

# ECD Budget Review

## 2024 Budget

Early childhood development (ECD) refers to the period from conception to 5 years of age. During this formative period, children need equitable access to the five essential ECD services: maternal and child healthcare, social protection, adequate nutrition, responsive care and early learning, and support for caregivers. Enhancing access to these services will improve school readiness, tackle gender inequality by reducing women's burden of care, and provide a cost-effective route to job creation in marginalised communities.

This review focuses on funding for ECD programmes, early nutrition, and the Child Support Grant in the 2024 South African national budget. While reference is made to provincial budgets as these are central to ECD services, the full details of the provincial budgets are yet to be published. A further update on provincial ECD budgets as well as funding for maternal and child health services will be provided in our review of the Medium Term Budget Policy Statement in November 2024.

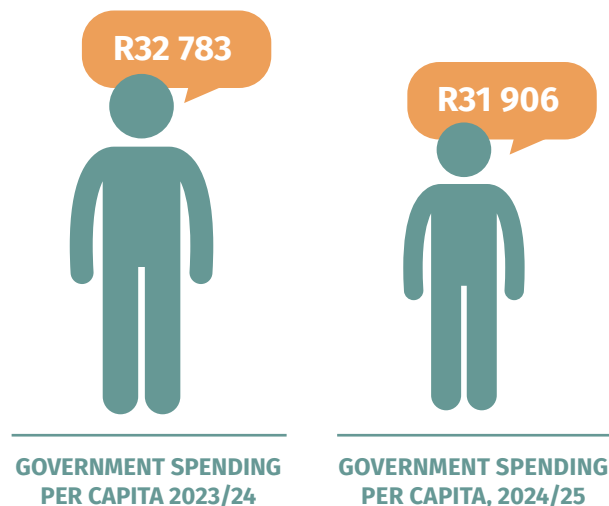
### Key messages

- ✔ Children from low-income households are under-supported in the South African budget. One in four children, aged five and under, is stunted.<sup>1</sup> Only a third of 3-5-year-olds have access to care and early learning programmes,<sup>2</sup> and of those that do, more than half fail to "Thrive by Five".<sup>3</sup> Of the approximately 1.5 million children from low-income households who attend ECD programmes and are eligible for an ECD subsidy, only about 650,000 are actually subsidised leaving an access gap of 850,000 children.<sup>4</sup>
- ✔ The 2024 budget increases funding for ECD subsidies and registration support for ECD programmes, but the amount allocated is not enough to close the very large ECD quality and access gaps at the pace required to ensure universal access to quality ECD by 2030.
- ✔ The ECD subsidy value remains pegged at R17 per child per day for the sixth consecutive year. This places the approximately 11,500 ECD programmes that rely on subsidies as their main source of income under further pressure as living costs continue to increase. The decision not to increase the ECD subsidy reduces its real value to R13<sup>5</sup> and may deepen the exclusion of the poorest children from quality ECD services.
- ✔ Effective expenditure of the R157 million funding provided to the ECD Conditional Grant for infrastructure and registration support will depend on improved planning and implementation by national and provincial education departments as well as by enhancing engagements with the ECD sector.
- ✔ Over the medium term, capacity and funding for ECD infrastructure and registration needs to be expanded much further so that a greater proportion of the estimated 50,000 unregistered ECD programmes can benefit.
- ✔ The Child Support Grant will reach 13.5 million children in 2024/25, but the 5% increase in its value to R530 per month moves the grant further away from the food poverty line of R760 per month, continuing a trend linked with rising child poverty and malnutrition since 2020.
- ✔ The provincial equitable share has not kept up with inflation for four years in a row, placing public health, education and social services under strain.
- ✔ R1.1 billion of funds originally earmarked using the ECD Conditional Grant for an early nutrition support pilot and a results-based financing service delivery model pilot have been shifted to the national government. This trend of a declining provincial equitable share and a rising national allocation raises questions around the appropriate division of resources and responsibilities for ECD, given that the national government's role centres on policy-making, coordination and oversight while the provinces are responsible for implementation.

## Real spending on public services to decline

The 2024 Budget<sup>6</sup> aims to “stabilise the public finances and reduce fiscal and economic risks while promoting economic growth and supporting the most vulnerable members of society.”<sup>7</sup> This translates to an overall reduction in planned government expenditure compared with the 2023 budget and a reduction in government debt.

**Figure 1: Consolidated non-interest expenditure per capita, constant 2024/25 Rands**



Overall, annual public spending per person in South Africa will decrease in real terms from R32,783 in 2023/24, to R31,906 in 2024/25.<sup>8</sup> This “fiscal consolidation” will ensure that government services remain under pressure.

When the various components of budget allocation to ECD are examined holistically, a mixed picture emerges. Some ECD budgets are increasing, while others are frozen or declining in real terms. Therefore, progress in implementing the National Integrated ECD Policy is likely to remain sluggish and uneven, both across the different components of ECD and in the coverage of ECD services.

## Provincial equitable share allocation reduced in real terms

The provincial equitable share (PES) is a critical source of funding for ECD services since it accounts for the vast bulk of health care, social services and education budgets, including around two-thirds of total funding for ECD subsidies. In 2023/24, PES funding grew by only 2.5% while costs as measured by Consumer Price Index (CPI) inflation rose by 7.2%. In the previous financial year, provincial accruals (unpaid invoices) stood at R18.2 billion, indicating

poor solvency in many provincial departments.

Unfortunately, the 2024 budget increases PES funding by only 2.6%, to R600.5 billion – about half the rate of CPI inflation of 5.5%. This further squeeze on provincial budgets will place children, the elderly, the sick and victims of gender-based violence at risk of reduced access to essential services.

We call for a review of the impact of real cuts to the provincial equitable share on the implementation of provincial government services, including ECD services. We are concerned that a lack of dedicated human and technical resources at provincial departments of education, health and social development could become one of the major obstacles to achieving universal access to quality ECD services by 2030.

## Capacity development at the Department of Basic Education

As the department bearing overall responsibility for the National Integrated ECD Policy, the Department of Basic Education (DBE) must have the capacity, expertise and political will to lead South Africa’s journey towards universal, quality ECD services.

The DBE’s total budget increased by only 2% in 2023/24 to R30.0 billion<sup>9</sup> – well below CPI inflation<sup>10</sup> of 7.2%. In 2024/25, the budget will increase by a much healthier 7.4% to R32.3 billion. Over the medium term, DBE funding allocated to ECD increases by an average of 21% thanks to annual increases in the ECD Conditional Grant and funds allocated to pilot an early childhood nutrition programme and a results-based financing service delivery model. As a result of these increases, the proportion of the DBE’s budget spent on ECD increases from 5% in 2023/24 to a projected 7% in 2025/26. However, we are concerned about the functioning of South Africa’s education system as a whole given the pressure on DBE’s total budget.

The DBE plans to spend R1.9 billion on ECD in 2024/25, this includes:

- R1.43 billion on subsidies provided to children from low-income families to attend ECD programmes and R157 million on infrastructure and registration support for unregistered and conditionally registered ECD programmes, financed through a R1.59 billion transfer from the ECD Conditional Grant to provincial education departments;
- R197 million on an early childhood nutrition pilot;
- Undisclosed funding for pre-registration support packages and DBE administration of ECD.

## R1.1 billion shifted to DBE, including R197 million for nutrition pilot

Over the 2024/25 – 2026/27 medium-term expenditure framework, R1.1 billion of funds originally allocated within the ECD Conditional Grant for the piloting of an early childhood nutrition programme and a results-based service delivery model, have been shifted to the DBE.<sup>11</sup> The Explanatory Memorandum to the Division of Revenue Bill explains that these funds shifted to the national government because it is “best suited to provide the inter-departmental coordination and support required.”<sup>12</sup>



While DBE plays the leading role in ECD planning and coordination, implementation of an early childhood nutrition pilot and results-based service delivery model should rest with provinces. We, therefore, hope that provinces are intimately involved in the planning, design, execution and evaluation of these pilots and that the lessons learned from the implementation of the National School Nutrition Programme, including issues experienced in KwaZulu-Natal and Eastern Cape in recent years, are taken on board.

We also hope that the experience and skills of the ECD sector, which understands the current constraints and possibilities for providing nutrition to young children, including in informal settings, is harnessed for the nutrition pilot, which is allocated R197 million in 2024/25. A key design principle we hope to see come through is that the nutrition funding follows the child regardless of the registration status of the ECD facility.

## ECD subsidy frozen for 6th consecutive year

Historic under-investment in childcare and early learning programmes (ELPs) has resulted in very low levels of access and quality for children from low-income families. ELPs serving these children struggle with chronic underfunding, and inadequate infrastructure and are not able to offer practitioners decent wages and working conditions.

The 2024 budget responds to this need by increasing overall

funding for the per child per day ECD subsidy provided to children attending registered ECD programmes. The ECD Conditional Grant’s subsidy component increases by R292 million in 2024/25 to R1.43 billion, and by a further R352 million in 2025/26 to R1.79 billion. These 25% year-on-year increases provide an opportunity for the ECD sector to expand despite the austere fiscal environment.

However, given the depth and scale of child poverty and inequitable access to ECD, the budget for ECD subsidies remains wholly inadequate. The DBE’s recently published [Strategy for Early Childhood Development Programmes](#) recognises that “by 2030, an annual budget of R18.93 billion will be required to reach all 2.32 million eligible children accessing [ECD programmes]”. Indeed, the extremely low and, in real terms, the declining value of the per child per day ECD subsidy – which the 2024 Budget pegs at R17 for the sixth consecutive year – brings into question the extent to which the increase to overall subsidy funding will in fact translate to increased access to quality ECD programmes in low-income communities.



This is because, at only R17 per child per day, the value of the subsidy is too low to enable the start-up of new ECD programmes or encourage investments in the expansion or improvement of existing ELPs. Rather, the frozen subsidy value will entrench a low-quality, survivalist model of ECD that low-income communities have become accustomed to, a model which relies on an underpaid and undervalued black female labour force.

The failure to adjust the subsidy value in line with inflation, or another marker of the cost of providing ECD services, will be keenly felt by approximately 11,500 ELPs<sup>13</sup> who rely on the subsidy as their main source of income. Since 2019, when the value of the subsidy was adjusted to R17, CPI inflation has averaged 5% a year, largely due to rising food and electricity costs. To keep up with these price rises, the subsidy should have increased to at least R22 by 2024. The failure to do so has reduced the real value of the subsidy by a quarter. ELPs in the poorest communities are forced

to make impossible trade-offs year after year – charging higher fees, excluding children who cannot afford to pay, cutting wages, or spending less on food, maintenance or other essential costs.

The likely and foreseeable impacts of failing to increase the ECD subsidy in line with the cost of provision therefore include:

- increased reliance on fees as the primary source of income for ELPs;
- deepening of the exclusion of the poorest children from accessing ECD services;
- reduction in the quality of service provision in low-income communities;
- further entrenchment of ultra-low wages and job insecurity for the mainly black, women-led ECD workforce.

**Figure 2: Declining real value of the SA ECD subsidy**

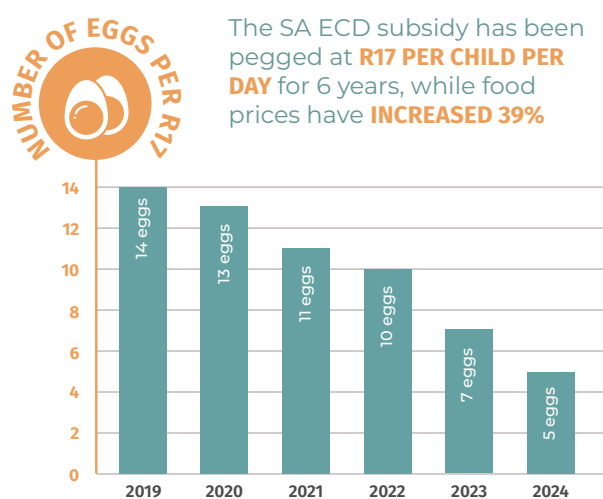


Figure data source: SA Poultry Association for 2019-23 data and retail pricing for 2024 data

The lack of any commentary on the decision not to increase the ECD subsidy value in the Budget Review or the Estimates of National Expenditure may demonstrate a lack of appreciation of the challenges faced by ECD programmes serving marginalised communities and the central role of the subsidy in sustaining them.

We recommend that government undertake a review of the subsidy value and present its findings in the 2024 Medium Term Budget Policy Statement so that the ECD sector has greater clarity on what the government’s approach to the subsidy value will be going forward. This review should include:

- assessment of the costs of providing quality ECD services to low-income communities by ELPs of different sizes, locations and modalities;
- analysis of the role that the subsidy plays in facilitating

access to quality ECD services and the relationship between the subsidy value and the actual cost of providing services;

- exploration of models and mechanisms that could be employed to adjust the value of subsidy annually, in line with the cost of providing services;
- a plan to expand access to quality ECD services through a more data-driven annual adjustment to both the value and the reach of the ECD subsidy.

Ilifa Labantwana has, since 2017, attempted to quantify the daily cost of providing ECD services of a minimum level of quality in low-income communities. Our modelling shows that the subsidy value should be at least R33 per child per day in 2024, and R46 by 2029, accounting for inflation. This would ensure that ECD providers whose main source of income is the subsidy, would be able to provide programming that meets minimum health, safety, quality and nutrition standards while paying staff at least the minimum wage.

## Infrastructure and registration support

In addition to increasing the subsidy value, getting more ECD programmes registered and accessing the ECD subsidy is key for increasing the supply, quality and accessibility of ECD services in marginalised communities. We estimate that over 1 million children are attending around 50,000 unregistered and largely informal early learning programmes. These programmes require government support to meet registration requirements, access the ECD subsidy, and progressively improve their offering.

Total spending on ECD infrastructure and registration support by provinces and municipalities is difficult to quantify. We estimate that the vast majority of funding comes from the ECD Conditional Grant’s infrastructure component, making the budget and implementation approach of this grant vital for expanding access to quality ECD.

In 2023/24, the grant was allocated R102 million in the main budget, but this was reduced to R44 million in the mid-year adjustments budget due to fiscal consolidation.

The 2024 budget did not implement further cuts to the grant, allocating R157 million in 2024/25 and R161 million in 2025/26. This is in line with the estimates provided in the 2023 budget review.

In a presentation to Parliament on 27 February 2024, the DBE unveiled plans for a mass registration drive in 2024/25 targeting 20,000 conditional registrations this financial year.<sup>14</sup> This will be enabled by the provision of “minimum resource packs” and “pre-registration support packages” to unregistered and pre-registered ECD programmes.

The success of this drive will depend on the capacity of provincial education departments and the district officials they oversee to handle a large increase in the number of conditional registrations this year, and full registrations in the years that follow. ECD programmes seeking conditional or full registration require supportive engagement with these district and provincial officials, who are already under-capacitated. The budget documents did not indicate whether additional human or technical capacity was being provided to provinces to manage the mass registration drive or the larger ECD conditional grant budget. The cuts to the provincial equitable share described above may not bode well for provincial capacity.

In recent years, expenditure on the infrastructure component of the ECD Conditional Grant has been poor, with provinces returning, on average, 31% of the allocated funds unspent in 2021/22 and 2022/23.<sup>15</sup> Collectively, the provinces have never spent more than R65 million of ECD Conditional Grant’s infrastructure component in a single financial year, raising questions about whether they will be able to ramp up capacity to efficiently spend the larger budget allocated in 2024/25. Provincial government capacity will probably be eroded by reductions in equitable share funding over the medium term. Therefore, it is critical that National Treasury and the DBE ensure effective coordination and that provinces have the necessary systems and resources in place to expand the number of conditionally and fully registered ECD programmes.

## Child Support Grant

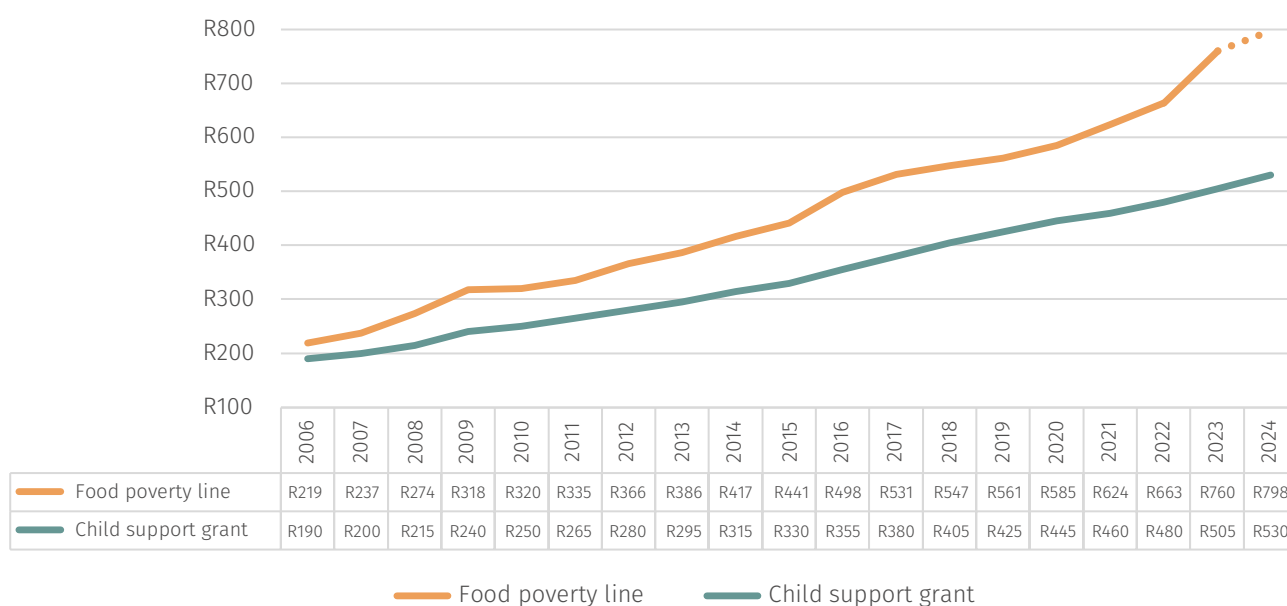
The Child Support Grant (CSG) is administered by the South African Social Security Agency and overseen by the Department of Social Development, and it provides much-needed income support to low-income families and, in many cases, a lifeline against extreme poverty and hardship.

Since 2006, the value of the CSG has diverged significantly from the food poverty line published by Statistics South Africa, which estimates the monthly cost of sustaining the minimum calorific needs of an average person. This trend accelerated during the Covid-19 pandemic, as food prices soared, while the CSG failed to keep up. Between 2020 – 2024, the value of the CSG has increased by an average of 4.5%, while CPI inflation has averaged 5.1% and the food poverty line has increased by an annual average of 7.4%.

In the context of a rising rate of child poverty since 2019,<sup>16</sup> record high levels of unemployment and declining per capita incomes, the failure to ensure the CSG keeps up with food price increases is likely to lead to further increases in child poverty, hunger and malnutrition. Thus, while the 2023 and 2024 budgets have increased the CSG broadly in line with CPI inflation, this is insufficient to reverse the purchasing power losses of the CSG during the pandemic, as well as during previous food price spikes between 2007-2009 and 2014-2016.

Clarity is required from the government on its current stance towards child poverty and hunger, because the Budget Review, Estimates of National Expenditure, Presidency, Cabinet and National Treasury have not responded publically to the findings of the 2023 Review of Child Poverty.

Figure 3: Child Support Grant divergence from the food poverty line



Source: Adapted from Hall , K., Proudlock , P., & Budlender , D. (2023). Reducing Child Poverty: A review of child poverty and the value of the Child Support Grant. Department of Social Development and the Children’s Institute at the University of Cape Town. The 2024 food poverty line is estimated as the 2023 value plus 5%.

The review found that increasing the CSG to the food poverty line would decrease child poverty by 8%. We therefore urge government to consider a phased approach to increasing the CSG to the food poverty line over the next five years, starting with the 0-5 age group and adding older children in three-year blocks each subsequent year (i.e. 6-8 year-olds in year two and so on). This approach, as proposed by the Review of Child Poverty authors, would avoid a large shock to the fiscus in year one: the initial cost of increasing the CSG to the food poverty line for the 0-5 age group only would be R10 billion. According to the report: this phased approach “is the cheapest option and ... would substantially reduce the depth and severity of poverty among children. Once fully implemented, it would reduce the child food poverty rate to around 25 per cent, effectively bringing 1.5 million children out of food poverty.”

## Conclusion and recommendations

Evidence suggests that investments in ECD are highly cost-effective and will be repaid many times over through improved returns from basic education, higher rates of growth and lower unemployment, leading to savings in budget areas such as social services, remedial education, health and crime.

The austere approach taken to government spending in the 2024 budget threatens the realisation of universal, quality access to ECD services by 2030, and in so doing, harms South Africa’s long-term human capital development. Keeping the subsidy value itself frozen at R17 per child per day undermines the potential benefits of the increased budget. As the National Integrated ECD Policy recognises, broadening access and improving quality must be viewed holistically and approached as complementary strategies towards the ultimate goal of universal access to quality ECD. Likewise, realising children’s rights and catalysing human capital development requires a balanced approach to all five essential ECD services.

To improve funding and expenditure on ECD, we recommend the following actions:

- ECD must be included and prioritised in the government’s economic growth strategy, beyond the Red Tape Reduction Task Team. The Budget Review should reflect on the impact of ECD investments on economic growth, job creation and gender equality.
- The ECD subsidy must increase from R17 to R23 in the October 2024 Adjustments Budget to make up for the impact of inflation on the value of the subsidy since 2019, and as a springboard towards a value of at least R46 per eligible child per day by 2029. This will make running an ECD programme in low-income communities more viable, increasing the number of ECD programmes operating, and allowing programmes to improve the working conditions of ECD practitioners and the overall quality of their programme, thereby dramatically improving access to quality ECD and outcomes for children.
- The government must review the infrastructure component of the ECD Conditional Grant to find better mechanisms to target and spend these funds. Provincial education departments’ capacity to support unregistered ECD programmes should be bolstered so that the DBE’s target<sup>17</sup> of at least 20,000 conditional ECD registrations in 2024/25 can be accomplished.
- DBE must publish details of its planned early childhood nutrition pilot, undertake wide consultation on the potential modalities for the pilot, and similarly, ensure public consultation on the evaluation of the pilot once it is completed. The DBE should commit to rolling out a national early childhood nutrition programme reaching all young children in registered and unregistered ECD programmes by 2025/26.
- The CSG must increase from R530 to the food poverty line, currently R760 per month, initially for children aged 0-5.
- The government must review the impact of real cuts to the provincial equitable share formula on the implementation of provincial government services, and ensure that provincial departments of education, social development and health have the necessary human and technical resources to expand and improve access to ECD services.
- The government must review the DBE’s capacity to lead a coordinated ECD expansion strategy, providing additional resources if required.

## Endnotes

- 1 The Children's Institute at the University of Cape Town (2019, November 1). Undernutrition in children. Children Count. Retrieved March 20, 2024, from <http://childrencount.uct.ac.za/indicator.php?domain=4&indicator=95>
- 2 Department of Basic Education. 2022. ECD Census 2021: Report. Pretoria: Department of Basic Education.
- 3 <https://thrivebyfive.co.za>
- 4 Statistics South Africa. 2023. General Household Survey 2022. (own analysis)
- 5 Compared with its original value of R17 in 2019.
- 6 All budget sources are available at [www.treasury.gov.za/documents/national%20budget/2024/default.aspx](http://www.treasury.gov.za/documents/national%20budget/2024/default.aspx) unless otherwise stated
- 7 National Treasury 2024 Budget Review at 23
- 8 2024 Budget Review Table 5.3 and own calculations
- 9 2024 Estimates of National Expenditure Vote 16 Basic Education and own calculations
- 10 In the Consumer Price Index (CPI), Statistics South Africa measures changes in prices for a wide range of goods and services across the economy. CPI inflation, also known as "average inflation", was 7.2% in 2022/23, 5.5% in 2023/24 and is projected to be 4.7% in 2024/25.
- 11 See Budget Review Annexure W1, Explanatory Memorandum to the Division of Revenue Bill.
- 12 In the Consumer Price Index (CPI), Statistics South Africa measures changes in prices for a wide range of goods and services across the economy. CPI inflation, also known as "average inflation", was 7.2% in 2022/23, 5.5% in 2023/24 and is projected to be 4.7% in 2024/25.
- 13 Department of Basic Education. 2022. ECD Census 2021: Report. Pretoria: Department of Basic Education.
- 14 DBE Presentation to Parliament, Portfolio Committee on Basic Education, 27 February 2024 <https://pmg.org.za/committee-meeting/38425>.
- 15 2023 and 2024 Division of Revenue Bills.
- 16 Hall, K., Proudlock, P., & Budlender, D. (2023). Reducing Child Poverty: A review of child poverty and the value of the Child Support Grant. Department of Social Development and the Children's Institute at the University of Cape Town.
- 17 Announced to the Portfolio Committee on Basic Education in the National Assembly on 27 February 2024.

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Find out more about the public funding reforms needed to achieve universal access to ECD in South Africa by 2030 in Ilifa Labantwana's Early Childhood Development Accelerator Series: <https://ilifalabantwana.co.za/early-childhood-development-accelerator-series>