

GAME CHANGERS

Government Funding of ECD Services: Deciding Factors

Over the past year, Ilifa Labantwana has been working with Cornerstone Economic Research to understand and support national and provincial budgeting for ECD. Here, CONRAD BARBERTON of Cornerstone discusses the factors that may impact on government funding of ECD services and that may or may not prove to be game changers.

Essentially, there are three options to financing the large-scale provision of ECD services on a sustainable basis:

- a. Parents or caregivers pay for the provision of ECD services;
or
- b. Government pays for the provision of ECD services; or
- c. A combination of the above two options.

Currently, donor funding plays an important role in the provision of ECD services. However, this source of funding is not sustainable in the medium term, and it is insufficient to finance the scale-up of such services to achieve population coverage.

Parents and caregivers make an enormous contribution to the financing of ECD services. Often this is by choice – because they can afford to purchase the services and want to give their children a good start in life. Very often, it is out of necessity – because parents are working, they need to pay someone to look after their children, and “playschools” or “kindergartens” are affordable options. However, the reality of poverty in South Africa means that only a small percentage of parents can afford to finance ECD services for their children. The rest cannot. To rely only on the private financing of ECD services, therefore, would perpetuate existing social inequalities – children from relatively better-off families would receive ECD services, children from poor families and backgrounds would not.

Various arguments can be put forward as to why government

should take on the responsibility of financing the provision of ECD services. There are rights-based arguments, moral arguments, economic arguments, human capital arguments, public health arguments, and so on. Within the South African context, probably the most persuasive arguments revolve around the contribution that the public provision of ECD services can make to minimising the intergenerational impacts of current income inequalities – by helping to give all children a more equal start in life.

Even if there are good arguments as to why government should fund ECD, the government will consider a range of factors in deciding whether to do so or not. Some of these are summarised below:

1. ECD Services are Non-Mandatory

The following extracts from the Children’s Act highlight the different usage of the words “**may**” and “**must**”, with reference to the funding of various categories of services to children:

- s.105. (1) The MEC for Social Development **must**, from money appropriated by the relevant provincial legislature, provide and fund designated child protection services for that province.
- s.146. (1) The MEC for Social Development **must**, from money appropriated by the relevant provincial legislature, provide and fund prevention and early intervention programmes for that province.



- s.193. (1) The MEC for Social Development **must**, from money appropriated by the relevant provincial legislature, provide and fund child and youth care centres for that province.
- s.93. (1) The MEC for Social Development **may**, from money appropriated by the relevant provincial legislature, provide and fund early childhood development programmes for that province.
- s.215. (1) The MEC for Social Development **may**, from money appropriated by the relevant provincial legislature, provide and fund drop-in centres for that province.

It is evident that ECD services are not a mandatory service that provincial governments are legally *required to fund*. Therefore, if funding of welfare services were to be prioritised strictly according to whether services are statutory (**must**) or optional (**may**), ECD would probably not be funded, given the current envelope of resources available/allocated to provincial Social Development departments.¹

At present, the distinction between **may** and **must** does not appear to make any difference to the way provinces (and Departments of Social Development) are allocating funds between different welfare services. However, this is currently the subject of a court case,² where the National Association of Welfare Organisations and Non-Governmental Organisations (NAWONGO) is suing the Free State MEC of Social Development. Central to the case is the level of funding provided to certain designated services to children (excluding ECD). A finding against the MEC (which is likely) will pose a major challenge to the continued prioritisation of ECD in the allocation of funds for welfare services.

2. Priority Given to ECD Services

National government has identified the provision of ECD as a key priority linked to government Outcome 1: Quality Basic Education and Outcome 4: Creation of Job Opportunities through inclusive economic growth. This is reflected in the growth in funding for ECD for 0-4s and Grade R in recent years. When it comes to arguing for further funding for ECD, this presents both an opportunity and a number of challenges.

Given that ECD is a priority, national government is inclined to regard well-motivated budget bids for additional funds for ECD favourably. However, national government will also be looking back at previous allocations to ECD and asking whether they are delivering value for money and whether allocating *even* more money to the sector will make a meaningful difference. In addition, government (both national and provincial) will be conscious of the relative levels of funding going to ECD services versus other welfare services generally, as well as to other welfare services to children.

3. Existence of National Norms and Standards

National government is responsible for the development of national norms and standards for ECD services. When such national norms and standards have been introduced in other

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areas of service delivery, they have generally been supported by additions to the provincial equitable share baselines, in order to enable the provinces to fund their realisation. However, the funding implications of introducing national norms and standards are usually very thoroughly examined, which increases the importance of defining and costing ECD services.

In 2007 the national Department of Social Development issued its *Guidelines for Early Childhood Development Services*. While this document sets out important norms and standards for centre-based ECD, they are framed as *guidelines*, which means they carry less weight from a funding perspective than if they were legislative/regulatory norms and standards. More recently, the national Department of Social Development has sought to standardise the per child subsidy to ECD centres at R15 (2013). This is an important development. However, a lot more work is needed to develop norms and standards that are affordable, link to the quality of ECD services and that also encompass out-of-centre services.

4. Convincing Implementation Plans and Costed Budgets

When the National Treasury or a provincial treasury is considering budget bids, an important consideration is the quality of the implementation plans and the credibility of the proposed budgets. After all, treasuries want to be fairly certain that, should funds be allocated to a programme, they will be spent. Therefore, budget bids that are supported by credible implementation plans are more likely to be funded.

The lack of clarity around the nature of ECD services, and persistent, unrealistic optimism on the part of both national and provincial Departments of Social Development regarding their capacity to implement, means that budget bids for ECD are often regarded as “incredible”, and so fare poorly in the budget process. The fact that substantial additional funds have been allocated to ECD is more a reflection of government’s commitment to ECD than of the sector’s ability to plan and budget for the service.

5. Implementation Record

A department that has a reputation for underspending its budget will find it difficult to convince the role-players in the budget process that it should be allocated additional funds. The provincial Departments of Social Development have found it particularly difficult to keep up with the rapid increases in their budgets. As National Treasury observed in the *2009 Provincial Budgets and Expenditure Review*:

Looking at the individual provinces, it is evident that the problem of under spending is greatest in those provinces whose social development function comes off a very low base, namely North West, Eastern Cape, Mpumalanga and Limpopo. This suggests that these provinces’ ambitious plans to rapidly expand social development were thwarted by implementation constraints.

6. Is the Spending Making a Difference?

If there is clear evidence that a programme is working, in the sense of delivering measurable and meaningful results, it is more likely to be allocated additional funds. Information on the reach of ECD subsidies is important in this regard, but the information on the extent to which subsidies are actually making a difference to children’s physical and cognitive development would be even more persuasive. The problem is that such information is not readily available or not packaged in a way that it can be easily communicated.

When it comes to funding new forms of ECD services (e.g. home visiting programmes), it will be important to present information on the effectiveness of the proposed programmes. Indeed, this poses a major risk to the funding of ECD services – unless it can be shown that the government’s spending on ECD services is delivering meaningful results, the government may be reluctant to add additional funding.

Endnotes

- 1 See KPMG (2012), *Social Welfare Service Costing and Allocation Model Report*, para. 4.3.3.1.
- 2 Case no: 557/2011 in the Supreme Court of Appeal of South Africa.