ilifa labantwana

ECD Budget Highlights

2025 National Budget: first step towards a children's budget

Highlights

- Historic R10 billion additional allocation to ECD could be a turning point for the sector;
- 700,000 more children to access the ECD subsidy, and the value to increase to R24 per child per day;
- R210 million boost for registration and infrastructure support to ECD programmes;
- Child Support Grant increases from R530 to R560 per month from 01 April;
- R29 billion additional allocation to health and basic education sectors to increase wages, employ more doctors and ease funding shortfalls for crucial goods and services;
- Additions to spending paid for in part by a 1% increase in VAT from 15% to 16% by 2026, and an increase in personal income tax in 2025.

The 2025 Budget signalled a possible turning point after more than a decade of austerity budgeting and a post-Covid regression in many child outcomes. The announcement of R10 billion in new funding to ECD programmes over the next three years is an important first step towards realising government's commitment to universal access to quality ECD programmes by 2030.

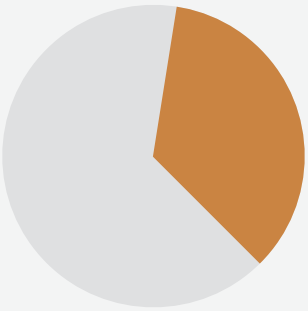
First big step to universal access

Government committed to universal access by 2030 in the National Development Plan, which was published in 2012, but public investment in the sector failed to match this ambitious policy - until now.

Early childhood development (ECD) is a period of intense physical, mental and socio-emotional development that takes place from conception to age 6. Access to the Essential Package of ECD services – healthcare, nutrition, social services, support for caregivers, and early stimulation – is crucial for optimal ECD. In South Africa, 70% of young children live below the poverty line and fail to access to the full Essential Package.

ECD programmes refers to all group-based care and early learning programmes. There are at least 42,500 ECD programmes in South Africa, of which only half are registered with the state. Unregistered ECD programmes receive no government oversight, subsidies, or support. As a result, most programmes charge fees, which limits access for poorer families. While an estimated 1.8 million children from low-income families are attending ECD programmes, only around 750,000 of these are benefiting from the ECD subsidy, while an estimated 1.2 million children aged 3-5 have no access to ECD.

The ECD sector employs around 250,000 workers. They are mostly female and 90% earn below the minimum wage and have little job security.



35%

of eligible children are actually subsidised to attend an ECD programme

Prior to the 2025 Budget, total national and provincial funding for ECD programmes and nutrition support was expected to be approximately R4.7 billion per annum between 2025-2027. This comprised of the following:

- R2.2 billion in national government funding for the ECD subsidy and infrastructure support provided through the ECD Conditional Grant to provinces;
- R500 million for the national Department of Basic Education (DBE) to implement an early nutrition pilot and other expenses; and
- R2 billion in Provincial Equitable Share allocations to ECD.

In comparison, a 2023 World Bank study found that households spend over R14 billion annually on pre-school fees, around three times more than the level of public investment.

If fully implemented, the R10 billion additional allocation will boost public spending on ECD programmes to approximately R7.7 billion per annum. The final details of the spending package are in discussion, but the following are targeted:

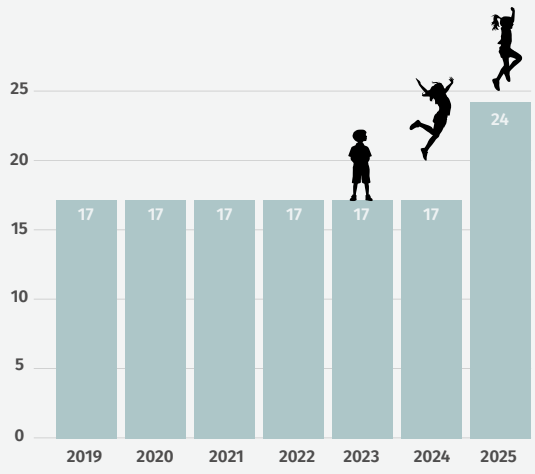
- Increase in the value of the ECD subsidy from R17 to R24 per child per day in 2025;
- Additional 700,000 children to access the subsidy by 2027;
- Acceleration of government's Bana Pele Registration Drive which aims to ensure all ECD programmes are registered with government by 2030;
- Support to ECD programmes to ensure they provide a safe, hygienic, and stimulating environment for young children; and
- Full roll-out and implementation of the eCares management information system.

The ECD sector must be closely involved in the planning and implementation of the funding boost to ensure it is spent effectively. National and provincial governments will require improved human resource capacity and improvements in ECD subsidy administration are also needed.

It is now up to Members of Parliament to decide whether to amend or pass the 2025 National Budget in its current form. At the time of writing, consensus had not been achieved within the Government of National Unity, particularly on the revenue changes proposed. Since the vast majority of political parties supported investing in ECD in their 2024 election manifestos, we expect them to honour this commitment by ensuring the improved ECD budget allocations are not traded away in negotiations over the final shape of budget.

A step forward - but still short

The ECD subsidy value (shown in Rands on the right) has increased for the first time since 2019 but is still not enough to cover the estimated cost of a basic quality ECD programme - R36 per child per day.



While the allocation of R10 billion provides a crucial first step, further funding boosts will be needed to ensure universal access to quality ECD by 2030. In its 2030 Strategy for ECD Programmes, the DBE estimates the following will be needed:

- R19 billion annual funding for ECD subsidies by 2030;
- R3.4 billion to train existing and new ECD workers; and
- R3 billion for ECD infrastructure.

Therefore, total funding to the sector still needs to triple by 2030. Ongoing advocacy and systemic change in the sector will be crucial to realise these ambitions.

The 2025 subsidy value of R24 covers only 66% of the total cost of quality early learning programme service provison, estimated to be at least R36 per child per day.

Infrastructure support for ECD programmes

The 2025 budget provides a R100 million funding boost for ECD infrastructure in 2026/27 and R110 million in 2027/28. Additional funding may also be available from the R10 billion allocation to support the creation of new ECD programmes and invest in existing programme infrastructure. As a result, the funding environment for ECD infrastructure should improve significantly by 2027.

Table 1: ECD infrastructure support allocations

R'millions (R'000,000)	Outcome	Outcome	Outcome	Revised estimate	Medium-term estimates			MTEF growth
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
ECD Conditional Grant - Infrastructure	R63	R67	R53	R157	R162	R269	R287	25%

Expenditure on the infrastructure component of the ECD Conditional Grant has been very poor since its introduction in 2017, averaging less than 70% of the allocated budget. Therefore, coordination and implementation will have to improve significantly to capitalise on the opportunity of an increased budget.

Early nutrition pilot

ECD programmes need to provide quality nutrition to enrolled children, specifically children from low-income households. Approximately one quarter of children under 5 in South Africa are nutritionally stunted which has lifelong adverse consequences to their health. Stunting costs South Africa around R90 billion annually.

1 in 4 children under 5 are stunted in South Africa

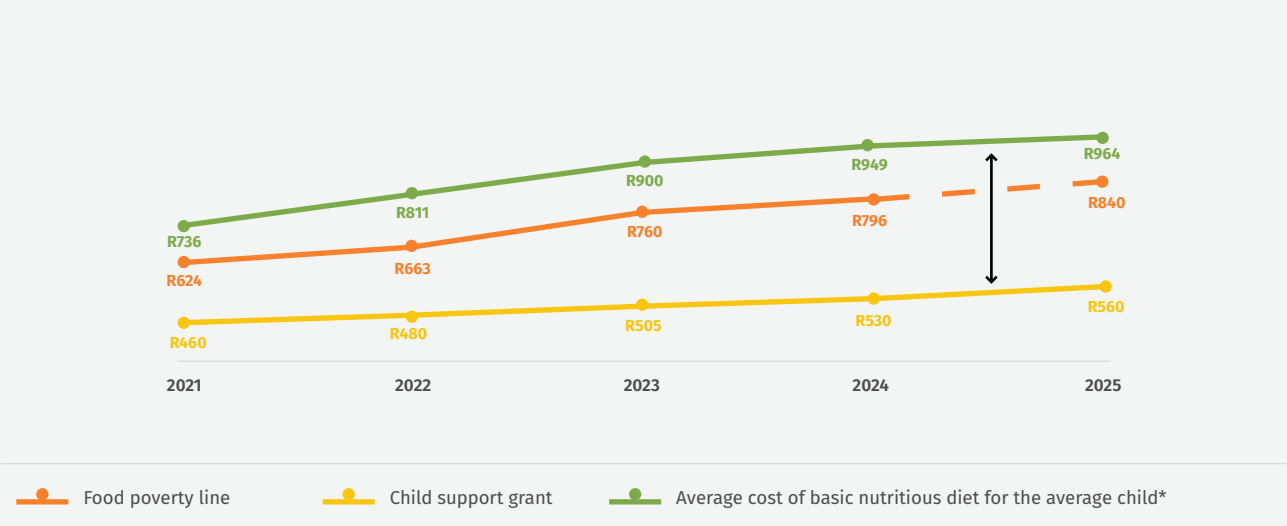
Government and the private sector must improve access to nutritious food in low-income communities.

The 2024 Budget allocated R197 million for an early nutrition pilot. In the 2025 National Budget, allocation to early nutrition has increased from R197 million in 2024/25 to R336 million in 2025/26. We implore the DBE to ensure this money feeds as many hungry children as possible and tests approaches to supporting nutrition in informal settings.

Child Support Grant

The Child Support Grant (CSG) will increase by 5.7% (R30) to R560 per month from 01 April 2025. While an above inflation increase is welcome, much higher increases are necessary to restore the value of the CSG lost to inflation, especially food inflation, in recent years.

Figure 1: The widening gap between the Child Support Grant, food poverty, and the average cost of basic nutrition



Source: Yearly averages calculated from monthly nutrition data tracked by the Pietermartizburg Economic Justice and Dignity Household Affordability Index
Note: The food poverty line figure for 2025 is an estimate based on food inflation of 5.5% stated in the 2025 Budget Review.

We are disappointed that proposals for a maternity support grant have not been taken up by Cabinet. A maternity support grant was proposed for vulnerable pregnant women at the same value as the CSG from the second trimester of pregnancy. The positive impacts of income support to vulnerable pregnant women relate to birth weight, child stunting, and maternal mental health.

Cabinet has reportedly rejected the proposal due to concerns that the grant would incentivise teenage pregnancy. No evidence exists for this.

Maternal and child health

Assessing funding allocated to these services is difficult as they are not clearly disaggregated within the broader health budget. However, the 2025 Budget announced an additional R29 billion for public health over the next three years, and this is welcome. The additional allocation will ensure that:

- The 2025 public sector wage bill can be implemented without lowering headcounts;
- More doctors can be employed following completion of their community service; and
- Shortfalls in provincial health departments' goods and services budget can be covered. This is crucial for avoiding backlogs in medicine and medical equipment procurement, as well as in diagnosis services, for example.

Table 2: Health expenditure 2021/22 - 2027/28

R'millions (R'000,000)	Outcome	Outcome	Outcome	Revised estimate	Medium-term estimates			MTEF growth
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
Consolidated health budget	-	R259,445	R267,324	R277,229	R298,894	R313,698	R328,890	-
Difference Year-on-Year	-	-	R7,879	R9,904	R21,665	R14,804	R15,192	-
Growth	-	-	3.0%	3,7%	7,8%	5.0%	4,8%	5,9%

After several years of reduced public health expenditure per capita, the 2025 Budget's relaxation of spending restraint is welcome. However, further increases in investment will be necessary to improve access and quality for the 85% of South Africans who rely on the public health system.

Table 3: Maternal and child mortality rates in South Africa and comparable countries

R'millions (R'000,000)	Unit of measurement	South Africa	India	Brazil	Mexico	China
Maternal Mortality Ratio[1]	**Deaths per 100,000 deliveries**	127	103	70	59	23
Under-five Mortality Rate[2]	**Deaths per 1000 live births**	33	31	8	13	7
Infant Mortality Rate[2]	**Deaths per 1000 live births**	26	25	13	11	5
Neonatal Mortality Rate[2]	**Deaths per 1000 live births**	11	19	14	8	3

**Sources: 1: Trends in maternal mortality 2000 to 2020: Estimates by WHO, UNICEF, UNFPA, World Bank Group, and UNDESA/Population Division. Geneva: World Health Organization. 2023.*

2: United Nations Inter-agency Group for Child Mortality Estimation (UN IGME), Levels & Trends in Child Mortality: Report 2022, Estimates developed by the United Nations Inter-agency Group for Child Mortality Estimation, New York: UNICEF. 2023

VAT increase

The 2025 Budget proposed a 1% increase to the VAT rate, from 15% in 2024 to 16% in 2026, to provide much of the additional funding needed to cover new spending plans. While VAT does provide a reliable source of revenue for government, the rate hike will increase the cost of living, especially for lower income households. National Treasury's proposal to zero rate additional food items and increase social grants above inflation will not ameliorate this, particularly since the R370 Social Relief of Distress Grant was not increased at all.

The VAT hike will therefore make it harder for government to reduce poverty, including child poverty. We recommend government and Parliament explore replacing the VAT hike with more progressive revenue raising options.

Investing in ECD will create jobs, empower women, and transform child outcomes.

The achievement of universal access to ECD can:

- Contribute to improved child nutrition and enhance the returns on investments in basic education;
- Support the creation of 70,000 new care and early learning enterprises, mainly in township and rural communities;
- Create employment for 300,000 new ECD practitioners and support staff;
- Improve skills and working conditions for the 250,000 women already working in the sector;
- Reduce care burdens for up to 2 million women;
- Help stimulate inclusive economic growth.

Recommendations

We urge Members of Parliament to back the R10 billion budget allocation to ECD, and call on the Government of National Unity to consider the following for the October Medium Term Budget Policy Statement and 2026 Budget, as ways to build on the gains made in the 2025 Budget:

- Ensure that revenue and spending proposals narrow inequality and do not further burden low-income households;
- Commit to ongoing increases to the ECD subsidy value so that it fully covers the costs of a basic quality ECD programme, estimated to be at least R36 per child per day currently;
- Adopt a clear plan to finance and implement the DBE's 2030 Strategy for ECD Programmes;
- Ensure nutrition reaches all children eligible for the CSG – regardless of whether they are attending registered or unregistered or informal ECD programmes — by successfully implementing and then scaling up a national early nutrition programme;
- Increase the CSG from R560 to R590 per month from October 2025 and commit to further increases to ensure parity with the food poverty line, currently R798 per month;
- Implement a maternity support grant from the second trimester of pregnancy at the value of the CSG, which automatically converts to the CSG at birth, at an annual cost of R3 billion. This will promote healthy pregnancies, help to reverse the trend of declining access to the CSG, and reduce the risk of stunting;
- Ensure Provincial Equitable Share allocations, which are the key funding instrument for health, education and social services, as well as providing over half of ECD subsidy funding, increase annually in line with the demand and the cost of providing services.

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