



BRIEFING TO THE PORTFOLIO COMMITTEE ON SOCIAL DEVELOPMENT

12 October 2016

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Role of the Financial and Fiscal Commission
2. Social Development in Context of Current Socio-Economic Context
3. Departmental Analysis
4. Entities Under DSD
5. Measuring Departmental and Entities' Performance
6. Conclusion
7. Previous FFC Recommendations



1. ROLE AND FUNCTION OF THE FINANCIAL AND FISCAL COMMISSION

ROLE AND FUNCTION OF THE FFC

- The Financial and Fiscal Commission (FFC)
 - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
 - Must function in terms of the FFC Act
- Mandate of Commission
 - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
 - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
 - Includes regulations associated with legislation that may amend or extend such legislation
- Commission must be consulted in terms of the FFC Act
- Current research strategy focuses on developmental impacts of IGFR



2. SOCIAL DEVELOPMENT IN CONTEXT OF CURRENT SOCIO- ECONOMIC OUTLOOK

BACKGROUND

- **Women**

- With the exception of women who fall within the 20-39 age group/cohort, women are more likely to be functionally illiterate across all age groups when they are compared to their male peers (StatsSA, 2015)
- Unemployment rate for women 4.4% higher than national unemployment rate for men. Unemployment rate for men was 22.5% (StatsSA, 2015)

- **Children**

- More than four-tenths of children in South Africa can be found in the two most populous provinces: KwaZulu-Natal (21.9%) and Gauteng (19.0%) (StatSA,2012)
- 17.8% of all children in South Africa are orphaned (StatsSA,2011)
 - The largest percentage of orphans can be found in KwaZulu-Natal(23.8%) and the Eastern Cape (23.3%) province
- The percentage of child-headed households was approximately 0.4% in 2012 (about 60 000 households) (StatsSA,2011)
 - Highest number of child-headed households can be found in Limpopo and the Eastern Cape

BACKGROUND [CONT.]

- **People with disabilities**

- National disability prevalence increased slightly from 7.5% in 2011 to 7.7% in 2016 (StatsSA,2016)
 - Disability prevalent at older ages and more prevalent among women (8.9%) when compared to men (6.5%)
- 23.8% of disabled persons with severe difficulties have no formal schooling and 24.6% have some primary education (StatsSA,2011)
- Low labour market absorption of persons with disabilities (StatsSA,2011)
 - The proportion of “not economically active” persons is highest among the African population group (12.5% for those with disabilities and 10.7% for able-bodied persons)
 - Highest proportion of “not economically active” persons with the disabilities in the Eastern Cape (19.1%) and KwaZulu-Natal(15.3%)

BACKGROUND [CONT.]

- To reiterate, the National Development Plan (NDP) calls for the protection and advancement of the rights of women, children and people with disabilities. Options proposed in the NDP include:

- **Women**

- Access to labour market through secure tenure and public employment schemes
- DWCPD and Gender Commission to set indicators and report annually on progress
- Access to anti-retrovirals by women 16 years and older

- **Children**

- Improve quality of education and 2 yrs compulsory pre-school education
- Social protection and support for AIDS orphans

- **People with disabilities**

- Enhanced access to quality education and employment; integrate into all planning



3. DEPARTMENTAL ANALYSIS

BUDGET AND PROGRAMMES OF DSD

Programme (R'mil)	Audited Outcome			Revised Estimate	Medium Term Expenditure Framework Estimates			Real Annual Average 2012/13-2015/16	Real Annual Average 2016/17-2018/19
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19		
1. Administration	262	267	331	297	323	336	351	-1.30%	-1.61%
2. Social Assistance	103 899	109 597	119 995	128 868	140 499	152 207	164 754	1.76%	2.11%
3. Social Security Policy and Administration	6 198	6 377	6 589	6 741	7 016	7 527	7 992	-2.61%	0.65%
4. Welfare Services Policy Development and Implementation Support	525	566	599	677	723	1 058	1 296	3.11%	26.23%
5. Social Policy and Integrated Service Delivery	260	304	347	360	378	393	414	5.50%	-1.23%
Total	111 145	117 111	127 860	136 944	148 938	161 520	174 809	1.53%	2.16%

- The DSD's budget grows from R136.9 billion in 2015/16 to R148.9 billion in 2016/17 – this translates into a real increase of 2.02%
 - Real growth in the budget is projected to remain around the 2% mark over the rest of the 2016 MTEF period
- Social Assistance is the largest programme on the budget – projected to grow by a real annual average of 2.11% over the 2016 MTEF period
- Programme 4: Welfare Services Policy Development and Implementation Support projected to show high real annual average growth over the 2016 MTEF period of

26.23% per annum

PROGRAMME 2: SOCIAL ASSISTANCE

R'000	Audited Outcome			Adjusted Appropriation	Medium Term Expenditure Framework Estimates			Real Annual Average 2016/17-2018/19
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Old Age	40 475 021	44 064 239	49 044 747	53 517 707	58 927 478	64 656 265	70 832 706	3.4%
War Veterans	9 543	7 657	6 180	5 014	3 622	2 509	1 643	-36.5%
Disability	17 636 570	17 768 631	18 744 785	19 733 911	20 418 422	21 447 424	22 522 464	-1.0%
Foster Care	5 335 049	5 332 093	5 419 223	5 534 585	5 521 995	5 780 688	6 028 625	-1.5%
Care Dependency	1 877 412	1 993 084	2 211 953	2 460 930	2 676 824	2 939 454	3 218 811	3.4%
Child Support	38 087 990	39 623 748	43 741 007	47 841 724	51 950 579	56 286 912	60 981 422	2.2%
Grant-in-Aid	237 974	274 092	371 259	274 195	499 771	593 476	668 743	9.1%
Social Relief of Distress	239 286	533 047	455 607	450 212	500 000	500 000	500 000	-5.7%
Total	103 898 845	109 596 591	119 994 761	129 818 278	140 498 691	152 206 728	164 754 414	2.1%

- Largest subprogrammes are: Old Age Pension and Child Support
- Grant in aid subprogramme projected to show real annual average growth of 9.1% per annum – relative to projected growth within other subprogrammes, this is very significant level of growth
- Over the 2016 MTEF period, the war veterans subprogramme is projected to show the largest real annual average decline of 36.5% per annum

SPENDING BY ECONOMIC CLASSIFICATION

- Transfers and subsidies are the largest item due to transfers to provincial departments and the South African Social Security Agency (SASSA)
 - Over the 2016 MTEF period, this item is the only one that experiences growth over 1%
- Over the 2016 MTEF period, real annual average decline of 3.7% projected for compensation of employees – the result of Cabinet approved budget reductions to lower the national aggregate expenditure ceiling

R'mil	Audited Outcome			Revised Estimate	Medium Term Expenditure Framework Estimates			Real Annual Average 2012/13-2015/16	Real Annual Average 2016/17-2018/19
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19		
Compensation of employees	307.4	339.3	377.5	423.6	459	466	478	5.4%	-3.7%
Goods and services	310.3	341.8	361.0	352.7	343	367	393	-1.2%	0.9%
Transfers and subsidies	110 506.2	116 413.4	127 077.1	136 157.7	148 125	160 677	173 926	1.5%	2.2%
Payments for capital assets	11.0	6.7	17.3	9.6	10	11	11	-9.4%	-1.7%



4. ENTITIES UNDER DSD

ENTITIES REPORTING TO THE MINISTER OF DSD

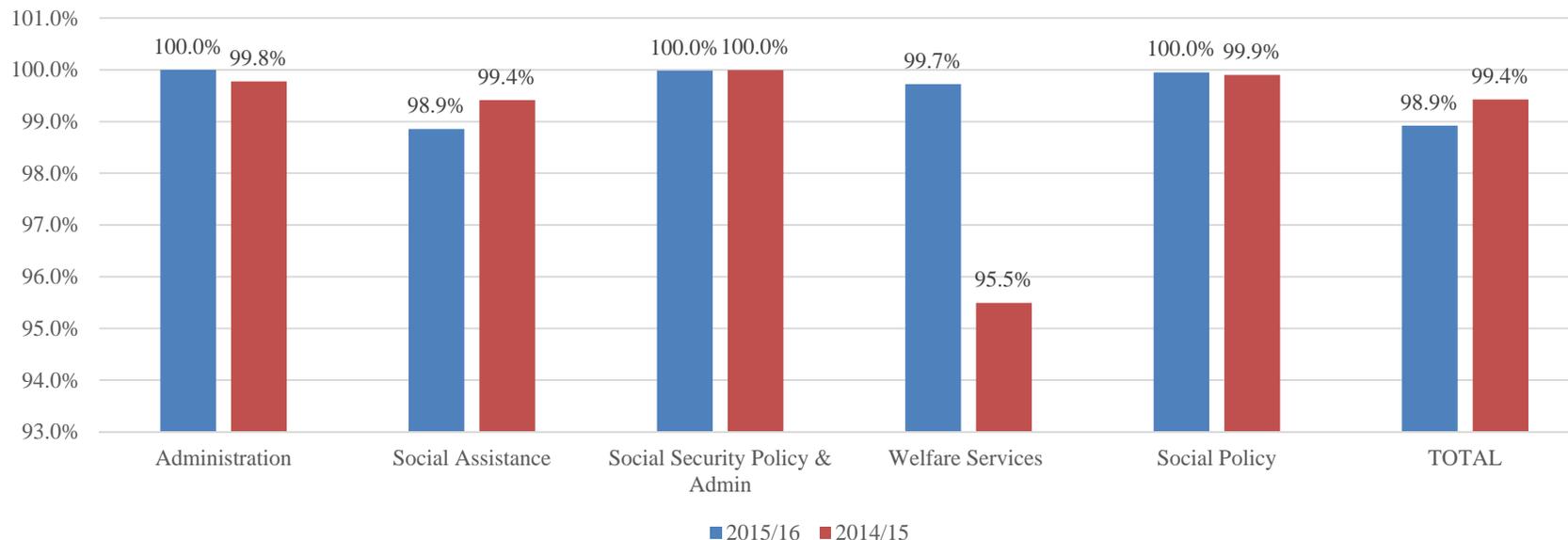
Entity	Financial Relationship	Nature of Operations
South African Social Security Agency	Transfer and subsidies	Effective management, administration and payment of social assistance
National Development Agency	Transfer and subsidies	Grant funding, capacity-building, research and development pertaining to civil society organisations (CSOs)
Central Drug Authority	Operational/ functionality costs	Key function is to give effect to the National Drug Master Plan and promote measures relating to the prevention and combating of the abuse of drugs

- Departmental transfers to SASSA set to reach just under R8 billion by end of the 2016 MTEF. Transfers to SASSA decline by a real annual average of 2% over the 2016 MTEF period
 - Challenges such as a lack of systems integration and management information capability impede the social pension system - by 2018/19 SASSA will work on a replacement for the social pension system
 - Generally, SASSA's operations are set to become largely driven by information and communication technology (ICT) over the medium term. The focus will thus be on implementing a range of projects aimed at modernising service delivery
- National Development Agency's mandate review has been completed and the agency will shift its focus from grant making to the capacity building of CSOs to ensure that these organisations are appropriately capacitated – allocation set to increase from R268 million to R283 million in 2016/17. Over the 2016 MTEF period transfers to this entity projected to experience a real annual average decline of 0.6% per annum



5. MEASURING DEPARTMENTAL AND ENTITIES' PERFORMANCE

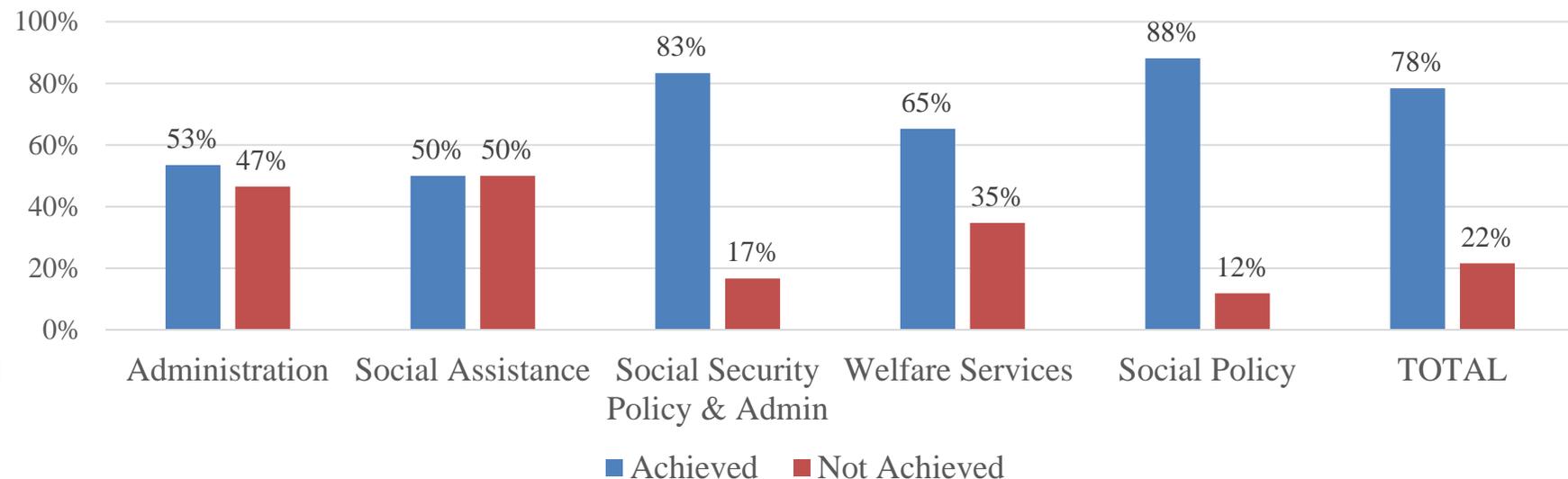
SPENDING PERFORMANCE OF DSD



- The department spent close to 99% of its total budget in 2015/16. This equals underspending of roughly R1.5 billion
- Underspending largely a result of:
 - Slow spending on foster care, disability and war veterans as a result of lesser than anticipated beneficiaries
 - Non-payment of NPOs due to non-compliance
 - Slow spending on legal services as litigation cases reported lower than in previous years

ACHIEVEMENT OF PERFORMANCE TARGETS [1]

- The department achieved 78% of its performance indicators, but spent 99% of its targets, suggesting the budget and performance functions are not well aligned in the department
- Even though the department updated its M&E system, many indicators reported on are still vague and do not comply with SMART principle
 - E.g. “*No. of HH supported and linked to socio-economic opportunities*”. It is unclear the nature of the socio-economic assistance being provided. Unsure how the department therefore measures whether target achieved or not



ACHIEVEMENT OF PERFORMANCE TARGETS [2]

- The big variances between the indicator target and the departmental achievement
 - This suggests a lack of proper criteria for setting targets, including the proper costing of targets (E.g. The department refurbished 4 times the amount of DSD facilities as indicated in its annual report, yet budget was not overspent)
- Administration
 - With finances constrained, the value-add of some activities need to be assessed (E.g. marketing and advertising initiatives, public participation events, etc.)
 - Even though some posts are being held in abeyance until after the organisational structure review process, the turnaround time in filling vacant posts is concerning (i.e. 15 months)

ACHIEVEMENT OF PERFORMANCE TARGETS [3]

- **Social Assistance**
 - The budget allocation for the social relief of distress grant does not seem to align with the targets (E.g. the department processed three times more social relief of distress applications compared to its targets, yet underspent by R267 million)
- **Social Security Policy and Administration**
 - While new policy proposals being worked on are noteworthy (i.e. universal child support and proposals for guaranteed employment), the Committee should be apprised on the affordability of the proposals and the potential effect it may have on the national fiscus
- **Welfare Services**
 - The welfare services programme awarded 50% more scholarships than planned in 2015/16
 - The Committee would need to be aware if these scholarships involve any future budgetary implications such as the placement of these graduates and if so, will DSD have the financial resources to accommodate the placement

ACHIEVEMENT OF PERFORMANCE TARGETS [4]

- Social Policy

- Some activities being implemented under this programme overlap with similar activities funded by DAFF (E.g. provision of food and nutrition services, supporting cooperatives). The Committee should be informed whether any coordination between Social Development and DAFF is taking place regarding the implementation of these activities
- The performance of the Legislative and Policy Reform branch under this programme is poor as many indicators have not been achieved.
 - From the Commission's perspective, any new policies or Bills proposed, should be costed so that financial implications are properly understood

6. CONCLUDING REMARKS

- Within the context of the goals of the NDP, the DSD has an important role to play in uplifting the lives of vulnerable groups in South Africa
- Relatively stable real growth in DSD's budget maintained over the period reviewed
- The quality of performance information in the Annual Report does not always allow for effective oversight over the department's performance. Areas that require attention are:
 - Revising indicators to comply with the SMART principle
 - The fiscal implications (both present and future) and affordability of performance indicators that relate to policy proposals in the main should be assessed
 - The value-add of some activities are questionable and should be examined
 - Improve coordination with other departments' that implement similar activities



7. RELEVANT FFC RECOMMENDATIONS

FFC RECOMMENDATIONS – 2014/15

SUBMISSION FOR THE DoR

Economic and Social Value of Social Grants

- Government makes more resources available through the transfer system to enable progressive realisation of an ideal child-support system. An ideal child-support system is a system that relaxes the existing means test and moves towards faster universalisation of the Child Support Grant (CSG). This should happen even under fiscal consolidation because of the social and economic benefits
- Government puts in place a system to ensure coverage is extended to children currently excluded from accessing the CSG for administrative reasons

FFC RECOMMENDATIONS – 2014/15

SUBMISSION FOR THE DoR

- Government moves faster towards consolidating the various social protection instruments (CSG, Foster Child Grant, UIF, social wage, etc.), as part of the longstanding reform of the social security system because of the significant effects on reducing child poverty
- National Treasury provides advice to departments and agencies working with children on developing major cross-portfolio initiatives aimed at eliminating child poverty. To date, a range of child poverty measures have been accommodated and scattered across many agencies, but these should be nested within a new unified outcomes framework of related agencies because of synergies with related programmes

PROVISION AND FUNDING OF CHILD WELFARE SERVICES

- Finalised and tabled report on the provision and funding of Child Welfare Services in South Africa
- The objectives of the report:
 - To provide an overview of government policy in the provision and funding of child welfare services in South Africa
 - To provide an analysis of child welfare services budgets in South Africa.
 - To identify key issues to be addressed to improve the provision and funding of child welfare services in South Africa

PROVISION AND FUNDING OF CHILD WELFARE SERVICES: RECOMMENDATIONS

Recommendations	Description
<p>1. The funding for non-governmental agencies providing child welfare services have declined markedly because international donor agencies are entering into bilateral agreements with government, government policy of partial funding of child welfare services, a decrease in lottery financing access, the donor community being less inclined to fund statutory services and lower private donations because of the economic slowdown.</p>	<p>Short-term</p> <ul style="list-style-type: none"> i. National and provincial spheres of government and NPOs should reach an agreement on the funding principles to improve transparency in the grant system. This is a short-term recommendation. ii. Delays in the disbursement of financial awards which place pressure on non-profit organisations (NPO) cash flows should also be eliminated. <p>Long-term</p> <ul style="list-style-type: none"> iii. Other sources of funding for child welfare services should be identified to ease existing funding pressures.
<p>2. Auditor-General (AG) findings for the 2010/2011 financial year for provincial Departments of Social Development point to maladministration, specifically in terms of management, monitoring and oversight of the work NPOs. Some NPOs have also not been able to account for the grants received as the AG requires and in some cases have used funds for inappropriate purposes.</p>	<p>Medium-term</p> <ul style="list-style-type: none"> i. The entire value chain in the transfer system should be audited to identify bottlenecks and inefficiencies so that administrative systems can be streamlined, simplified and standardized across provinces. ii. Where best practises are implemented, this should also be shared with other provinces.
<p>3. With limited funding for children services available, funding for non-statutory services like Early Childhood Development (ECD), may be diverted to fund statutory services which are justiciable.</p>	<p>Short-term</p> <ul style="list-style-type: none"> i. The national and provincial spheres should carefully balance the funding allocated to statutory and non-statutory services such as ECD, through its prioritization framework that recognizes the importance of both services to children's wellbeing.

PROVISION AND FUNDING OF CHILD WELFARE SERVICES: RECOMMENDATIONS [CONT.]

Recommendations	Description
<p>4. The results show significant service delivery disparities in child welfare services between various regions in the country due to historical reasons. This is exacerbated by a lack of adequate prioritization by some provinces.</p>	<p>Short-term</p> <p>i. Appropriate standardisation of funding per child that is in line with the minimum norms and standards across all provinces to reduce existing funding disparities.</p>
<p>5. The Policy on Financial Awards does not adequately address some of the important funding issues that the sector is struggling with. For example, the affordability of norms and standards, the funding mix between various service levels (E.g. Early intervention and protection vis-a-vis mandatory services) and the extent to which these services should be funded. There is also a lack of clarity and agreement on the definition on transformation implied by the Policy (E.g. The balance between urban and rural access, the staff composition of NPOs, the beneficiaries being targeted, etc.).</p>	<p>Short-term</p> <p>i. The Policy on Financial Awards should be reviewed to assess whether the following components have been adequately addressed: a prioritization framework for welfare services, a financing model based on agreed principles, minimum criteria to qualify for funding and a clear definition of transformation.</p>
<p>6. The Bill of Rights enshrines children's rights to access welfare services and also that the state should prioritize these rights through putting in place adequate policies, laws and budgets to give effect to these rights.</p>	<p>Short-term</p> <p>i. Provincial EXCOs need to ensure adequate prioritisation of child welfare funding.</p> <p>Long-term</p> <p>ii. Government should put in place a financing plan that moves towards full funding of minimum norms and standards for children services provided for in terms of the relevant Acts.</p> <p>iii. Monitoring and evaluation systems be developed across the entire delivery value chain to ensure that services delivered to children meet minimum standards of access and quality across all provinces.</p>

PROVISION AND FUNDING OF CHILD WELFARE SERVICES: RECOMMENDATIONS [CONT.]

Recommendations	Description
<p>7. Provinces have not been able to implement a needs analysis for children services as required by the Children's Act. This has led to a lack of information on backlogs and to a lesser extent, existing service provision needs, resulting in some children services not being adequately provided for.</p>	<p>Medium-term</p> <p>i. Provinces should conduct an updated needs analysis of child welfare services to inform short and long-term service planning, budgeting and monitoring and evaluation.</p>
<p>8. There is lack of coordination in planning, budgeting and target setting of CWS between all the relevant stakeholders. NPOs often are the delivery vehicle, but do not participate in these processes at all, undermining the cooperative delivery.</p>	<p>Medium-term</p> <p>i. A coordinated and integrated service delivery (planning, budgeting, consultation, communication) across national and provincial spheres and NPOs.</p> <p>ii. An agreed upon set of value principles should guide the relationship between government and NPOs.</p>
<p>9. Key programmatic child welfare indicators and targets not reported on by provinces in a consistent way. Some Indicators are also of poor quality and are not specific, measurable, appropriate, realistic or time-bound. It is therefore difficult to monitor the implementation of child welfare services and to hold departments and NPOs accountable.</p>	<p>Short-term</p> <p>i. The national sphere should standardize a limited number of indicators that the sector departments and NPOs must report on.</p> <p>ii. The national sphere should build capacity within provincial departments to monitor, support and enhance the delivery capacity of NPOs, especially emerging ones.</p> <p>Long-term</p> <p>iii. One system for reporting and monitoring these indicators should be introduced that is simple to use and can be applied in all the provinces.</p>