



Summary of Public Hearing on the Provision and Funding of Child Welfare Services in South Africa

9 and 10 April 2013

For an Equitable Sharing of National Revenue

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Financial and Fiscal Commission
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1. Background

The South African economy is still recovering from the severe impact of the global economic crisis, as reflected in this year's slow economic growth of about 2.7 per cent and revenue collection that is R12 billion less than the 2012 estimates. In light of a declining global economy and a weakening domestic economy, what are the impacts (if any) of fiscal austerity measures on government spending patterns for child welfare services?

South Africa is home to 18.1 million children, of whom 900 000 are orphans (Census, 2011). In terms of the Children's Act (as amended in 2007) and the Child Justice Act, the State has an obligation to provide social services to children, giving effect to Section 7(2) of the Bill of Rights in the Constitution. Child welfare services refer to services that aim to provide children with protection from social, economic, physical and development hardship, abuse and neglect.

Child welfare is a sector under severe pressure to transform, to extend service access and increase service quality, all within an environment of limited resources. The relationships between non-profit organisations (NPOs) and government are often strained, with certain departments concerned about the lack of transformation and quality of services provided by NPOs operating predominantly in urban areas. On the other hand, established NPOs are concerned by cuts in government funding, a perceived lack of respect from certain provincial departments and their marginalisation from planning and budgeting processes. Furthermore, different provincial social development departments use different delivery models, making direct comparison of costs and delivery performance difficult. There also appears to be little standardisation of salary scales in the sector.

NPOs are a significant partner in offering child care and protection services on behalf of the State (in contrast to crime prevention, where services are largely delivered internally by government departments). They provide a range of statutory and non-statutory services, which are partly subsidised by government, and raise additional financial support from corporate, other donors and through fundraising activities, such as charging user-fees. However, many NPOs are facing serious financial difficulties, as a result of the increase in demand for their services coupled with a decline in external and government funding in recent years. Delays in transfers from government threaten their very existence and their ability to deliver services to vulnerable children, while the lack of efficiency on the part of some provincial departments makes accessing financing difficult. A further challenge is that, unlike private service providers that get paid upfront and within 30 days, NPOs only get reimbursed for service delivery quarterly in arrears, which creates cash-flow pressures. Some NPOs also voiced a concern that the funding system causes them to compete with government and other NPOs for funding, yet they are providing statutory services on behalf of government.

Already under pressure, the sector is undergoing many changes, especially in light of the implications of the *Free State Premier v NAWONGA* court case, which clarify that NPOs are providing a service on behalf of government and therefore should be adequately funded. The Free State province has initiated a process to assess these implications. At national government level, the Children's Act is to be amended, and the Department of Social Development (DSD) is in the process of finalising generic norms and standards, developing costing models and a new financial awards policy. A possible move from subsidy to programmatic funding was also reported. For NPOs, the Free State High Court judgement may result in their funding being further constrained, as international donors refuse to fund services perceived as government's statutory responsibility.

In light of these pressures, a rethink of the financing of child welfare services is needed, to come up with innovative ways of delivering services to vulnerable children that maximise the use of

available resources. Additional funding of R600 million was allocated in the 2013 budget over the Medium Term Expenditure Framework (MTEF) but may not necessarily address the issues of sustainability and quality of services provided to children across the country.

Since its inception the Financial and Fiscal Commission (the Commission) has been involved in research work on the progressive realisation of socio-economic rights of children. The research on the funding provision of child welfare services continues this previous work, including research into the economic impact of the recession on children and the economic and social value of social grants. The Commission convened public hearings to:

- Share, validate and expand its understanding of the problems, preliminary findings and outcomes of the draft paper.
- Provide a platform for stakeholders to engage and exchange views on the funding and service delivery challenges and possible solutions in the child welfare services sector.
- Listen to the views of major stakeholders before making recommendations to Parliament.

2. Introduction

The public hearings on the provision and funding of child welfare services took place on 9–10 April 2013 at the Protea Waterfront Hotel in Centurion, Tshwane, Gauteng Province. As a basis for discussions at the public hearing, the Commission’s research team developed and released a draft report. The report distinguishes two aspects of obligatory child welfare services: the provision and funding of child welfare services as prescribed in the Children’s Act (amended in 2007), including early childhood development, child and youth care centres; and the provision of social security in terms of the Social Security Act (2004), such as the child support and foster care grants.

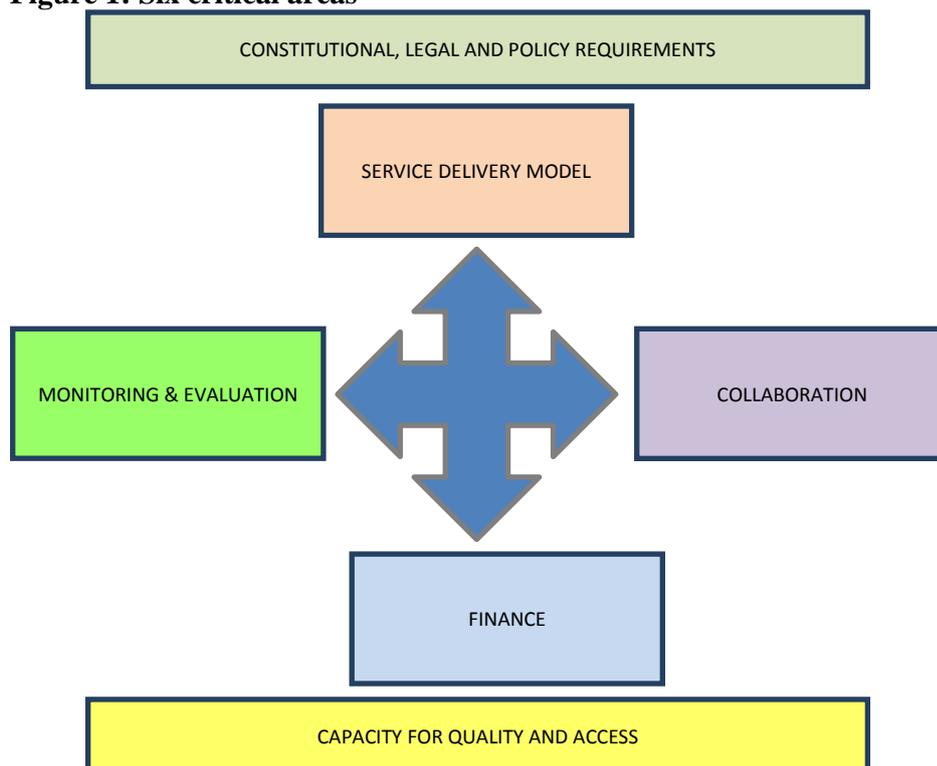
Summary of process

May 2012	Start of the project.
November 2012	Workshop held with the national and provincial Departments of Social Development.
March 2013	Call for written submissions on the revised draft report.
April 2013	Public hearings with stakeholders
September 2013	Table final report with recommendations in Parliament.

The report presented by the Commission examined the policy and legislative framework, and the provincial budgets for child welfare services; identified informational and data gaps to determine the accurate mandate and allocation of child welfare services funds; and proposed policy alternatives and recommendations.

This document is a summary of some of the key themes that emerged from submissions and group discussions of the 67 stakeholders at the public hearing, representing a cross-section of the sector, from government and NPOs. It includes the outcomes of breakaway groups that examined and revised the problem statements, and proposed recommendations and outcomes concerning six key areas, as represented in Figure 1.

Figure 1: Six critical areas



3. Constitutional, Legal and Policy Requirements

Stakeholders acknowledged that the Constitution and other legislation clearly prioritise children’s services, with no limitations on constitutional provisions, and that unless adequate resources are provided, the implementation of the Children’s Act and the Child Justice Act will not take place effectively, with serious consequences for child welfare service delivery. These legislative requirements will add to the pressure of a sector that already faces serious capacity constraints (see point 8).

The Children’s Act differentiates between services that **may be funded by MECs** (which are non-statutory and include partial care, early childhood development (ECD) and drop-in centres) and services that **must be funded by MECs** (designated child protection services, including foster care, prevention and early intervention and provision of child and youth care centres).

An area of uncertainty is whether children’s rights to social services are immediately realisable or subject to progressively realisation. Prof. Ann Skelton of the Centre for Child Law made an argument that children’s rights to social services are immediately realisable, as the relevant clause in the Constitution is not subject to progressive realisation. If they are immediately realisable, the DSD has a statutory responsibility to fully fund those services that they are obligated to provide according to the Children’s Act (those that **must** be funded). Indeed, recent court cases suggest that a court will not be persuaded by the argument that a lack of budget means children services cannot be wholly funded. The court cases also could have unanticipated perverse incentives if funds from ECD are diverted to fund statutory services, leaving ECD underfunded. While ECD may not be statutory, these services are crucial to success, as highlighted in the National Development Plan.

Stakeholders agreed that budgets and policies with respect to children's rights need to be aligned. The DSD advised that the second amendment of the Children's Act will take into account the high court judgements, and the third amendment will address implementation issues.

Another problem identified by stakeholders is that the funding policy is not implemented uniformly across provinces. Part of the problem is that the national and provincial roles and responsibilities in relation to NPO financing are not clearly defined. Stakeholders concurred that systems and capacity need to be developed within provincial social development departments to enable effective support, oversight and evaluation of services provided (see point 7), thereby resulting in improved effectiveness and quality of service delivery. In addition, policies and budgets need to be aligned, which implies improved costing of services (see point 4).

4. Service delivery model

Gaps and inefficiencies appear to exist throughout the delivery value chain, within both government and the NPO sector. Nevertheless, stakeholders highlighted examples of good practice and sound relationships at provincial level between departments and NPOs.

A critical issue that emerged is the unacceptable variation in funding of services across provinces, given that 99% of all child welfare services are provided at provincial level. The Commission's research found a distinctive two-tiered system of delivering child welfare services in South Africa, with Tier 1 provinces spending up to three times per child compared to Tier 2 provinces. Prioritisation also varies, with child welfare services representing 30–50% of total social welfare expenditure at provincial level. The lack of a standardised model for the delivery of child welfare services aggravates the situation. Stakeholders argued that the system is perpetuating the inequities of the past, as vulnerable groups are still disadvantaged. Some standardisation of funding per child is needed across the board, in line with the set norms and standards.

The current norms and standards for child welfare are vague, or read as qualitative statements, which makes it difficult to cost, implement, and monitor and evaluate the services provided. Furthermore, service providers are using different models of delivery. While variations in delivery models may be driven by the need for contextually relevant services, it makes standardisation of monitoring, evaluation and costing more complex. Without appropriate norms and standards, activity-based costing is not possible, as services cannot be quantified. The DSD confirmed that a service model has been developed but is based on a delivery not a funding model, while two sets of norms and standards have been developed: the generic set (nearing completion) and specific ones for the Children Act. Stakeholders felt that the norms and standards should be reviewed against international best practice and be properly costed in order to assess their viability and the financial implication. This recommendation is also captured in the list of preliminary recommendations in the Commission's draft report.

Stakeholders agreed that a standardised service delivery model would set a baseline for measuring services provided to children and suggested that the norms and standards developed should be standardised across the DSD-based institutions and NPOs. Norms and standards serve a number of roles: planning and operational delivery; costing and budgeting; and monitoring and evaluation. Therefore, norms for planning and operational delivery may not be specific and measurable enough to be used for costing and budgeting. When revising funding norms, the effects of inflation also need to be taken into account. As part of its mandate to advise and make recommendations on financial and fiscal matters, the Commission offered its support to the DSD regarding norms and standards suitable for a funding model, which would build on the foundations of the existing model.

5. Finance

Stakeholders agreed that the government's existing obligations are underfunded, despite progressively increasing budgets (average growth was 14% up to 2011/12, reducing to 6% for 2013/14 and 2014/15). As highlighted in the Commission's report, inadequate data and budgets that are not child-sensitive make it difficult to track the proportion of spending that goes to children's services, while the research did not include funds made available to children through other departmental budgets (such as health). A particular problem highlighted by stakeholders was the difficulty in identifying what proportion of the sub-programme budgets goes to NPOs, as the data is not easily available at provincial level. Furthermore, it is unclear where prevention and early intervention programme funding comes from, as all funding is grouped in provincial budgets. No provision appears to be made in budgets for special education or other disability-related needs of children, despite the policy of mainstreaming disabled children.

Certain statutory services in particular are underfunded relative to others such as crime prevention. Stakeholders suggested that the emphasis on foster care and ECD is squeezing out child protection services, where backlogs are growing because of the new Children's Act's requirements. The focus on protection services has also meant no substantial movement towards prevention and early intervention services. Stakeholders questioned why the DSD, not the education department, is funding ECD for 0–4 years, which is not a statutory service. The DSD advised that ECD provision is being looked at under a new policy and is viewed as a government priority; it will therefore most likely become an obligatory provision in the amended Children's Act.

Stakeholders recognised the urgent need to address the funding crisis affecting NPOs providing child welfare services. NPOs render the bulk of statutory services that are only partially funded by government and are not inflation-linked, which means that subsidies do not cover the actual costs. Further, despite promises for increased allocation of funds for child welfare services due to the introduction of the Children's Act that legislates the provision of a comprehensive set of social services, none have been forthcoming. NPOs therefore have to find other sources of funding, many of which are drying up: international donors are establishing bilateral relationships with government (and no longer funding NPOs), while some donors are reluctant to fund statutory services that are considered government's responsibility. As a result, NPOs find themselves competing with each other for funding from the Lotto and the private sector. Delays in transferring funds from government departments add to the NPO sector's funding burden.

Questions were raised as to whether the division of revenue and budgeting processes are constitutionally compliant, and whether provincial departments are allowed too much discretion in determining allocations to NPOs. The latter is especially of concern given the absence of finalised and costed norms and standards, adequate monitoring and evaluation, and effective oversight by provincial legislatures and other bodies. For instance, NPO stakeholders reported that KwaZulu-Natal had allocated additional funding but for capital spending only, which is not a priority for NPOs. It is also not possible to track whether additional funding through the equitable share will actually end up being allocated to NPOs or diverted to some other use.

Over the years, **some social development provincial departments have significantly underspent their budgets**. Stakeholders suggested that the difference in planned and actual expenditure needs to be investigated, with possible reasons including the lack of administrative capacity, reallocation of funds within the department or provincial government, and the degree to which the province's budget is child-sensitive. Stakeholders felt that greater transparency and mutual accountability between NPOs and provincial departments would help in establishing whether (for example) the additional R600 million allocated in the 2013 budget over the MTEF is filtering

down to NPOs, and to ensure that NPOs are spending the funds appropriately. Provincial departments need to develop systems and capacity for monitoring and evaluating service delivery agents in order to ascertain efficiency of funding, financial management systems in place and any bottlenecks in the transfer system.

The DSD advised that the policy on financial awards to service providers has been approved for implementation. In terms of the policy, the department takes the lead in guiding NPOs in how the funding is being used, with a shift from subsidy funding to programme funding, which is more focused on service delivery.

6. Collaboration

Stakeholders agreed that collaboration within the sector is essential, given the available resources, capacity, growing demands and legal obligation to render quality services. The starting point is to understand the scope and scale of the child welfare in order to inform the budget. Government policy decisions often do not reflect the reality on the ground, as a consequence of the little or no consultation with NPOs. What is needed is to adopt a participatory approach and develop evidence-based policies and plans.

Stakeholders proposed that the entire value chain be looked at, to include processes in both the NPO sector and government departments. The mandates and roles of different parties need to be clarified, with the aim of achieving an integrated service delivery (see point 3) by both NPOs and government. NPOs need to be consulted in the national and provincial budgeting processes and in setting targets, so that the budgets can be based on an accurate audit of social welfare needs in each province. For this, regular analyses of the adequacy, reach and equity of budgets are necessary in order to establish where the service gaps are and where service provision is limited.

Stakeholders also agreed on the need to strengthen partnerships between government and NPOs, as well as to improve coordination between the DSD and provincial treasuries. The communications structures between government (especially at provincial level) and the NPO sector are poor or not established on the whole. Trust, communication and accountability need to be developed among all parties. Central to this is political commitment to work in collaboration with the NPO sector.

Stakeholders proposed that NPOs and government develop a value statement, or principles, to guide the relationship, so that both parties viewed each other as formal partners, each contributing equally to the delivery of child welfare services. All agreed that expenditure on child welfare-related services should be given priority over other sectors or beneficiaries.

7. Monitoring and Evaluation

Stakeholders agreed on the importance of monitoring and evaluation but raised the problem of data collection and sharing. Different government departments and NPOs collect data and statistics, which are not collated or shared. For instance, the Department of Health's district health information systems contain relevant data for social development and grants, but this data is not shared. NPOs pointed out that they submit data to the DSD but do not receive any feedback and are unclear how (or whether) government uses this data for planning and budgeting. The lack of available statistics points to a lack of integration of NPO data by the DSD's NPO Directorate. A proper electronic data management system (ESDIMS) is needed to collate and integrate the data across the sector.

Stakeholders pointed out the difficulty of monitoring the implementation of child welfare services and holding departments accountable. The challenge for achieving social development targets is that many targets depend on other departments, for example the justice department is responsible for placing children in institutions. This links to the quality of indicators, which in many cases are also not under the control of the social development departments. It is difficult to hold a department accountable for targets over which they have little or no control. Furthermore, some provinces do not report on key programmatic child welfare indicators and targets. Stakeholders proposed that performance indicators be reviewed and standardised across provinces within a proper cooperative intergovernmental agreement.

Stakeholders concurred that reporting and M&E must be strengthened and incentivised, which implies allocating funding for M&E training. Improved accountability and coordination will allow better tracking over time and enable the MTEF projections to be linked to child welfare services. Monitoring and evaluation also should extend to the district level in order to target shifts in vulnerable children.

A particular problem identified is the monitoring of sub-programmes, from the point of view of both funding (i.e. identifying what proportion of the budget goes to NPOs) and service delivery (transfers to NPOs are only available in annual reports and so in-year spending on NPOs cannot be usefully tracked). Stakeholders agreed that non-generalised templates should be used and that adequate budget allocations are set aside and that the spending takes place as planned.

Stakeholders highlighted the lack of a recent, comprehensive survey of NPOs. While many NPOs submit reports to the NPO Directorate, the information is not effectively managed or shared. As a result, social welfare policies are informed by incomplete notions of NPOs and CBOs, which affects implementation. In addition, less-established NPOs do not comply entirely with the registration requirements (see point 8). Stakeholders suggested an overhaul of how the information is collected, through standardising reporting requirements, which would also help improve the registration compliance.

8. Capacity for quality and access

The quality of and access to child welfare services vary significantly across and within provinces. Stakeholders were under the impression that most NPOs providing child welfare services tend to be concentrated in relatively well-off provinces (such as the Western Cape or Gauteng) and in cities. However, little data is available to verify this assumption. All stakeholders agreed that the system needs improving, so that quality services can be extended to children in less well-off provinces and the rural areas. The issue is how to transform the system without undermining what already exists. What is needed is to find a way to extend services to these underserved areas without affecting established NPOs that are providing essential and statutory services, and frequently play a supporting role to emerging NPOs. For example, funding may be allocated but not transferred to emerging NPOs because of a lack of compliance (which is often onerous and complex), and so established NPOs may serve as conduits of these funds.

Stakeholders also raised the issue of administrative and personnel capacity within provincial departments to monitor and evaluate the quality of services offered by emerging NPOs or to administer the funding adequately. Inefficient and ineffective administration results in increased costs for NPOs. For example, lost files, lapsed orders and delays with clearance certificates to the National Child Protection Register leads to duplication and associated costs. Departmental staff should have the capacity to draw up budgets, interpret financial data and understand costing, to competently engage with financial decision-making processes.

Another capacity issue is the lack of qualified social workers, both in the public and NPO sector, which influences the effective implementation of policy. The NPO sector raised concerns about training social workers who then leave to join the public sector where the salaries are higher. Yet, NPOs do not receive sufficient funding to be able to pay comparable salaries. There is a move towards using more paraprofessionals (e.g. auxiliary social workers) to supplement the too-few social workers, and the DSD is trying a different community-based model (Isibindi) as a way of addressing the scarcity of social workers. The Isibindi model deploys trained community-based child and youth care workers who provide direct support to children in their homes, at community level through safe parks and life skills programmes. It is seen as a cost-effective model operating as a prevention and early intervention programme, and its rollout will be phased in over a period of three to five years. The Children's Act allows for other social auxiliary workers, who could do much of the administrative work and thus free up social workers to concentrate on therapeutic interventions. Stakeholders were in agreement that the children's sector needs to build the capacity of its workforce.

9. Conclusion

Time is of the essence for the child welfare sector. While several processes seem to be in motion, the existence of NPOs that provide many of the statutory child welfare services is under threat. Further delay in ensuring sustainable funding could lead to NPOs having to close, which would mean the cessation of services to vulnerable children. Stakeholders at the public hearing agreed that child welfare services are crucial to the future of the country, and partnerships between government departments and NPOs need to be strengthened. The challenges facing the sector will only be overcome through greater collaboration between all parties, building on existing pockets of good practice and effective relationships.