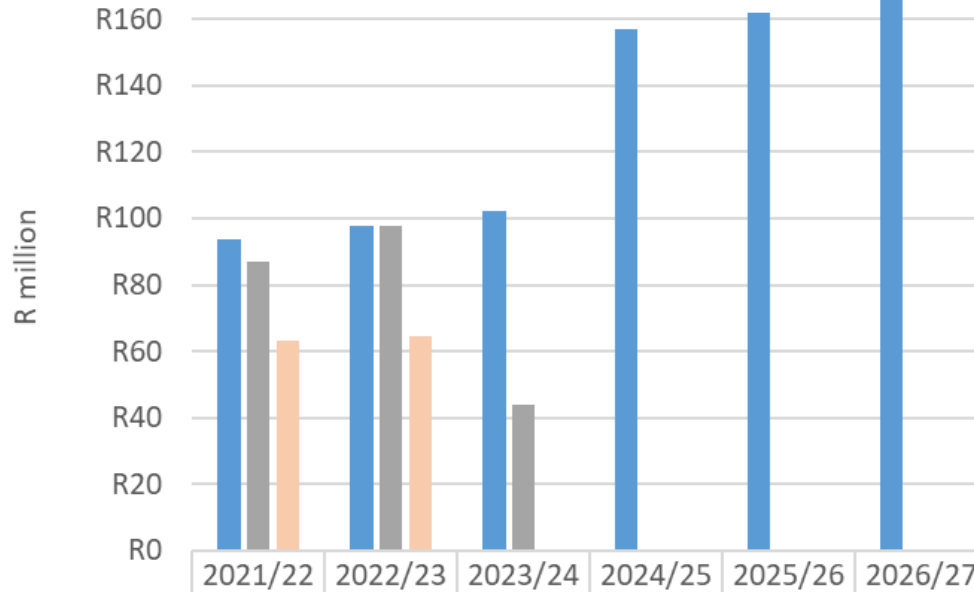
Equitable share (constant 2024/25 Rand) and % allocated to ECD subsidies





# ECD infrastructure and registration support

ECD conditional grant: infrastructure component, nominal allocations and expenditure



Original allocation	R94	R98	R102	R157	R162	R169
Final allocation	R87	R98	R44			
Expenditure	R63	R65				

- Spending on ECD infrastructure and registration support was cut in 2023/24 adjustments budget
- Budget increases to R157 million in 2024/25, but
  - Previous spending performance a concern
  - About a tenth of what is needed (R1.5 billion)

## Recommendations - ELPs

- Announce a restoration of the value of the ECD subsidy to its 2019 purchasing power of **R23** in October MTBPS, effective from 2025, at a cost of approx. R1 billion
- Commit to annual increases towards **R46 per child per day by 2030**
- Double funding for **ECD infrastructure and registration support** to R300 million in 2025/26, to build on the mass registration drive to rapidly expand the number of safe, registered ELPs that are fully connected to government subsidies and other support
- Review provincial equitable share allocations to ECD subsidies and ensure sustainable provincial funding for ECD from the equitable share

## Recommendations – nutrition and income support

- Progressively restore the value of the **Child Support Grant**, currently R530 p/m, to the food poverty line, currently R760 p/m. Initial focus on 0-5 year olds as recommended by CI/DSD will avoid a shock to the fiscus.
- Implement a **Maternity Support Grant** from the second trimester at the value of the CSG a cost of only R3 billion per annum, which automatically converts to a Child Support Grant at birth, to improve maternal and child health outcomes (e.g. anemia and low birth weight) and close CSG access gaps
- Undertake wide consultation with ECD sector on potential modalities for an **early nutrition pilot**. Pilot must test providing support to unregistered ELPs and final nutrition programme rolled out from 2025 must reach all registered and unregistered ELPs

## Recommendations – budget and “mindset” reforms

- Perhaps most importantly, a mindset shift is required from the whole of govt and society on the legitimacy of running an ELP as a social entrepreneur, rather than as a heavily self-subsidized “gift” to society
- This will unlock a range of opportunities for government to support the ECD sector, including new public and private funding opportunities (e.g. small business development, incorporating ECD into broader vision for economic growth and job creation)
- NT to consider making ECD a **functional budget area** (e.g. like learning and culture), which is planned for in coordination with all relevant line departments and has a dedicated chapter in the budget review

# THANK YOU

**Address** Douglas Murray House, 1 Wodin Road, Claremont, Cape Town, 7700

**Tel** +27 (21) 670 9840    **Web** <http://ilifalabantwana.co.za/>

 ilifa.sa     @IlifaLabantwana