

Medium Term Budget Policy Statement (MTBPS) 2018

Spending Trends and Expectations: Basic Education and Early Childhood Development

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Monitoring and Advocacy Programme, Public Service Accountability Monitor

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This brief is part of a series covering a range of service delivery and governance topics including education, environmental governance, health, human settlements and local government. The brief is in part retrospective and aims to highlight key issues within the national budgeting and planning environment that call for prioritisation or intervention. Prior to the tabling of the Medium Term Budget Policy Statement (MTBPS), Adjustments Estimates¹ and Adjustment Appropriations Bill by the Minister of Finance on 24 October 2018, the PSAM aims to contribute to dialogue and public participation during this important period through these pre-MTBPS briefs and post-MTBPS submissions to Parliament.

According to Section 12 of the Money Bills Amendment Procedures and Related Matters Act, the Minister of Finance is required to table a Division of Revenue Amendment Bill alongside the revised fiscal framework with budget adjustments to the Division of Revenue Act and an Adjustment Appropriations Bill. In addition to this, Sections 30 (2)(B) and 31(2)(b) of the Public Finance Management Act outline specific roles and responsibilities for provincial Members of the Executive Councils (MECs). This includes the requirement for provincial treasuries to table an adjustments budget within 30 days of the tabling of the national adjustments budget where a national adjustments budget allocates funds to a province. Accounting Officers are also obliged to motivate accordingly for adjusted budgets.² This period within the fiscal calendar therefore constitutes an important opportunity for members of the public and civil society organisations to participate in the budget process. Civic actors and members of the public can participate in the MTBPS and Adjustments Budget primarily by participating in parliamentary public hearings scheduled after the MTBPS.

THE 2018 MTBPS AND BEYOND

The National Treasury's 2019 Medium Term Expenditure Framework (MTEF) Technical Guidelines provide public institutions with guidance on how to prepare their mid-term budget submissions for the 2019 budget. The Guidelines are provided for via section 27(3) of the Public Finance Management Act (PFMA), Act No. 1 of 1999. It is important to consider the dire context painted by the 2019 MTEF Guidelines given the implications for the departments' and public institutions' budgets.

¹ Adjusted Estimates of National Expenditure

² Treasury Regulation as per Public Finance Management Act No. 1 of 1999

According to the Guidelines;

“There are NO additional resources available for allocation over the 2019 Medium Term Expenditure Framework (MTEF) period within the expenditure ceiling set in the 2018 Budget. This means that additional allocations to a programme will need to be funded by reductions in funding for another programme, either within the department’s budget, or from another department’s budget. This may involve the scaling down of non-priority programmes and projects, changing service delivery models, using technology more effectively...”³

Looking towards the 2019 Budget, the PSAM calls for the Minister of Finance to outline clear mechanisms through which priority social programmes will be protected and through which pro-poor budgets and good governance will be reinforced. The 2019 MTEF Guidelines further underscore the obligation for departments to present submissions in which non-priority programmes and projects will be done away with or scaled down. This calls for close scrutiny and engagement by civil society.

Plate 1: The Budget Process and Opportunities for Public Participation in October (Source: www.vulekamali.gov.za)

The infographic features a horizontal timeline of months from January to December. The month of October is highlighted with a green background. Below the timeline, the text is organized into two main sections: 'What are Treasury, Departments and Parliament busy with?' and 'How can I participate?'. The first section contains a bulleted list of seven activities, and the second section contains a single bullet point about public hearings.

What are Treasury, Departments and Parliament busy with?

- Cabinet considers the recommendations tabled before it on the Medium Term Budget Policy Statement (MTBPS) and the MTBPS is then tabled. It includes the 3 year policy position on the fiscal framework, key national government spending priorities, the Division of Revenue (DoR) as well as the substantial adjustments to conditional grants.
- In-year budget processes culminate in the tabling of the Adjustments Appropriation Bill and the Division of Revenue Amendment Bill.
- National Treasury issues draft allocation letters to national departments and the departments begin preparing their budget documentation inputs on the basis of these letters.
- Departments prepare budgets and budget documentation in accordance with the received draft allocations.
- Parliament reviews the Annual Reports (ARs) and preparation for BRRRs.
- Within 9 days of the tabling of the adjustments budget, Parliament must submit a report on the revised fiscal framework to the respective houses for consideration and adoption.

How can I participate?

- Participate in public hearings on the revised fiscal framework.

³ National Treasury of the Republic of South Africa, Medium Term Expenditure Framework Technical Guidelines 2019. Available Online: <http://www.treasury.gov.za/publications/guidelines/2019%20MTEF%20Technical%20Guidelines.pdf> Page 1.

REDUCTIONS TO EDUCATION INFRASTRUCTURE BUDGETS

It was highlighted in the 2017 Medium Term Budget Policy Statement (MTBPS) that R44 billion would be spent on building new schools and refurbishing others.⁴ However, according to the 2017 Adjustment Estimates, R415 million in unspent funds was declared within the School Infrastructure Backlogs Grant (SIBG).⁵ The underspend is explained as being due to delays in appointing contractors, including slow spending on school infrastructure projects. This needs to be addressed to ensure that children access quality basic education. It is therefore notable that both the SIBG and Education Infrastructure Grant (EIG) are listed in the 2018 Budget Review as major projects that will benefit from reforms to improve performance. Also, on the provision of school infrastructure, “over the medium term, R7.3 billion from the unallocated portion of the EIG is reallocated to the school infrastructure backlogs grant to complete remaining infrastructure projects to eliminate backlogs and replace unsafe school structures”.⁶ Over the 2018/19 MTEF, however, R31.7 billion was allocated to the EIG – equating to a nominal reduction of R 10.9 billion which the Department itself highlights as a risk to project delays.⁷

Another important programme within the education sector is the delivery of early childhood development (ECD) services. More focus should be directed on ensuring quality education in the foundation phase. Therefore, government should prioritise early childhood development in the short to medium term. The Division of Revenue Bill 2018 notes that the early childhood development grant “plays a part in government’s prioritisation of ECD, as envisioned in the National Development Plan”.⁸ The objectives of this grant are to improve the access of poor children to early childhood programmes and ensure adequate infrastructure for ECD centres. Noting that some provinces failed to meet their targets to provide proper infrastructure to the centres; this should be prioritised to ensure that all provinces are providing quality basic education to children.

This brief focuses on the ECD grant of the Department of Social Development. The National Development Plan (NDP) recognises ECD as an important aspect in broad-based development. ECD services are needed to support the overall development of children. The South African government has an obligation to provide ECD services. Children have a right to survival, health, protection and development. The Children’s Act 38 of 2015 mentions that a comprehensive national strategy must be developed to enable a properly resourced, coordinated and managed ECD system. Early childhood, particularly the first 1000 days of life, is an important period of development, which lays the foundation for future health, behaviour and learning of children. Therefore, “when children do not receive the necessary input and support to promote their development during this critical period, it is very difficult and costly to help them catch up later”.⁹ The ECD programmes are offered at creches; playgrounds; day-care centres; nursery schools and in pre-primary schools.¹⁰

The National Integrated Early Childhood Development Policy of 2015 is “aimed at providing a multi-sectoral enabling framework for ECD services”.¹¹ This policy makes provision for a comprehensive package of ECD services for young children. It prioritises the delivery of an essential package of ECD services. The essential package of services is those that are necessary to promote the survival and development of young children. These packages cover the period from conception until children

⁴ 2017 MTBPS Speech, p. 21.

⁵ Adjusted Estimates of National Expenditure 2017, p.95.

⁶ Estimates of National Expenditure 2018, p. 264.

⁷ *Ibid*, p. 265.

⁸ Division of Revenue Bill 2018, at page 90.

⁹ South African Early Childhood Review 2017, at page 4

¹⁰ Stats SA. General Household Survey 2017, at page 2.

¹¹South African Early Childhood Review 2017, at page 4

start formal schooling. The national Department of Social Development has been in the process of developing an implementation of the National Integrated Early Childhood Development Policy, since 2016.

POPULATION ESTIMATES: CHILDREN

It is important to note that the delivery of ECD services requires an understanding of the number and distribution of young children. It is also critical to understand the conditions that children live in in order to provide needs-based services. The last national census was conducted in 2011 and counted 6.7 million children under 6 years. Over half of South Africa’s young children live in just three provinces, namely KwaZulu-Natal, Gauteng and the Eastern Cape. Table 1 below shows the number of children aged 0-4 in South Africa, by province.

Table 1: Provincial mid-year population estimates, 2018: Age 0-4

Province	Age 0-4
Eastern Cape	744,571
Free State	292 277
Gauteng	1,289,558
KwaZulu-Natal	1,228,339
Limpopo	688 603
Mpumalanga	508 218
Northern Cape	127 111
North West	440 192
Western Cape	610 082
TOTAL	3,262,468

Table 1 above shows that Gauteng and KwaZulu Natal have the highest number of children aged 0-4, at 1.3¹² million and 1.2¹³ million respectively. There is approximately 35, 9% of South African children aged 0-4 years attending formal ECD facilities.¹⁴ Table 2 below shows the percentage of children aged 0-4, who attended ECD facilities in 2017.

The Free State had the highest (45, 9%) attendance at formal ECD facilities, followed by Gauteng (45, 8%) and the Western Cape (41, 1%; Table 2).¹⁵ In the Eastern Cape, 34, 6% of children aged 0-4 years attended ECD formal facilities in 2017. It is clear that the rural provinces had the lowest percentages of learners attending ECD facilities. The rural provinces of the Eastern Cape, Northern Cape and North West face different challenges related to infrastructure, transport and poor sanitation. Therefore, in addition to ensuring universal access across all provinces, the plans for ECD infrastructure should accommodate the diverse needs of urban and rural learners and educators. As with the provisioning of primary and high school-level infrastructure, these contextual differences should inform planning and resource allocation for ECD.

¹² 1 289 558

¹³ 1 228 339

¹⁴Stats SA. General Household Survey 2017, at page 2.

¹⁵ *Ibid*

Table 2: Percentage of children aged 0-4 years attending ECD facilities by province, 2017¹⁶

Province	Percentage
Eastern Cape	34,6
Free State	45,5
Gauteng	45,8
KwaZulu-Natal	27,8
Limpopo	35,9
Mpumalanga	37,0
Northern Cape	25,3
North West	33,7
Western Cape	41,1
South Africa	36,9

EARLY CHILDHOOD DEVELOPMENT GRANT

This Early Childhood Development Grant was introduced in 2017 and has, as a primary objective, the expansion of ECD service across South Africa.¹⁷ The grant plays an important role in government's prioritisation of ECD, as anticipated in the NDP. The grant baseline¹⁸ totals R1.6 billion over the MTEF period and includes a maintenance and subsidy component.¹⁹ Registered centres that are not funded or conditionally registered care facilities are assisted through the subsidy grant. The subsidy was targeted at qualifying children from birth to five years, or until they entered Grade R. The value of the subsidy paid was at a rate of R15 per child for a maximum period of 264 days. The positive achievement under the subsidy grant component will be measured through the number of poor children that benefit from ECD services that are subsidised, the number of days subsidised and the number of children attending ECD services in registered centres. It is important that the R15 subsidy be reviewed – especially, considering the challenges that poor children face. In the 2018/19 financial year, the subsidy component aims to cover 104,000 children.

Through a maintenance component, the ECD grant assists existing conditionally registered partial care facilities providing an ECD programme to meet basic requirements to attain full registration. The maintenance component had a R100 000 maximum value per ECD centre. It should be noted that some centres require more money for repairs and maintenance. As such, an allocation for maintenance in each ECD centre was increased each from R100 000 to R180 000 to assist departments experiencing challenges on quotations for repairs and renovations. The success of the maintenance component will be measured through the number of ECD centres conditionally registered as per the registration framework, the number of ECD centres assessed for the maintenance component and the number of centres that moved from conditional registration to full registration because of the maintenance component.

¹⁶ General Household Survey, at page 10.

¹⁷ National Treasury 2017. Annexure WI: Explanatory Memorandum to the Division of Revenue

¹⁸ Baseline budget is the basis for preparing budget for the upcoming financial year. This budget begins with the current year budget and is adjusted according to actual spending in the current year. It is also adjusted according to inflation, projections for new expenditures and any capital expenditures which are expected - <http://www.businessdictionary.com/definition/baseline-budget.html>

¹⁹ *Ibid*

R1.3 billion is allocated to provinces, over the next three years, “to subsidise early childhood development for an additional 113 000 poor children. In addition to this, R250.6 million is allocated to enable about 1 165 early childhood development centres to meet minimum norms and standards of the Children’s Act (2005).”²⁰Table 3 below shows the allocations of the ECD grant to provinces. These allocations are for the purposes of enhancing the implementation of the ECD policy. In nominal terms, a total of R317 million was allocated to the ECD grant, in the 2017/18 financial year. This increased to R490 million in the 2018/19 financial year, while in real terms, this increased to R476 million.²¹

Table 3: ECD Grant Allocations to Provinces, 2017/18-2020/21²²

Province	Nominal Allocations				Real Allocations		
	2017/18	2018/19	Forward Estimates		2018/19	2019/20	2020/21
			2019/20	2020/21			
Eastern Cape	56 365	78 715	83 115	88 685	76,343	77,016	84,062
Free State	18 398	21 656	22 865	24 397	21,003	21,187	23,125
Gauteng	38 489	62 777	66 287	70 728	60,885	58,170	67,041
KwaZulu-Natal	71 879	107 543	113 556	121 163	104,303	105,223	114,847
Limpopo	41 085	68 561	72 389	77 240	66,495	67,077	73,214
Mpumalanga	25 799	41 998	44 344	47 315	40,733	41,090	44,849
Northern Cape	13 761	18 472	19 503	20 809	17,915	18,072	19,724
North West	32 686	52 185	55 102	58 794	50,613	51,059	55,729
Western Cape	19 150	38 893	41 067	43 818	37,721	38,054	41,534
TOTAL	317 612	490 800	518 228	552 949	476,011	476,948	524,125

ECD GRANT SPENDING AND PERFORMANCE 2017/18

Table 4 shows spending of the ECD grant by provinces. Out of the overall total of R317.6 million, and amount of R258.4 million was spent. A total of R59.1 million of unspent funds was declared.²³ Out of R56.4 million allocated to the Eastern Cape Province for the ECD grant, only R27.2 million (48.6 percent) was spent (Table 4). R29.1 million of unspent funds was reported for the province. This calls for urgent intervention by the Eastern Cape Treasury and National Department of Social Development. The Free State Province was allocated R18.4 million, and only spent R12.9 million (70

²⁰ Budget Review 2018, at page 62

²¹ Division of Revenue Bill 2018, at page 49.

²² Division of Revenue Bill 2018

²³ Department of Social Development, Annual Report 2017/18

percent).²⁴ KwaZulu-Natal was allocated R71.879 million and spent R71.870 (100 percent). Mpumalanga was allocated R25.8 million and spent R23.6 million (92 percent). The Western Cape spent 98 percent (R18.8 million) of its allocation of R19.1 million. The Eastern Cape has the most concerning spending of its allocated budget for the ECD grant at 48%, followed by the North West at 62% . The reason provided for the underspending is that “service providers were either not appointed on time and/or late payments were made to service providers”.²⁵ There is a need for more financial management support to avoid under-expenditure or poor expenditure within the ECD grant.

Table 4: ECD Grant Spending²⁶

Province	2017/18 Spending R'000			
	Amount received by the department	Amount spent by the department	Unspent funds	% of available funds spent by department
Eastern Cape	56 365	27 238	29 127	48%
Free State	18 398	12 937	5 461	70%
Gauteng	38 489	35 938	2 551	93%
KwaZulu-Natal	71 879	71 870	9	100%
Limpopo	41 085	36 034	5 051	88%
Mpumalanga	25 799	23 645	2 154	92%
Northern Cape	13 761	11 710	2 051	85%
North West	32 686	20 304	12 382	62%
Western Cape	19 150	18 770	380	98%
TOTAL	317 612	258 446	59 166	81%

Through the children subsidy component of the ECD grant, the Eastern Cape province targeted 11 047 children, but only managed to subsidise 8 420 beneficiaries for 209 days and not 264 days. It is concerning that the Eastern Cape subsidised less than the number of children targeted and not for the required 264 days. More research needs to be undertaken to establish what factors contributed to this and to more accurately ascertain the number of children in the Eastern Cape that could qualify. The Free State province had a target of 2 085 children to subsidise, and reportedly reached 2 084 beneficiaries for 264 days. Gauteng targeted 8 818 and reached 9 079 beneficiaries for 264 days.²⁷ The urban provinces seem to have performed well in the first year of the ECD grant. More support should be provided to the rural provinces to ensure that they improve their performance in the current financial year.

²⁴ Report of the select committee on appropriations on the early childhood development grant expenditure as at fourth quarter 2017/18 financial year, dated 22 august 2018, at page 2. Accessed from <https://pmg.org.za/committee-meeting/26396/>

²⁵ *Ibid*

²⁶ *Ibid*

²⁷ *Ibid*

Table 5 shows the number of ECD centres that were planned to benefit from the maintenance grant per province in 2017. For the Eastern Cape, the maintenance component of the ECD grant received an allocation of R10.264 million in the 2017/18 financial year. From this, R2.628 million was transferred in the second quarter and R7.886 million transferred in the fourth quarter.²⁸

Table 5: Number of ECD centres targeted vs. achieved for the maintenance grant per province, 2017²⁹

Province	Target	Achieved
Gauteng	16	16
Western Cape	13	13
Northern Cape	65	65
North West	46	10
Free State	79	79
Mpumalanga	62	62
Limpopo	96	96
KwaZulu Natal	117	117
Eastern Cape	96	0
Total	590	458

As it can be seen in Table 5 above, the Eastern Cape failed to meet all its targets for maintenance. Through the maintenance component, the Eastern Cape Department of Social Development targeted 96 ECD centres to upgrade or maintain, of which none benefited.³⁰ In contrast to this, the Free State managed to upgrade all the 79 targeted ECD centres, while Gauteng upgraded all the 16 ECD centres that were targeted.³¹ Also, five provinces, namely KwaZulu-Natal (117), Limpopo (96), Mpumalanga (62), Northern Cape (65), and Western Cape (13) upgraded all ECD centres that were targeted.³² North West only managed to upgrade 10 of the 46 ECD centres that were targeted. The 2017/18 Annual Report of the Department of Social Development reported that “a total of 458 ECD centres benefited from the ECD infrastructure maintenance grant”.³³ It appears that only the Eastern Cape and North West failed to meet their targets, due to late appointments in the recruitment process. There was also “late conclusion of the Service Level Agreements (SLAs) between provincial departments of Social Development and ECD centres”.³⁴ Therefore, there should be improved support and monitoring at these provinces to ensure that the ECD grant is used effectively.

²⁸ Report of the select committee on appropriations on the early childhood development grant expenditure as at fourth quarter 2017/18 financial year, dated 22 august 2018, at page 2. Accessed from <https://pmg.org.za/committee-meeting/26396/>

²⁹ Progress of ECD Services and Programmes. Presentation to the Select Committee, 21 June 2017

³⁰ *Ibid*

³¹ *Ibid*

³² *Ibid*

³³ Department of Social Development, Annual Report 2017/18

³⁴ Report of the select committee on appropriations on the early childhood development grant expenditure as at fourth quarter 2017/18 financial year, dated 22 august 2018, at page 2. Accessed from <https://pmg.org.za/committee-meeting/26396/>

RECOMMENDATIONS

2018 MTBPS EXPECTATIONS

- The National Treasury; the National Department of Social Development and the relevant provincial treasuries should provide comprehensive support and assistance to provinces to address the ECD grant implementation challenges.
- There is a need for more financial management support by the National Treasury to the provincial departments of Social Development to avoid under-expenditure and improve expenditure within the ECD grant

GENERAL RECOMMENDATIONS

- Provinces should conduct assessments of all the ECD centres to determine the budget required for maintenance.
- National Treasury and the National Department of Social Development should regularly review the ECD grant child subsidy component and the infrastructure allocation amounts, taking into consideration the fact that provinces are different. Rural provinces, such as Eastern Cape, North West and Northern Cape, continue to be under-resourced.
- The provincial treasuries should conduct quarterly assessments of ECD grant spending and performance and hold the respective implementing agents accountable for poor performance.
- The provincial departments of social development should work together with the Department of Basic Education and the Public Works Department, to improve the criteria for identifying structures for infrastructure development of ECD centres.

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ABOUT THE PUBLIC SERVICE ACCOUNTABILITY MONITOR (PSAM)

The PSAM was founded in 1999 as a research project in the Rhodes University Department of Sociology. Its initial aim was to monitor incidents of corruption within the Eastern Cape government. From 2005, recognising the systemic nature of poor governance and corruption in the province, the PSAM began a concerted advocacy effort to systematically strengthen public resource management by key Eastern Cape government departments.

In 2007, PSAM introduced a training and academic component. The training component has developed to be what is known as the Regional Learning Programme and the academic component has changed to become what is known as the Advocacy Impact Programme. The various activities and interventions by PSAM over the years have emphasised the on-going need for greater and improved accountability interventions by civil society organisations across the region. Through our work we seek to achieve improved networking and advocacy to leverage impact and enhanced learning so that achievements are shared, evaluated and used to bolster social accountability interventions in sub-Saharan Africa.

Visit www.psam.org.za or follow us on Twitter: @PSAM_AFRICA

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