



# Annual Report

July 2020 – June 2021  
(FY 2020/2021)

Closing the  
early learning  
supply gap

  
GIVING EVERY CHILD THE POWER TO SUCCEED.



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# Overview: Responding effectively to the COVID-19 epidemic and introducing our new growth strategy

This annual report covers work undertaken from July 2020 to June 2021 for the 2020/21 financial year (FY20/21). Implementation during this reporting period was affected by the COVID-19 pandemic, particularly in the first half of the year (July – December 2020), as only limited activities could be undertaken. Activity levels increased in the second half but were hampered by a spike in COVID infections.

The COVID-19 pandemic triggered an economic and welfare catastrophe in the communities where SmartStart has a footprint. This resulted in delays with training and reopening of ECD centers within the network, which had a significant impact on our targets. Preschools and childcare centres were closed, upsetting opportunities for early learning. Disruptions within the ECD sector due to COVID were witnessed globally, with attendance dropping during lockdowns, amid stay-at-home mitigation strategies.

According to a UNICEF report (2019), the pandemic responses brought service provision geared towards young children to a standstill in many countries worldwide, upending lives and threatening the health and development of more than 150-million children younger than five years.

Despite the challenges, SmartStart continued to put measures in place to mitigate the impact of

COVID. Our priorities were to ensure home learning continued with support for parents and caregivers during stay-at-home phases, safe reopening of all the sites after lockdown restrictions were eased, acceleration of training and quality assessments, as well as clearing of backlogs and ensuring the access to ECD by children.

SmartStart’s network showed resilience as a result of continuous and effective communication with franchisees, parents, and all franchisors during the height of the epidemic. This was boosted by support from various partners, as well as COVID relief vouchers, stipends and the government ESRF fund for struggling ECD practitioners. All these strategies enabled stabilisation of the network, which increased retention of franchisees and children during this reporting period.

We also developed and finalised the SmartStart Strategy (2021-2016). In the past year the SmartStart team worked on a five-year organisational strategy, which was approved by the board in April 2021. Six years ago, SmartStart set out to achieve a quantum leap in access to quality early learning. During the ‘start up’ phase in 2015 to 2017, the idea of using a social franchise model to deliver an evidence-based early learning programme at scale was

tested. In 2018, the organisation embarked on a ‘transitioning to scale’ phase – laying in place the critical foundations for exponential growth. Within five years, SmartStart built a network of partners and, most importantly, reached over 90 000 children. As such, SmartStart has become South Africa’s first full-service early learning delivery platform.

Closing the early learning access gap in South Africa is a significant challenge. In South Africa, lack of equity in ECD access and quality is essentially a structural problem. Early childhood development is a human right for every young child, established in the UN Convention on the Rights of the Child and in the Millennium Development Goals. There are over one-million children in South Africa aged between three and five years who are not accessing any form of early childhood development (ECD) programme or who are in inappropriate provision. Most of these children live in poor communities. With this in mind, SmartStart’s strategic objective is to close the early learning access gap. This is further broken down into three sub-objectives:

- Closing the supply gap
- Closing the opportunity gap
- Closing the funding gap

SmartStart’s five key enablers of early learning delivery will allow us to execute this strategy.

Five enablers	
A smart brand	Building an early learning movement through a strong and trusted brand
A smart network strategy	Amplifying impact through network belonging and participation
A smart technology	Leveraging digital solutions for scale
A smart data	Learning and growing through data
A smart institution	Creating a fit-for-purpose Hub

**Table 1: SmartStart’s key enablers**

As we transition into the new five-year period, we are confident that our work so far demonstrates the resilience and outcomes that we are looking for. Our job now will be to work with partners and government to aid understanding of the sector, encourage a supportive regulatory environment, and to scale efforts to bring cost-effective and appropriate early learning within reach of all families. This report highlights activities undertaken during the reporting period which informed the creation of our new strategy, bringing together the voices of franchisees, partners, coaches, and the various arms of SmartStart. We trust you will find this an insightful read.

# Message from the Chief Executive Officer



South Africa owes a debt of gratitude to the tens of thousands of largely women entrepreneurs who are at the centre of closing the supply gap in access to quality early learning. For South Africa to achieve its dream of universal access to quality early learning by 2030, we as a country need to recruit over 100 000 new practitioners into the early childhood development (ECD) workforce. We must train, develop, support, and coach them to deliver quality early learning within the realities of the contexts in which our children live, while retaining and celebrating our existing ECD workforce.

In 2021, in the second year of the pandemic, the country continued to open and close periodically in response to the prevailing COVID-19 risk. As a result, SmartStart developed re-opening protocols and learning approaches, which could

operate within varying levels of lockdown – these were shared and implemented across the sector. Our network, as with the broader ECD sector, remained hard hit, crippling the learning development of children under the age of five. Consequently, we had to intensify our home learning support programme to meet the learning needs of children, and increase the use of technology to reach them. Despite the constrained working environment, we reached 80% of our target to expand the supply of quality early learning.

During this time, we also began our behaviour change work, which focused on understanding caregiver and parent engagement. Having this research during lockdown assisted us in fully unpacking the barriers that caregivers experience in accessing quality early learning for their children.

We continued to strengthen and diversify our franchise network by establishing a branch in KwaZulu-Natal and integrating one of our partners, Kago Ya Bana in Gauteng, into the SmartStart hub. The purpose of both branches is to support the Hub's ability to increase access, by using these branches to better support our implementing partners, the franchisors. SmartStart is a national delivery platform for early learning, which means we are a network of networks, all committed to closing the gap in access to quality early learning. Working through and with implementing partners, remains at the core of our expansion strategy.



*A SmartStart practitioner engaging with one of her child learners in the SmartStart Early Learning programme.*

SmartStart continued to contribute to ECD policy reform, in partnership with other key stakeholders. Our main achievement for the year is our contribution to the Children's Amendment Bill (Rebecca Hickman outlines our involvement in greater detail within this report – see: Playing a leading role in regulatory reform). Moving

forward, we look forward to working with our partners to demonstrate the opportunity in ECD as a contributor to jobs, and ensuring that policy is enabling of that opportunity.

**Grace Matlhape**  
Chief Executive Officer, SmartStart

# A data-driven approach to ECD provision

Since inception, SmartStart has reached over 100 000 children and set up almost 10 000 new early learning practitioners. At the end of the financial year in June 2021, 4 944 franchisees, or SmartStarters, were operating countrywide, with approximately 90% of sites in transitional townships/small towns and poor infrastructure villages. Ensuring the accelerated reduction of the access gap requires a population led approach. To achieve this, we have adopted and enhanced our data-driven approach.

By modelling the provisioning gap, we're able to understand where communities need early learning support and locate our centres where the need is greatest. Our child mapping tool, helps us understand the ECD opportunity at community level and provides insight into the communities where we work, as well as maps child population, known ECD and primary school sites and community tapestry information.



The tool was developed in conjunction with Social Surveys Africa (SSA), with one of the key information being SSA's community tapestry tool which classifies 80 000 communities into 16 clusters, based on community infrastructure, socioeconomic status, and the community Gini coefficient, which measures income inequality. The integration of all this information into one tool allows us to better understand communities and how we can effectively increase early learning provisioning. We then developed a dashboard with community-specific data to inform SmartStart ECD investment decisions.

Not only does the tool help us understand our current implementation sites, but it is also used to determine key nodes of expansion. The analysis resulted in the opening of SmartStart's first branch in northern KwaZulu-Natal. We carried out spatial mapping and primary data collection in three municipalities – Umhathize, Ulundi and Umsunduzi – to understand the level of ECD opportunities and confirm secondary data. The study found that access and availability of ECDs in the respective areas are spatially different depending on the municipality and type of community. However, over 60% of the children were not attending any form of ECD.

We look forward to integrating updated ECD data from the latest national census results. Better planning and efficiencies will help us close the early learning provisioning gap.

**Nomsa Muthapuli**  
Chief Operations Officer, SmartStart (pictured left)  
**Sane Mdlalose**  
Chief Growth Officer, SmartStart (pictured right)



SmartStart Team Members and members of the ECD sector participating in a SmartStart event in Soweto.



## Franchisee story: Building confidence with SmartStart

Working with SmartStart has given me confidence and provided so many opportunities. I never thought I would be able to stand up in a meeting or talk to parents. I never thought I would teach a child something to remember. When I walk around now, people say, “Hi ma’am,” and recognise me as a teacher, which is a nice feeling. The other franchisees (practitioners) are pillars of strength for me and motivate me.

I first heard about SmartStart in October 2015 while I was working in a day care centre. They told us that if you want to be a franchisee, one of the most important things you need to have is a love for children. I have always loved children, so I signed up and went to training. In January 2016, I opened my early learning centre in Orange Farm, a township located about 45km outside of Johannesburg.

While some parents understand the importance of early learning, I often need to convince them. Sometimes I will give out pamphlets and then go to parents and explain how it works. Most families who live in this area depend on social grants. To help them afford it, and to help the kids get stimulation during the day, I have to charge a low fee.

One of my main challenges is that I work in a shack. When it is windy, it is difficult for the children to concentrate because of the noise. When it rains, the water sometimes gets inside.

This is why some parents do not want to send their children to my programme.

In general, the community have welcomed the SmartStart programme, especially after seeing the results. One of my children who recently finished grade one got a really good report. Their parents came back to me to show me how well they did because of the programme. Through word of mouth, other parents hear about this and want to bring their children.

During Covid-19, we had to close as parents were not getting an income and could not pay. I was lucky because I could still help school children with their homework. SmartStart also helped us with vouchers, for me and the families who attend my programme.

When things started to open back up, SmartStart trained us on how to screen children for Covid-19, and how to disinfect our teaching areas. We educated parents about Covid-19 regulations, gave out forms for them to sign, and showed them their children would be safe.

**Nomthandazo Kubheka**  
SmartStart franchisee

# Franchisee story:

## Unemployment impacts student attendance

When I finished school, I wanted to become a social worker. I was not able to further my studies, but my mother owned a day care centre, where I did a lot of volunteering work. Through volunteering, I realised that I could address many social problems that kids were facing, just by providing early learning.

In 2017, I opened my own early learning centre in Poortjie, a township located about 60km outside of Johannesburg, with the help of SmartStart. The training they provided was helpful, easy to understand, and it made a lot of sense to me. Most importantly, it allowed me to pursue my passion for helping children.

One of the challenges I face is convincing parents. I have to show them why it is important for their kids to attend and receive stimulation from an early age. Often, I will go and talk directly to parents – especially those who leave their children alone when they are at work or busy with housework – and tell them their child would be safer at a programme during the day. Another strategy is to invite parents to the centre to see how the programme works. They are usually impressed by how the kids are responding and behaving, and that will convince them to bring their children.

In my community, which is a settlement area, many kids cannot afford to come to my programme because of the high unemployment rate. So even when I have convinced parents of the importance of early learning and their kids are willing to come and learn, I often have to compromise on cost. The parents and I talk to see if we can meet halfway on the fees so that their children can attend.

When Covid started, it gave us a lot of stress because we did not know anything about the virus or how it would affect us. When we had to close, the packages that SmartStart provided during lockdown really helped. They also helped us to open again, with coaches coming through to help us figure out how the restrictions worked and how many kids I could have in my centre.

**Emily Twala**  
*SmartStart franchisee*

### Responding to the COVID-19 pandemic

Despite the challenges pandemic-induced lockdowns presented, SmartStart was able to **successfully weather COVID-19**, offering support to practitioners and providing home-based support to parents. Our role broadened to include distributing food parcels and enabling practitioners to participate in additional financial support offered by government, as well as successful processing of Employment Stimulus Relief Fund applications for all qualifying ECD practitioners.

### Building Entrepreneurial Support

The Business Mentorship Pilot was implemented successfully between July 2020 and January 2021 with a sustained retention rate of more than 90 percent of franchisees. Working with The Start-up Hatchery, a virtual curriculum was delivered over a six-month period to 429 SmartStarters. Each SmartStarter completed six modules, aimed at better understanding, operating, and growing their early learning programme. They participated in group WhatsApp Sessions and received one-on-one support from business mentors who are entrepreneurs and could offer both technical and experiential support.

### The role of our call centre

The SmartStart call centre performs two main functions – telephonic engagement and support to franchisees, and data collection across the network. Over this period, the call centre comprised of five full-time agents who accept incoming calls and complete outgoing calls based on specified campaign requirements. During COVID-19, we saw an escalation in the number of campaigns with our shift from field to virtual support. In terms of targets, we achieved 12 752 connected calls during the period. The call centre has continued to play a crucial role in enabling outreach efforts. For example, it enabled us to run 36 call campaigns targeted at data verification, alignment, onboarding, opportunities, and baseline surveys.

### Franchisee Segmentation Study

We completed a franchisee segmentation study to optimise franchisee retention. Franchisees are drawn to the organisation's value proposition for various reasons including wanting to work with young children, income generation and growth. We are undertaking network-wide and segment-specific actions to maximise retention.

# Closing the early learning gap in South Africa



The Covid-19 pandemic and associated lockdowns has highlighted the role of civil society and women entrepreneurs in providing childcare, early learning stimulation and nutrition to South Africa's children – accentuating the inequalities in underserved and under-resourced communities.

Our young children are the source of human capital for inclusive economic growth. A Chinese proverb says, “the best time to plant a tree was 20 years ago. The second-best time is now”. This saying perfectly captures South Africa's missed opportunity from 20 years ago, when the time was ripe to close the early learning gap. We need to plant our trees now.

Only around 40 percent of South African three- and four-year-olds participate in any early learning

programmes, and only half of these children attend programmes of sufficient quality<sup>1,2</sup>. This is because many parents and caregivers cannot afford to pay for early learning and there are few quality programmes available for poor children. In addition, parents and communities may not be aware of the importance of early learning.

SmartStart was created in 2015 by a group of investors to significantly increase access to early learning for South Africa's children and close the early learning gap. We recognised that the policy commitment to early childhood development (ECD) was there, but requires mechanisms to deliver it at scale.

To achieve universal access to quality ECD services, some crucial shifts need to be made in our national system. For example, we need to work together to create a more equitable regulatory framework which embraces a population-based approach, in which quality early learning is also delivered in home or community-based settings. At present, long lead times for new infrastructure projects and acute land shortages in poorer communities delay the rollout of registered centres.

The sector's recent experience with the ECD Stimulus Relief Fund (ESRF) showed that there is still an understanding gap for the “informal”

<sup>1</sup> Department of Planning, Monitoring and Evaluation (2012). National Diagnostic Review of Early Childhood Development. (see [www.evaluationsdpme.gov.za/evaluations/134](http://www.evaluationsdpme.gov.za/evaluations/134)).

<sup>2</sup> Hall, K., Sambu, W., Berry L., Giese, S., and Almeleh, C. (2017). South African Early Childhood Review 2017. Cape Town: Children's Institute, University of Cape Town and Ilifa Labantwana.



ECD providers' market. Innovative payment solutions were not explored, and compliance was prioritised over the creation of an enabling environment for ECD providers. Nonetheless, by including unregistered ECD providers as eligible applicants, the state set a new precedent that SmartStart should build on.

SmartStart provides a new mechanism for

rapidly scaling access to quality early learning, while simultaneously improving the quality of services that already exists. We aim to make the ECD sector an employer of choice and provide a livelihood for the largely black women who are developing our future human capital.

**Senzo Hlophe**  
Innovation Director at DG Murray Trust



# Playing a leading role in regulatory reform

An exclusionary regulatory framework has proved to be a central barrier to unlocking and sustaining a supply of new early childhood development (ECD) programmes. This framework takes a 'one size fits all' approach and does not recognise the wide range of different operating contexts and modalities for ECD programmes. As a result, it is hard or impossible for many ECD programmes in under-resourced contexts to register, and therefore locks them out of essential government subsidies.

Over a number of years, SmartStart has comprehensively analysed the relevant legislation and regulations, and developed detailed line by line amendments. In 2020, we were particularly involved with the parliamentary passage of the Children's Amendment Bill, which missed an important opportunity create an enabling and inclusive regulatory framework in its original draft. SmartStart produced a suite of materials and tools to assist Franchisors and SmartStarters to make inputs to the Portfolio Committee on Social Development's public consultation. We also gave extensive input to the Real Reform for ECD campaign's positioning and materials. Real Reform is a representative movement – including practitioners, community groups, ECD forums and NGOs – advocating for progressive legislative reform and funding for all ECD programmes.

The Committee received hundreds of written submissions on ECD, many of them from practitioners using the SmartStart template. The



Department of Basic Education's (DBE) submission also drew heavily on SmartStart's drafting proposals.

Subsequently, in April 2021, we were pleased to be invited to make an oral submission to the Committee. We were particularly delighted that a SmartStarter from Orange Farm, Cecilia Mkhabela, was also invited. We closely supported Cecilia and a key partner in Orange Farm, Lorato Duma, to develop their oral submissions – and they both gave powerful and persuasive presentations. The MPs were clearly affected by their words and referred back to them in their questions and summations.

At the same time, the Department of Social Development (DSD) invited SmartStart to be part of a three-day experts' workshop, where the Children's Act regulations and norms and standards were examined in more detail. Members of our

Advocacy Unit facilitated the ECD sub-group and were able to add our perspective to the deliberations and recommendations. Subsequently, SmartStart has been invited to be part of the joint technical team overseeing ECD legislative reform, facilitated by DSD and the DBE.

## A wider voice in ECD advocacy

SmartStart produced several articles during the year, aimed at galvanising public opinion and raising awareness of key ECD issues. The Daily Maverick published two op-eds, one on the ECD economic opportunity and the other on ECD attendance data and the case for boosting government budget allocations. Business Day published an op-ed on the Children's Amendment Bill.

We continue to build and resource wider capacity for advocacy in the ECD sector. SmartStart co-founded and sits on the steering group of the Real Reform for ECD campaign. We also publish a new ECD Advocacy Bulletin, which includes all relevant updates from government and parliament, and is widely distributed three times a year to positive feedback from across the sector.

Moving forward, we will continue to bring our operational experience and learnings to bear on policy development. We'll also prioritise building delivery partnerships with national and local government, which enable us to work together to close the supply gap in the most under-served areas.

**Rebecca Hickman**  
*Policy and Advocacy Associate at SmartStart*

## Raising ECD Funding Awareness

SmartStart published various articles aimed at galvanising public opinion and raising awareness on government budget allocations and legislative reform processes. The Daily Maverick published our op ed on ECD attendance trends and government funding and Business Day published our op ed on the Children's Amendment Bill. We produced two advocacy bulletins and one special bulletin, disseminated to 200+ recipients, receiving positive feedback from across the sector.

## ECD Policy Engagement

SmartStart was a key member of the government Technical Task Team established to lead on the Second Children's Amendment Bill processes. This followed the announcement on the 7th of May 2020 by the Portfolio Committee to reject all ECD-related amendments in the current Children's Amendment Bill (CAB) and deal with them in a Second Amendment Bill (SAB) process. As part of policy and legislative reform on the Children's Amendment Bill, SmartStart gave oral presentations to the portfolio committee and supported a SmartStarter and local ECD Forum Chair to give oral presentations.

# Resilience during lockdown: A programme design and development story

In 2020 the world unexpectedly had to deal with the COVID-19 global pandemic. While young children did not experience the worst health impacts, the socio-economic effects profoundly affected their well-being. Mitigation measures inadvertently placed many children in potential harm. In South Africa, ECD programmes were forced to close. Children who were reliant on these sites for food, stimulation and care were suddenly more vulnerable than before. Some – particularly the poorest – may experience a lifelong impact from this interruption.



The SmartStart network rallied together during the lockdowns ensuring that food, financial support, and information was provided to franchisees (practitioners), enrolled children and families to try and mitigate some of these impacts. We issued COVID-19 support vouchers to 2 974 franchisees.

We also adopted new strategies and approaches to continue supporting children with early learning at home during the pandemic. SmartStart made early learning content available on our website (zero-rated to enable free access) and via Facebook and WhatsApp, with weekly SMS messages for parents. Ten trainers were upskilled as remote call centre agents working from their homes to support parents in the network with information on COVID-19 and home learning. Our team of 72 coaches across the country were

also equipped to disseminate COVID-19 and home learning materials weekly with franchisees, who in turn were encouraged to share these with their communities.

To help improve and promote home learning by caregivers, SmartStart launched a six-week home learning challenge. Parents and caregivers were invited to complete fun activities with their children to further encourage home learning, with great engagement from participants.

As COVID-19 restrictions were lifted, ECD programmes were able to open. Some franchisees faced challenges with reopening, and we supported them with an eight-week home visiting programme from January 2021. By the end of June 2021, 97% of franchisees had managed to reopen their programmes.

SmartStart's programme is built on strong parent partnership with the early learning programme and aims to strengthen home learning environments. The experience gained from these activities have brought important insights for our future offering. Consequently, we are redesigning the franchisee caregiver engagement strategy and tools for relaunch in 2022.

**Justine Jowell**  
Programme Design Lead  
at SmartStart



Materials developed and distributed by SmartStart to support early learning at home during the COVID-19 Lockdown.

# A franchisor's story:

## Partnering over the long term for greater impact



Throughout my career in early childhood development, I have been driven by the adage “every child is my child”. I am glad to say that my children have benefitted from the ECD projects my organisation, LETCEE, or Little Elephant Training Centre for Early Education, has implemented in communities and more recently from the SmartStart structured playgroups we have been part of. Our partnership with SmartStart has positively impacted our organisation as well as the children we serve.

LETCEE works in the Umzinyathi District Municipality, in KwaZulu-Natal. We served 383 franchisees (practitioners) and 2 429 children

during the year under review. This is one of the most impoverished areas in the province. Infrastructure is inadequate. Fewer than 15% of the children here access early learning. Research has shown that this will impact negatively on their future educational success and earning capacity. SmartStart playgroups, facilitated within walking distance of the child's home, have significantly increased children's access to early learning opportunities.

LETCEE has been involved with SmartStart since the network inception in 2015. Our organisation had more than a decade's experience in providing playgroups for children prior to this, so we were able to help develop the model. We were among the first franchisors (implementing partners).

From the beginning, SmartStart provided clear guidelines for planning, preparation, and delivery of the playgroups. Their emphasis on building community relationships and working with existing groups dovetailed with our policies for ensuring ECD services are owned and sustained within the community. We selected playgroup facilitators from the community and encouraged parents and carers to participate. This strengthened the communities' response to children's needs and rights and prioritised the importance of early learning opportunities, with enrolments increasing from 2015 onwards.



*Children participating in SmartStart programmes in Greytown, Kwa-Zulu Natal.*

The Covid pandemic decimated playgroups. Children lost out on learning opportunities at a crucial stage of their development. With SmartStart's encouragement and resources, and LETCEE's presence and support, the franchisees were able to rebuild their playgroups. By communicating clearly and simply in isiZulu we were able to restore confidence in both parents and franchisees as children returned to play and learn. Food vouchers were provided so that no child went hungry even where families were under additional financial strain.

SmartStart has consistently supported LETCEE. We appreciate their willingness to listen and

understand our experiences, to find solutions and to accommodate our concerns. This has led to a strong relationship. Together we continue to work to close the gap.

**Mary James**  
Director at LETCEE

*Dr Mary retires in February 2022. SmartStart, its network and partners would like to take this opportunity to thank Dr Mary James for her enormous contribution to the sector and to our network. We wish her well in the future.*

# Coach story: Enabling franchisee success during Covid-19

I started as a SmartStart coach in 2016 and currently work in Port Elizabeth. At the moment, I advise 138 franchisees (practitioners) and assist with issues around parents, fees, and any other challenges they are facing. During the lockdown, I worked harder than ever, to make sure everyone stayed informed and felt supported.

For most of our franchisees, the early learning programmes are their business and primary source of income. So, when Covid-19 hit, they struggled to make ends meet. Additionally, our franchisees do this work because they are passionate about helping children, they were worried that kids would lose out on key developmental milestones while stuck at home.

To ensure children remained stimulated at home, SmartStart provided resources that franchisees could use over the phone. While we able to provide some level of support, parents were not used to stimulating their children at home or not tech savvy enough to capture videos and activities on their phones.

Technology was our biggest ally during the Covid-19 lockdown. Using WhatsApp groups, websites, and phone calls, I was able to stay in touch with franchisees, even when we were not able to see each other face-to-face. In turn, franchisees were able to communicate with parents, to provide advice and activities for kids.

SmartStart provided stipends and vouchers to help franchisees sustain their businesses- from children's lunchbox parcels to soup kitchen vouchers and small food packs for families. These enabled franchisees to maintain a positive relationship with families, ensuring children could return happy and healthy once things opened up.

While we, the coaches, were checking on franchisees, SmartStart was checking on us. They provided us with scripts to tackle frequently asked questions, so we were equipped to advise franchisees on everything from Covid-19 symptoms, to how to communicate with parents. We also had weekly check-ins with our hub coach and received training on social distancing, ensuring our franchisees' venues were Covid-19 compliant and fit for reopening.

When things did finally reopen, our main challenge was helping franchisees with getting children back into their programmes. While things still are not back to normal, they are looking much better.

**Nonelela Gcilitshana**  
*SmartStart coach*



## Nutrition support to our network

Increasing nutritional support, achieving more extensive coverage for the network remains a core focus. During this period The Do More Foundation supported SmartStart's implementing partners – ELRU, Tree, Siyakholwa and Diaconia – with donations of Monati porridge and Yum Yum peanut butter. Through these donations, over 680 761 meals to a value of R1.3-million have been provided to the young children attending SmartStart Programs across the country. At the same time Lunchbox Fund's partnership with SmartStart ensured that quality child care, stimulation and education was provided alongside our meals. 'Resource stacking' in this way enables us to address a range of children's needs. This has a powerful impact on both child and the community and ultimately leads to the development of the whole child.

## Food Vouchers Support during COVID 19

As part of COVID-19 relief, SmartStart received a grant from Ilifa Labantwana to provide food vouchers to Franchisees (practitioners). Food vouchers were issued to 944 franchisees from October to December 2020 in the Eastern Cape, North West, Free State, and Limpopo. In addition, water tanks were supplied to franchisees in the North West Province in areas where there are water supply issues.

# Closing the supply gap by removing barriers to entry



Investing in the early years of life is pivotal to a child's development, providing the crucial "building blocks for educational achievement, economic productivity, responsible citizenship, lifelong health, strong communities and successful parenting of the next generation"<sup>1</sup>. And yet, the young South African child remains under-prioritised in our noisy political agenda and as a result, we continue to miss the opportunity to change trajectory of millions of young South Africans. We need to support children to be ready to learn if we want to make a positive impact on the future of our country.

In this context, supporting the growth and development of early learning programmes and services that enable children to be on track developmentally is key. And in South Africa, these

services are primarily delivered through small and micro businesses or NGOs. This amazing and dedicated workforce of mostly women, supported substantially by the non-profit sector, continue to be the backbone of early learning service supply in the country. And for South Africa to be able to provide all young children with early learning services, this workforce needs to be nurtured and supported to grow to close the gap in the supply of services.

As SmartStart, one of our goals is to understand the early learning provisioning gap and its drivers, to be able to support closing the early learning supply gap as quickly as possible. Over the past year, living in a continued COVID-19 affected environment, SmartStart has worked to understand both the complexities of operating and sustaining an early learning service as a micro-enterprise and the "barriers to entry" that are preventing a rapid scale up of service provision. Additionally, SmartStart, in partnership with other ECD stakeholders, have continued to make the case for the role of early childhood development in the creating new livelihood opportunities for youth and women.

There are numerous systemic barriers preventing the increased supply of early learning services, including ongoing regulatory frameworks that do not take into account the SMME-type nature of the service providers, or prioritize regulation over support and enablement of services. Setting up and running a micro-enterprise is difficult, even more so in a resource constrained environment.



*Prospective practitioners learning about the early learning enterprise development opportunity*

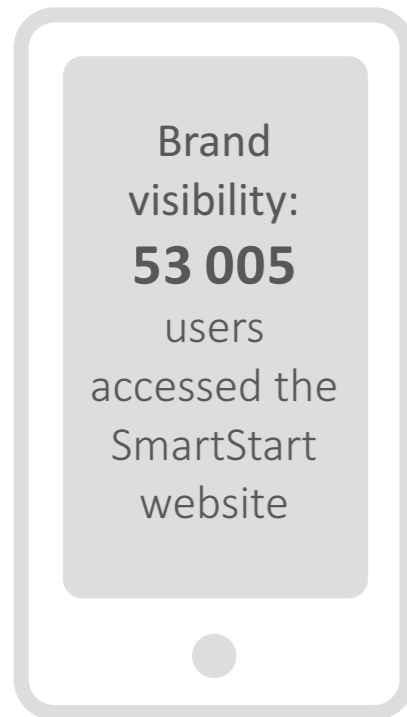
And this is where SmartStart plays a valuable role in the supply of services. Its platform for scale is both identifying and enabling new entrants into the market, providing early learning training, content and curriculum, and start-up resources. Its platform continues to support these new entrants to help them build their programmes, with both business and early learning quality supports. The peer network that is created by the clubs and coaches within the SmartStart network add an additional layer of engagement and support to help retain these new entrants in the market. As a Board, we are very proud of the team at SmartStart and

the way in which SmartStart has pulled together a unique combination of skills from different industries to try and leverage best practises across a wide range of industries into resolving the early learning supply gap. The deep thinking and robust, data driven analysis that the team brings to the table is inspiring and, when layered over the passion to see young children in South Africa thrive, provides me with a real hope that South Africa can give every child the power to succeed.

**Carley Symms**  
*Chairman of the board*

<sup>1</sup> Centre on the Developing Child Harvard University  
<https://developingchild.harvard.edu/guide/what-is-early-childhood-development-a-guide-to-the-science/>

# Our year in numbers



## In FY 2020/21...

**41 690** children attended programmes run by **4 944** Franchisees (Practitioners), who participated in **639** clubs run by **72** club coaches, who conducted **463** quality assurance visits

The call centre played a crucial role in our outreach effort. We ran **22** call campaigns on data verification, reopening, alignment to opportunities, and baseline surveys.

**30 282** outbound calls  
**9 126** inbound calls

We ran **127** training sessions, ranging from the weeklong start-up training to short courses in business skills and child progress.

Our FY2020/21 franchisee retention rate was at **97%**

A total of **2 479** franchisees received monthly stipends while **2 974** franchisees received covid relief vouchers.

We were delighted to welcome **1 564** newly licensed Franchisees into the network.

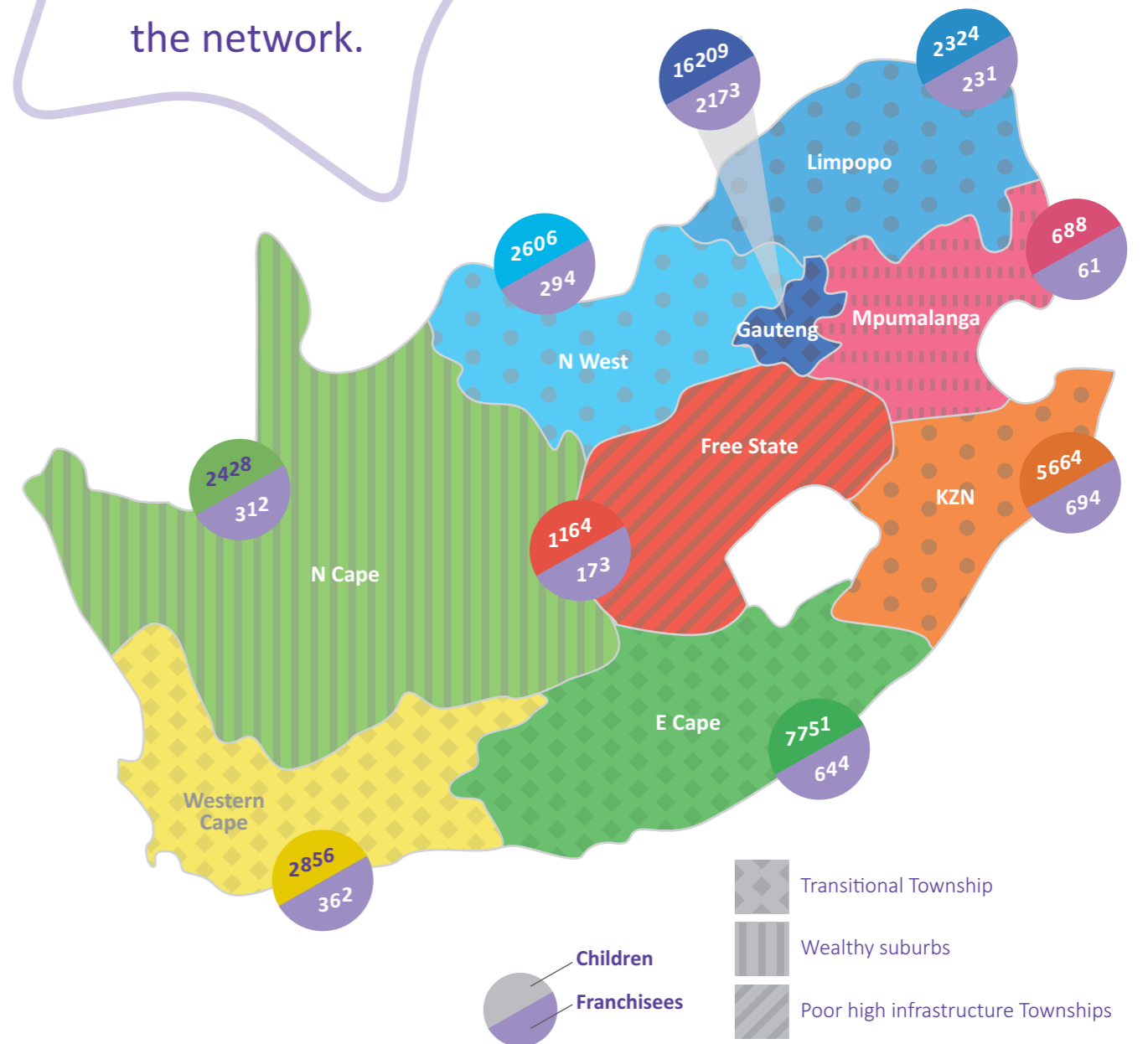
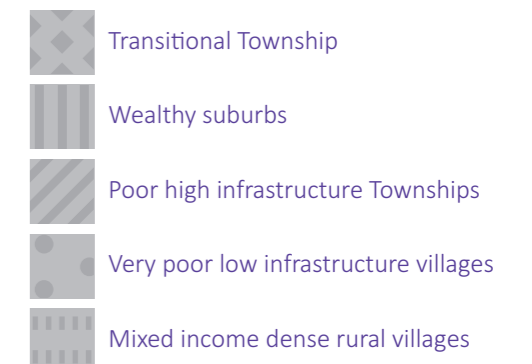


Table 2: Number of franchisees and children per province



## New SmartStart Strategy

The **SmartStart 5-year strategy** was developed and finalised during the year. It maps a path for future growth, planning, and implementation. SmartStart's 5-year strategy covers the period 2021 to 2026, with the journey to Closing the Early Learning Access Gap continuing to be our primary focus. This overarching objective is further broken down into three sub-objectives:

- Closing the early learning supply gap.
- Closing the early learning opportunity gap.
- Closing the early learning funding gap.

## SmartStart Digital Unite

SmartStart Unite has always been delivered as a live event, bringing together 1 200 franchisees. During the year, we hosted our first-ever online event celebrating our franchisees. Content included training on safe re-opening, accessing COVID-19 relief support, and involving parents and caregivers in the development of their children.

There were 801 individual logins with most representing a SmartStart Club of 6 people. Our initial RSVPs totalled 2,810 and we believe we achieved a viewership of over 3,000 on the day. This was the first post COVID-19 gathering for our network and served to not only celebrate but also to motivate franchisees for the year ahead. We learned much about innovation to engage and connect with our network.



## Open day programme: Supporting site reopening and marketing early learning

Following COVID-19 closures, we developed several marketing materials and processes to build confidence again in early learning programmes and support SmartStarters. This included materials for the **Open Day programme**.

SmartStarters were supported with flyers, invites and messages to run an Open Day's safely in their communities to showcase their programmes and the benefits of early learning.

As part of this programme, SmartStarters shared a short story about Loyiso's Return to SmartStart. The story was shared digitally with franchisees and print versions were included with reopening packs, distributed to the entire network in April 2021. New parents also received a copy to read with their children in the build-up to starting preschool. The story was well received, and future editions are planned.

# Governance report

## Governance:

As a non-profit company, our primary objective is to provide, develop, and enable access to early childhood development and related services, so that we facilitate optimal learning for preschool children in South Africa. SmartStart has a board of directors that oversees our executive management functioning. The board is, has, and continues to be committed to applying and enforcing applicable corporate governance principles. It also recognises that sound corporate governance enhances our long-term sustainability and assures stakeholders that the company is well managed.

The board plays a critical role in strategic planning and establishes clear benchmarks to measure our performance. Sound corporate governance practices underlie our values, culture and processes and ensures SmartStart is managed efficiently, is accountable and transparent and works in an ethical manner.

## Composition of the board:

SmartStart has a unitary board comprising one executive director, the CEO, and five independent non-executive directors. We support the principles of gender diversity at the board level and believe the current mix of knowledge, skill, and experience meet SmartStart's requirements effectively. The board includes one committee – the Finance, Audit and Risk Committee.

## Board meetings:

Meetings of the board are convened by formal notice as per the annual schedule compiled by the company secretary and approved by the board. Special meetings are convened as and when required to address specific material issues. Corporate governance, especially transparency and accountability, is enhanced with comprehensive board documents submitted by the executive management. During the 2020/21 financial year, there were four board meetings and one annual general meeting. There was also one two-day board strategy session.

## Finance, Audit and Risk Committee:

The Finance and Audit Committee continued to oversee the effective financial and risk management of SmartStart, including controls and governance, and the raising, collection, investment, borrowing and outlay of all monies required to fund its activities and to report and make recommendations to the board. The committee provides the company's board with constructive feedback on its findings, especially when identified issues could present a material risk to the company. During the 2020/21 financial year, the committee held four meetings.

## Executive committee:

SmartStart's Executive Committee (EXCO) is chaired by the CEO and previously consisted of four department leads. During this period we saw the strengthening of EXCO, through a departmental lead re-structure as well as the creation of a C-Suite, with the appointment of three positions: the Chief Operating Officer (COO), Chief Growth Officer (CGO), and Chief Financial Officer (CFO). EXCO continues to be responsible for overseeing the day-to-day management of the company's affairs, executing board decisions, developing strategy and reviewing the company's values, operations, and financial performance. In accordance with good governance, the EXCO meets on a regular basis.

For FY 2020/21 the following board meetings and senior management were held:

1. Joint Management Committee/Board and Board Meetings: 4
2. EXCO meetings: 21

## Honey Shangase

Chief Financial Officer







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# Financial Report

The company revenue increased by 45 percent to R81.2-million (2019/20: R56-million), driven by increased activities. As of the 30th of June 2021, R81.1-million (2019/20: R55.9-million) of the revised budget of R85.7 million has been spent. The effects of the COVID-19 pandemic continue to have an enormous impact on our activity target and spending patterns. COVID-19 expenditure for the 2021 financial year was R15.3-million, 84 percent of which consisted of our internal voucher relief programme which ended in December 2020, the Jobs Fund/Treasury voucher relief programme from March 2021 onwards, and sanitation pack distribution to franchisees (practitioners) at various points during the year. SmartStart has implemented effective budget management initiatives over the years and ensured that all the spending is within budget, as shown in Table 2 below.

## Going Concern

At year-end, the net equity position was R279 405 compared to the previous financial year, where the net equity was R516 297. SmartStart had a bank opening balance of R30-million and obtained an additional R75-million from various investors and funders during the financial year. This funding was sufficient to fund the working capital requirements of SmartStart for the period. There was a positive cash balance at year-end of R18.8-million. The company has adequate financial resources to continue operating for the foreseeable future, and accordingly, the financial statements have been prepared on a going concern basis.

## Internal Controls

SmartStart has implemented a system of internal controls reviewed by the External Auditors and the Finance Audit and Risk Committee. The key focus of the 2020/21 financial year was on improving internal controls by upgrading the financial system.

## The Funding Gap

A key concern is the sustainability of ECD programmes and the SmartStart delivery platform. Sustainable programmes ensure increased access to quality ECD programmes for children and sustainable livelihoods for practitioners. We need to clearly articulate the costs associated with different stages of an ECD programme's lifespan to understand better the operating income required.

Our initial investment phase focused on building a platform and designing the SmartStart ECD programme. The focus for the next investment phase is to grow a solid and sustainable network supported with strong micro-enterprise development and infrastructure partnerships.

The proposed investment strategy aims at:

- Unblocking structural challenges
- Strengthening franchise model
- Supporting franchisee (practitioner) Network
- Building demand

For SmartStart to reach 274 000 children in 2026, about R850-million in platform funding is required over the next five years. Over and above the platform cost, there is still a need to

address programme and practitioner costs. Only 55 percent of the required budget is secured funding, and a gap of R368-million (45 percent) still exists for the platform cost. The secured funding is sufficient to cover the first two years of the five-year strategy.

We have identified an investor pipeline to close the funding gap, including an increase in the government contribution. SmartStart requires investors that focus on scaling, and we recognise the need to transition like-minded funders into long-term investors.

Description	2021 Annual Budget	2021 Financial year spend	Annual Budget remaining	% 2021 Budget
Advocacy	1 582 536	1 559 528	23 008	99%
Brand and Comms	7 113 182	2 632 508	4 480 674	37%
Early Learning	12 209 985	13 124 529	-750 178	107%
HUB Operations	15 893 117	15 174 916	718 201	95%
M&E	3 420 534	2 005 315	1 415 219	59%
Network	42 128 547	44 181 003	-2 052 456	105%
System	3 361 956	2 162 487	1 199 469	64%
Total	85 709 857	80 840 286	5 033 937	94%

Table 3: 2021 Annual Budget summary



# Financial Report

## Statement of Financial Position as at 30 June 2021

Figures in Rand	2021	2020
<b>Assets</b>		
<b>Non-Current Assets</b>		
Plant and equipment	568 806	242 719
Right-of-use assets	1 669 796	621 267
Intangible assets	460 000	460 000
	<b>2 698 602</b>	<b>1 323 986</b>
<b>Current Assets</b>		
Inventories	2 122 323	2 581 298
Trade and other receivables	32 837 476	2 001 723
Cash and cash equivalents	18 827 184	30 441 507
	<b>53 786 983</b>	<b>35 024 528</b>
<b>Total Assets</b>	<b>56 485 585</b>	<b>36 348 514</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Retained income	279 405	516 297
<b>Liabilities</b>		
<b>Non-Current Liabilities</b>		
Finance lease liabilities	1 517 861	606 780
<b>Current Liabilities</b>		
Trade and other payables	10 493 803	5 636 313
Finance lease liabilities	499 634	159 298
Deferred income	43 694 882	29 429 826
	<b>54 688 319</b>	<b>35 225 437</b>
<b>Total Liabilities</b>	<b>56 206 180</b>	<b>35 832 217</b>
<b>Total Equity and Liabilities</b>	<b>56 485 585</b>	<b>36 348 514</b>

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	2021	2020
Revenue	81 208 527	56 031 622
Other operating income	228 231	111 998
Other operating gains (losses)	1 617	-
Other operating expenses	(81 107 367)	(55 956 483)
<b>Operating profit</b>	<b>331 008</b>	<b>187 137</b>
Investment income	469 841	630 365
Finance costs due to lease	(157 575)	(75 140)
VAT refunds disallowed	(880 166)	-
Impairment of loss due to misappropriation	-	(939 775)
<b>(Loss) profit for the year</b>	<b>(236 892)</b>	<b>(197 413)</b>
Other comprehensive income	-	-
<b>Total comprehensive (loss) income for the year</b>	<b>(236 892)</b>	<b>(197 413)</b>

## Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 July 2019	713 710	713 710
Loss for the year	(197 413)	(197 413)
Other comprehensive income	-	-
<b>Total comprehensive Loss for the year</b>	<b>(197 413)</b>	<b>(197 413)</b>
Balance at 01 July 2020	516 297	516 297
Loss for the year	(236 892)	(236 892)
Other comprehensive income	-	-
<b>Total comprehensive Loss for the year</b>	<b>(236 892)</b>	<b>(236 892)</b>
Balance at 30 June 2021	<b>279 405</b>	<b>279 405</b>

## Statement of Cash Flows

Figures in Rand	2021	2020
<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(10 531 017)	29 049 328
Investment income	469 841	630 365
Finance costs due to lease	(157 575)	(75 140)
<b>Net cash from operating activities</b>	<b>10 218 751</b>	<b>29 604 553</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(820 944)	(71 295)
Sale of plant and equipment	4 000	-
Loss incurred due to misappropriation	-	(204 990)
<b>Net cash from investing activities</b>	<b>(816 944)</b>	<b>(276 285)</b>
<b>Cash flows from financing activities</b>		
Payment on lease liabilities	(578 628)	(701 191)
<b>Total cash movement for the year</b>	<b>(11 614 323)</b>	<b>28 627 077</b>
Cash at the beginning of the year	30 441 507	1 814 430
<b>Total cash at end of the year</b>	<b>18 827 184</b>	<b>30 441 507</b>

# Thank you

Finally, I would like to thank everybody who is associated with SmartStart for the role they played in our work in the past year. The SmartStart investors and funders for their support to the work of SmartStart over the years, and in particular during the last two years where our work and that of the sector was so disrupted by the COVID-19 pandemic. That this network survived the pandemic pressures as it did, was due to the support and responsiveness of our growing network of funders and investors, who believe in the work of SmartStart. I would also like to thank our partners and franchisors, for the key role they play at the coal face, embedding SmartStart in their organisations and driving the implementation of SmartStart operations in South African communities. We appreciate that often the challenges of implementation go far deeper than they appear to and value your partnership that enable locally relevant solutions. Thank you to the SmartStart team as a whole, for your resilience and persistence under really trying circumstances. Final tribute goes to the amazing network of SmartStarters – our franchisees across the country who are the real heroes of the day, for your commitment to giving every child the power to succeed.

**Grace Mathape**  
Chief Executive Officer, SmartStart





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