RAPCAN
protecting children's rights

Paper 1

The financing of social welfare expenditures at the provincial level - an initial analysis[1]

RAPCAN, March 2013

[1] RAPCAN commissioned Russell Wildeman, a freelance consultant and expert independent budget analyst to undertake the research for this paper. Christina Nomdo, Executive Director of RAPCAN conceptualised and directed this research.

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Executive Summary

The main aim of the present paper is to introduce advocates, who work in the children's sector, to the purposes and uses of independent budget analysis in our work. We motivate why we think such an approach is useful for our work and then perform a brief analysis of the budgets of the provincial departments of social development. Ultimately, we want to develop a methodology that allows us and stakeholders in the children's sector to assess the extent to which the prevention and early intervention agenda of the Children's Act of 2005 as amended in 2007 is funded and implemented.

Our focus on the prevention and early intervention agenda of social welfare is driven by the *Children's Act's* ultimate goal which is to create a society that takes care of itself and where the need for expensive treatments and interventions are kept to a minimum. Thus the focus in delivering government programmes is on the prevention of social ills, and if that fails, to ensure that early intervention programmes stop the development and spread of social ills and destructive behaviour.

A further aim of the paper is to gain an understanding of social development funding at provincial and national government levels. We want advocates in the children's sector to understand the flow of resources from the national - to the provincial level and the legislative processes undertaken to determine the funds that are set aside for relevant social welfare services.

What approach did we use to answer all our research questions?

Our approach interrogates the financial dimensions of policy-making and implementation. We ask: what resources are available for the implementation of policies? Are these resources growing over the medium term? Is spending on social development prioritised above that of other comparable social services department spending? Is sufficient provision being made for prevention and early intervention services etc.? In order to answer these questions, we used a simple technique called independent budget analysis and conducted a policy analysis and review of key social welfare documents, including the Children's Act as amended.

We have adopted the World Bank's definition of independent budget analysis: Independent budget analysis refers to analytical and advocacy work implemented by civil society and other independent organisations aimed at making public budgets transparent and at influencing the allocation of public funds.

In the policy analysis and review section, we highlighted key sections from the Children's Act in order to explain what it says about funding and the services that are supposed to be delivered under the Children's Act. We also examined the norms and standards for social welfare and asked whether these norms enable more effective and systemic implementation of the Children's Act.

Finally, we consulted some of the existing resources and research on the Children's Act. Most notably, we looked at the costing study that was commissioned by the national Department of Social development in 2005 and extracted some of the key findings from that costing review.

What are some of the key findings in our paper?

In order to help us to make sense of the results, we have divided the key findings into three clusters. Firstly, we look at some of the key findings and recommendations from the influential costing study that was done in 2005. This informs the way departments have approached the implementation of the Children's Act as amended. Secondly, we report on whether the norms and standards have begun influencing the implementation of the Children's Act. Thirdly, we provide some of the main findings from our initial review of the budgets of the provincial departments of social development.

The costing of the Children's Bill-key findings

- ✓ Because of the large cost implications of the Children's Bill, the costing study urged provincial social development departments to develop a sensible phased-in approach to implementation;
- ✓ Inter-provincial differences in access to children's services and resources constitute a serious obstacle to the realisation of rights contained in the Children's Bill;
- ✓ If inter-provincial differences are not checked, where you live may determine the quantity and quality of social welfare services, and that is not in line with the equity principles of the Constitution;
- ✓ The costing study predicted that the overall social development system could only expand by 10% annually; and
- ✓ There are serious risks to the implementation of the Children's Bill as a result of the shortage of professional Social Workers.

The costing study reflected a concern about the possible fragmentation of the services delivered to children and it remains relevant to answer the question as to whether the introduction of norms and standards has contained or reversed such negative inter-provincial trends.

Our review of the norms and standards-key findings

- The norms and standards in social welfare are undoubtedly a useful way of promoting the coherence of implementation across provinces and this effort should be lauded;
- However, it is unlikely to prevent the further fragmentation of implementation or the uneven pace at which core services for children are implemented across provinces because funding is done almost exclusively through provincial budgets;
- What makes the norms and standards ineffective as an implementation leveller are the absence of published costing models, differential provincial fiscal capacity and the discretionary nature of provincial spending models. In fact, the norms and standards allow explicitly for the "customisation" of costing models; and
- Furthermore, because the norms and standards are not "monetised" (given Rand values), provinces will continue to set aside vastly varying resources for the same services and hence contribute to the growing inter-provincial gap in access and quality of services.

Our call for the monetisation of norms and standards is consistent with our view that norms should provide a clear and verifiable funding signal. We now turn to our main findings from our initial review of social development budgets at the provincial level.

Our initial review of provincial social development budgets-key findings

- Over the next three years, above inflation growth rates are projected for allocations on national and provincial social development programmes.
- Growth in spending on social development programmes outpaces that of programmes in education and health, thereby showing clear prioritisation.
- The norms and standards have as yet made little impact on inter-provincial differences in spending.
- Within provincial social development budgets, expenditures on transfers to NGOs and compensation remain the largest spending items - positive growth projected.
- Dire personnel and professional shortages in the sector suggest that larger budgets should have been set aside to meet the human resources requirements.
- Positive growth of expenditure on transfers to NGOs is to be welcomed, but the portion of funding for Prevention and Early Intervention Programmes is unclear.
- Serious under-funding of all the key services for children under the *Children's Act* when compared to 10% expansion of sector required by the Children's Bill costing.
- Expenditure on the child care and protection programme continues to grow, while most projected spending on other sub-programmes is trimmed.
- The development and application of monitoring and evaluation systems to measure the outcomes of spending will become increasingly necessary.

What are the implications of this research for the future work we have planned?

There are three main recommendations that we put forward based on our tentative analyses, namely

- The government needs to monetise the norms and standards and present clear financial benchmarks for the funding of social welfare services. These benchmarks should not be left solely to provincial governments, because that would go against the very reason why norms and standards have been introduced into the policy-making and budget processes of social development departments.
- Serious thought needs to be given to how progress in the implementation of the Children's Act as amended is reflected in quarterly service delivery and departmental annual reports. Right now, that reporting is scattered and wholly inadequate to put together a meaningful picture of implementation progress.
- While the norms and standards represent a welcome intention, provincial governments should focus on developing implementation plans that are in line with the overall conditions in their provinces. Although promoting the unity of implementation is vital, more important are a series of provincial implementation plans that deal with provincial realities, instead of reference to a national implementation schedule.

Given these challenges, the next paper in this series focuses on the implementation challenges and successes of provincial social development departments in giving expression to the commitments of the Children's Act as amended. Our plans are to conduct extensive interviews with provincial social development officials, officials in the national Department of Social Development and members of the National Treasury team. We hope to develop a better understanding of the financial, human resources and system challenges in implementing the Act.

The third and final paper will propose a budget monitoring methodology. This would be based on findings from the first two papers and existing work that is being conducted in the children's sector. This monitoring tool will allow RAPCAN to produce annual budget statements and back this up by more detailed sectoral work throughout the implementation of the budget cycle.

In undertaking this work, the challenge for us is to keep the analysis simple, communicate such results widely and effectively, and monitor the extent to which our independent budget analysis project adds value to policy and budget processes in the children's sector.

Section 1: Introduction

Laws that are passed by Parliament determine and guide the work of national and provincial departments. This guidance and direction have an impact on people (human resources), systems (information management) and the resources (money and time) that are provided to national and provincial departments.

The two key pieces of legislation that occupy our attention in this paper are the *Children's Act (No 38) of 2005* and the *Children's Amendment Act (No 41) of 2007*. These Acts are generally regarded as the most progressive and comprehensive pieces of legislation that set out a detailed child protection agenda. Having a good law on paper is an excellent start to realising the rights of children, but very often, the public do not know enough about the implementation of the law and whether the laws are making a difference in the lives of ordinary citizens.

In order to fill this gap in the broader public's knowledge, we need to focus on two issues, namely

- The progress of departments in implementing national laws, including a consideration of implementation success and challenges; and
- Evidence that the introduction and implementation of new legislation has resulted in more resources (money, time, human resources) being spent on the targeted areas.

In the present paper, the focus falls on the second issue, which deals with the financing of a specific service in social developments budgets, **namely prevention and early intervention** programmes. The Children's Act defines prevention and early intervention services as

(1)**Prevention programmes** means programmes—
(a) Designed to serve the purposes mentioned in section 144; and
(b) Provided to families with children in order to strengthen and build their capacity and self-reliance to address problems that may or are bound to occur in the family environment which, if not attended to, may lead to statutory intervention.

(2) **Early intervention programmes** means programmes—
(a) Designed to serve the purposes mentioned in section 144; and
(b) Provided to families where there are children identified as being vulnerable to or at risk of harm or removal into alternative care.

Why are we focusing on prevention and early intervention services? We believe that the *Children's Act's* ultimate goal is to create a society that takes care of itself and where the need for expensive treatments and interventions are kept to a minimum. Thus the focus in delivering government programmes is on the prevention of social ills, and if that fails, to ensure that early intervention programmes stop the development and spread of social ills and destructive behaviour.[2]

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[2]This interpretation of the Act is reinforced in the Executive Summary of the *Norms, standards and practice guidelines for the Children's Act* when this document states "The Children's Act articulates prevention and early intervention as a philosophy and paradigm in managing children's issues …"

We hold a reasonable expectation, therefore, that more resources and implementation support will be devoted to prevention and early intervention programmes in line with the spirit and intent of the *Children's Act*.

This paper is the first in a series of three papers that examines the financing and implementation of prevention and early intervention programmes. More specifically, this paper focuses on

- Developing a rationale for the use of independent budget analysis as a vital monitoring tool in understanding funding patterns in provincial social development budgets;
- Reviewing earlier work done on the *Children's Act*, especially the detailed costing work done by a group of independent consultants, and locating that work within the context of the most recent provincial social development budgets;
- Examining the proposed generic norms and standards that accompany the Act and discussing their implications for the funding of prevention and early intervention programmes; and
- Conducting an initial budget analysis and discussion of the results of that analysis in the context of earlier research and the aforementioned costing exercise.

The second paper in this series will consider detailed implementation data in the form of interviews with key government officials in treasury and social development departments. This data will supplement the budget data presented in the present paper and establish the extent of progress made by provincial social development department in implementing provisions of the *Children's Act*.

The third paper in this series will develop a methodology for assessing the "adequacy" of expenditures on prevention and early intervention programmes. The outcome of that investigation will be the production of a monitoring methodology that will allow us to track (implementation and funding) progress in implementing prevention and early intervention programming.

Research methodology

Most of the analyses in this paper are based on a review of secondary sources (earlier research, provincial social development budgets, and the annual reports of social development departments). What we want to achieve is to develop a broad understanding of the financing of social development services and to illustrate the (financial) framework within which the funding of prevention and early interventions services is located.

Although we do reflect on the data reported in departmental annual reports, the finer details of implementation, including a consideration of implementation successes and challenges, will be tackled more comprehensively in the second paper in this series. Our aim, in short, is to provide a big picture of social development funding more generally, and provision for prevention and early intervention more specifically. This reinforces our analysis and review of secondary resources as our main methodological and analytical approach.

Roadmap of the present paper

Section 2 discusses the importance of independent budget analysis for our advocacy work. It provides a rationale for the various uses of budget analyses and makes the case that more resources (money and time) should be devoted to this activity in order to make this part of our mainstream advocacy work.

Section 3 discusses the actual funding of social development services, reviews early work done on the costing of the *Children's Act* and offers a review of the recently published norms, standards and practical guidelines for the *Children's Act*. The review of the norms and standards is critical for our understanding of how the government proposes to move from policy to implementation for the key services that fall under the *Children's Act*.

Section 4 reviews the main spending trends in the national and provincial social development budgets over a seven-year period, 2009/10 to 2014/15. We chose this financial period because we wanted to have a sense of the magnitude of financial allocations devoted to prevention and early intervention services prior to the official implementation of the *Children's Act* (2009) and a sense of the scope of resources made available to such programmes over the 2012/13 medium term expenditure framework. Our aim was that these initial analyses would give us some indication of the *pace* at which provision for prevention and early intervention services is being expanded.

Section 5 offers concluding remarks and reflects on the significance of findings in this paper and how they relate to earlier research and work done on the *Children's Act*. It also discusses how the findings in this paper will help in the overall goal of developing appropriate budget monitoring methodologies.

Section 2: The importance of independent budget analysis in our advocacy work

For the purpose of the paper, we have adopted the definition of "independent budget analysis" developed by the World Bank:

Independent budget analysis refers to analytical and advocacy work implemented by civil society and other independent organisations aimed at making public budgets transparent and at influencing the allocation of public funds.[3]

The same source lists a range of different functions that are being served by budget analysis. These functions include:

- Improve information sharing and citizens' understanding of the budget.
- Influence budget allocations for your sector.
- Improve targeting of funds for vulnerable groups.
- Initiate debates on the sector implications of budget allocations.
- Influence the revenue (or the tax) policies of the government.

While all of these functions are undoubtedly important, we look to independent budget analysis for two other functions, namely as a **monitoring** tool and as an

[3] http://www.worldbank.org/socialaccountability_sourcebook/Tools/IndependentBA/iba_1.html

advocacy tool. As a monitoring tool, we are planning to utilise independent budget analysis for the following reasons:

- Monitoring whether resources that were set aside at the start of the financial year for specific social development programmes are the same as the resources that have been spent at the end of that financial year. This allows us to say something about the *financial credibility* of the social development budget and the degree of confidence we have in government's proposed allocations.
- Understanding whether programmes in social development are growing at the same or at a faster rate than programmes in other sectors such as education or health. This allows us to say something about the *prioritisation* of key social development programmes relative to programmes in other social services sectors such as education or health.
- Examining non-financial data published in the annual provincial budgets and annual reports to determine whether prevention and early intervention programmes are reaching more beneficiaries. Doing this allows us to say something about the *effectiveness* of government programmes and whether such programmes make a difference in the lives of ordinary citizens.
- Finally, in using independent budget analysis, we are interested in understanding whether the resources devoted to programmes in social development match the corresponding implementation phase. Doing this allows us to say something about the *policy credibility* of social development spending and its ability to match resources to responsibilities.

Independent budget analysis can also be used as an advocacy tool. In other words, once we have completed our analyses, we would be in a position to make informed and well-judged submissions to the Executive and the Legislature. This lies at the heart of our efforts to develop budget analysis capacity in our organisation and in the sector more broadly. It is important to understand that such capacity allows us to make inputs into public processes (hearings), air our views on key matters (newspaper articles), assist departments to shift allocations in the social development budget (internal departmental advocacy), and act as specialist advisor to regional and international inter-government institutions on children's rights.

While this work is exciting and will greatly add to our present project portfolio, the challenge for us is to keep the analyses simple, communicate such results widely and effectively, and monitor the extent to which our independent budget analyses add value to policy and budget processes in the children's sector. This work has just begun.

Section 3: Understanding the funding of prevention and early intervention services

This section aims to describe the mechanisms and processes of funding prevention and early intervention services at the provincial level. However, this description and review is powerfully influenced by the key conclusions and findings that emerged from the costing of the Children's Bill. A key part of our analysis is to clarify how the present day funding of the *Children's Act* responds to some of the pertinent issues raised during the costing of the Children's Bill.

Before we delve into these analyses, it is important that we cite the definition of prevention and early intervention services as provided in the *Children's Act and Children's Amendment Act*. Sections 143(1) and (2) of the *Children's Amendment Act* state that

While the definitions noted in Section 1 are useful, the Act goes further by specifying the purpose or the focus of such programmes (See Section 144). These include highlighting promotion of parenting/caregiving capacity; preservation and promotion of a family that promotes the well-being and best interests of the child; provision of psychological, rehabilitation and therapeutic programmes for children; prevention of neglect, exploitation, abuse and inadequate supervision of children, including in the family; and diverting children away from the child and youth care and criminal justice systems.

The second sub-section of section 144 lists the elements that prevention and early intervention programmes may include as follows:

(a) Assisting families to obtain the basic necessities of life;
(b) Empowering families to obtain such necessities for themselves;
(c) Providing families with information to enable them to access services;
(d) Supporting and assisting families with a chronically ill or terminally ill family member;
(e) Early childhood development; and
(f) Promoting the well-being of children and the realisation of their full potential.

Key findings and conclusions from the costing of the Children's Bill

In 2005, the national Department of Social Development commissioned a comprehensive costing study of the implementation of the Children's Bill (Barberton, 2006). It is important to note that establishing the cost of implementation is an important part of our public finance system in South Africa and both the *Public Finance Management Act (No 1 of 1999)* and the *Intergovernmental Relations Framework Act (No 13 of 2005)* are central in this regard.[4]

The costing team used four variables/factors to establish the costs of delivering services to children under departments' existing obligations[5] and in terms of future obligations spelled out in the Children's Bill. For obvious reasons, we are more interested in their findings about the overall costs of implementing the Children's Bill. The four variables chosen were the actual demand for services for children; an objective measure of demand for children's services based on demographic data (poverty and HIV/AIDS prevalence rates); a high service delivery norm, which means that all the services designated in the Children's Bill would be given priority and delivered to a "best practice" standard; and, low service delivery norms, which means that some services for children ought to be prioritised while others are delivered at a far lower service standard.

[4]At the time of the publication of the costing study, the *Intergovernmental Relations Framework Act* did not exist, which means that the relevant and applicable provision was section 35 of the PFMA.
[5]The relevant legislation that the costing study referred to was the *Child Care Act*.

The costing team called the first two variables the **Implementation Plan** (actual demand for children's services) and **Full Cost** (estimated demand for children's services based on demographic indicators). They generated four costing scenarios, which represent a combination of the four costing variables in the study.

Table 1 sets out the four costing scenarios discussed above.

Table 1: Four costing scenarios from the Children's Bill

IP Low scenario *Implementation Plan Low scenario*	*Low* *Norms and standards*
IP High *scenario* *Implementation Plan High Scenario*	*High* *Norms and standards*
FC Low scenario *Full Cost Low scenario*	*Low* *Norms and standards*
FC High scenario *Full Cost High scenario*	*High* *Norms and standards*

Source: Barberton, 2006 (Executive Summary, III)

The important point to bear in mind when looking at the costing scenarios in Table 1 is that they will produce different estimates of the costs of delivering services to children as mandated in the Children's Bill. If a Full Cost High scenario is chosen coupled to high service standards for **all** the relevant children's services in the legislation, then the result would almost certainly be an estimate that far exceeds what provincial social development departments allocated to such services in their Medium Term Expenditure Framework (MTEF) budgets. Another important consequence of the four costing scenarios is the suggestion that in order to give meaningful effect to the provisions in the then Children's Bill, the government was required to devise a sensible phased-in implementation plan in order to reconcile the costs of implementation to the actual resources that were available for implementation.

The ultimate purpose of each of the four scenarios was to produce an estimate of the costs of services for children as mandated in the Children's Bill. These estimates were then compared to the actual budgets that provincial social development set aside to arrive at an estimate of the funding gap.[6] The funding gap was a simple statement of the difference between the estimates produced by the four costing scenarios and the MTEF budgets devoted to social welfare services for children as mandated by the Children's Bill.

Table 2 provides information on the funding gap for Children's Bill obligations by department.

[6]The description of the costing model is to facilitate understanding instead of faithfully reproducing all the technical elements of the costing model. For example, costs estimates were developed for different departments (national and social development departments, Department of Justice etc.), by activity (clusters of key services), the personnel requirements by different departments etc. Our discussion merely highlights the key aspects and findings of the costing exercise.

Table 2: Funding gap for Children's Bill obligations by department

Department				
R Million	**2005/06**	**2006/07**	**2007/08**	**2008/09**
National Department of Social Development	29.4	30.9	32.6	34.0
Department of Justice	239.0	346.4	554.6	744.3
Provincial social development departments	4,030.6	5,053.6	6,290.6	7,317.8
Provincial education departments	412.5	502.7	607.6	680.1
Total funding gap	**4,711.6**	**5,933.5**	**7,485.4**	**8,776.1**
% Funding gap for Children's Bill Obligations				
National Department of Social Development	53.3%	54.5%	55.1%	54.9%
Provincial social development departments	79.8%	80.7%	81.8%	80.4%
% Total funding gap	**78.1%**	**79.4%**	**81.0%**	**80.2%**

Source: Adapted from Barberton, 2006 (Executive Summary, XVI)

For the purpose of this paper, we want to point out that the funding gap estimated in Table 2 above applies to the lowest costing scenario and brings home the point about the disconnect between the cost of implementation and the actual resources available to departments. The data suggest that the funding gap for the national Department of Social development was approximately 55 per cent, while in the case of provincial social development departments, the funding gap hovered at about 80 per cent. The estimated funding gap was substantial and pointed out clearly the financial challenges in implementing the proposed Children's Bill.

In addition to the main costing findings, the study also made further observations, which in our view, are still relevant as far as the funding of the *Children's Act* is concerned. These include

- ✓ The requirement that a phased-in approach to implementation was necessary;
- ✓ That inter-provincial differences in access to children's services and resources constitute a serious obstacle to the realisation of rights contained in the Children's Bill[7];
- ✓ Assuming normal economic growth, the consolidated provincial social development budget was predicted to sustain an average increase of approximately 10 per cent annually; and
- ✓ The risks presented to the implementation of the Children's Bill by the shortage of professional Social Workers.

The first two bullets above provide the context and rationale for the introduction of norms and standards. The costing study was clearly worried about the possible fragmentation of the services delivered to children and it remains relevant to

[7] Budlender and Proudlock (2012) compared service delivery levels between Gauteng and KwaZulu-Natal and concluded that the number of children accessing intervention services in KwaZulu-Natal does not correspond to the actual population of children in need.

question whether the introduction of norms and standards has contained or reversed such negative inter-provincial trends. The last two bullets reflect on the extent to which the consolidated provincial social development budget can keep pace with the implementation requirements of the Act.

We tackle some of these concerns in the next sub-section that deals with the funding of prevention and early intervention services and also in section 3, which provides an initial review of the broader financial context for social development funding more generally and funding for prevention and early intervention more specifically.

The funding of prevention and early intervention services/services for children as mandated in the Children's Act

Section 4(2) of the *Children's Act* states

> Recognising that competing social and economic needs exist, organs of state in the national, provincial and where applicable, local spheres of government must, in the implementation of this Act, take reasonable measures to the maximum extent of their available resources to achieve the realisation of the objects of this Act.

This section places a firm obligation on the national Minister of Social Development and the provincial Member of the Executive Council (MEC) to ensure funding of services mandated under this Act. This instruction is taken one step further when the Act (section 105[1]) stipulates that the MEC for provincial social development must ensure that services that fall under the child protection cluster (which include prevention and early intervention services) are provided for:

> The MEC for social development must, from money appropriated by the relevant provincial legislature, provide and fund designated child protection services for that province.

Chapter 8 of the *Children's Amendment Act* defines the scope and content of prevention and early intervention programmes as well as the financing of such services. In this regard, section 146(1) states that:

> The MEC for social development must, from money appropriated by the relevant provincial legislature, provide and fund prevention and early intervention programmes for that province.

Budlender and Proudlock (2012) draw attention to the fact that sections 146(1) and 105(1) make use of the word "must", thus defining the extent of the financing obligation that rests upon the national Minister of Social Development or the provincial MEC for social development. The authors contrast such strong language to the provisions for partial care, Early Childhood Development (ECD), and drop-in centres where the MEC for social development "may" provide, and therefore, finance such services. This represents a much weaker funding directive but the national Minister of Social Development may direct that such services also be given priority.

An important point to keep in mind is that the *Children's Amendment Act* provides clarity about the primary beneficiaries of prevention and early intervention services. Section 146(4) states clearly that

The funding of prevention and early intervention programmes must be prioritised —

(a) in communities where families lack the means of providing proper shelter, food and other basic necessities of life to their children; and
(b) to make prevention and early intervention programmes available to children with disabilities.

The provision under section 146(4)(a) suggests some form of poverty targeting, even though one may reasonably raise concerns that prevention programmes, by their very nature, should be directed at a much broader beneficiary base. In addition to the suggested poverty targeting, the second provision provides for priority services to be delivered to children with disabilities. It remains a matter for interpretation whether the legislation intended poor children with disabilities to be the primary beneficiaries or whether disability is considered a targeting criterion on its own.

While the Act makes it clear that the MEC for Social Development has an obligation to fund child protection services (and by definition, prevention and early intervention programmes), the Act does not provide any objective financial benchmarks. This means that the allocation process at the provincial level is subject to the availability of resources and the kinds of financial compromises made among members of the provincial executive. However, this was exactly the context that led to large inter-provincial differences in access and resources, thus resulting in levels of services for children that bear no relationship to the actual need for children's services.

The mechanism that is intended to reverse or halt a deepening of inter-provincial inequalities are the published norms and standards. This issue is discussed in the next sub-section, but for now, we probe the issue of intergovernmental resources flows and how the provincial allocation process affect the level of the resources that are available to social development programmes at the provincial level.

Provincial governments have a unique position in our public finance system. They have very large expenditure responsibilities, but their own revenue sources are not sufficient to cover all their expenditure obligations. Economists refer to this situation as a "vertical imbalance"[8]. This concept implies that in order to fulfil their expenditure obligations, provinces are almost exclusively dependent on the national government to fund their expenditures.

The national government resolves this issue by transferring a number of grants to provincial governments. In South Africa, the national government transfers two types of grants to provincial governments. The first is known as an **unconditional block grant** and is based on the demographic profile of the province (population, number of poor people, economic activity etc.). This grant is also referred to as the equitable share that a province is entitled to. Provincial governments have the freedom and flexibility to decide how this unconditional block grant is going to be

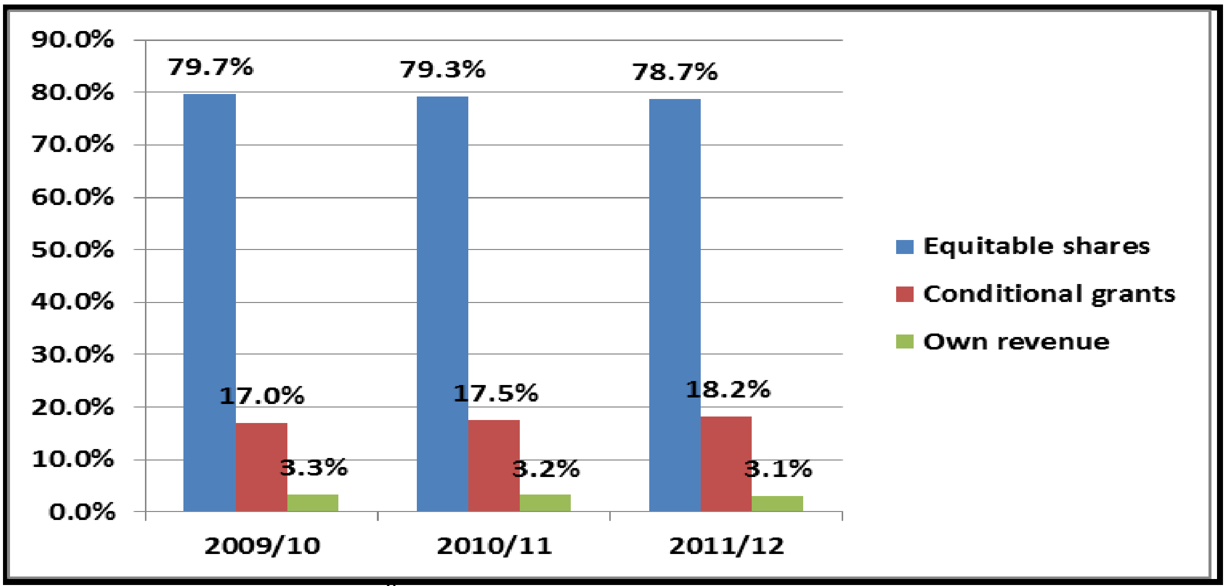
[8]For a decent introduction to the concept of "vertical imbalance" as applied to developing countries, see Shah, A (2007) *Intergovernmental Fiscal Relations in Developing and Emerging Market Economies* *http://www1.worldbank.org/publicsector/decentralization/decentralizationcorecourse2006/OtherReadings/Shah.pdf*

used at the provincial level, but such decisions are still guided by national laws that provincial governments must implement. The second kind of grant that is transferred to provinces is called a **conditional grant** and its use is strictly determined by the national government. Provincial governments have far less flexibility in their application of this grant funding and the conditions of use are made explicit by the national government. Provincial governments are required to submit a business plan to access this kind of funding.

The third source of funding for provincial governments is revenue that is generated by the province itself. This is referred to as **own revenue** and because provinces are responsible for generating this revenue, they have a far greater say in how such resources will be used. These revenues include fees for licensing, gambling, the collection of hospital fees etc.

Figure 1 provides information about the various sources of revenue for provincial government over the period 2009/10 to 2011/12.

Figure 1: Sources of provincial revenue, 2009/10 to 2011/12



Source: National Treasury, 2009[9]

From the graph above, it should be clear that provinces' own revenue base is small and that a significant proportion (almost one fifth) of their resources are tied to set conditions.

Given the various sources of funding, what resources are used to finance programmes in the social development budget? Provincial governments pool resources from the equitable shares (unconditional block grant) and their own provincial revenue and that is the total pool of resources over which the province has discretion, and which forms the basis of the provincial allocation of resources. Funding for social development and other provincial functions is derived from this combined pool of resources. Hence, sections 105(1) and 146(1) from the *Children's*

[9]Although the numbers in Figure 1 are outdated, the trends in provincial revenue have remained the same during the intervening period.

Act and the *Children's Amendment Act* refer to this pool of resources when referring to "money appropriated by the relevant provincial legislature."

How do provincial governments decide how much to spend on the social welfare function as a whole or specific programmes in the provincial social development budget? The provincial executive led by the Premier of the province and his/her Members of the Executive team (MECs) put together spending proposals based on the available resources (unconditional block grant and provincial own revenue) and prevailing national and provincial laws and policies. In deciding how best to use the available resources, the provincial executive should be mindful of all departments' legal and constitutional responsibilities, but it is important to understand that this does not nullify their own decision-making processes. Once the provincial executive have agreed on the allocations to various departments, the provincial MEC for Finance presents the provinces' spending proposals to the provincial legislature and formally request that such spending proposals be adopted and turned into a budget law.

This is also the time during which various sectoral committees in the legislature (education, health, social development etc.) study the various spending proposals of different departments, hold public hearings, and request members of that department, including the political head (or the MEC) to justify their spending proposals. During this legislative stage, civil society organisations are also called upon to provide input into the proposals and to argue in support of the proposed budget or to argue for a different distribution of spending *within* the proposed budgets of departments.

But how are decisions made that determine how much resources are allocated to the social development function and programmes within the social development budget? The *Public Finance Management Act (No 1 of 1999)* refers to all spending units (departments, agencies) as "votes" and requires that each vote be divided into "main divisions" or programmes. For example, the budget of the Eastern Cape provincial department of welfare is treated as a vote and so are all the remaining eight social welfare department budgets. Approval of the proposed budget of the provincial social development department in the Western Cape or any other province is done *separately for each programme*. This careful process also includes an analysis of the allocations to sub-programmes. Hence, the final social welfare budget that is adopted and that becomes law is a function of the budget that was proposed by the Finance MEC (and further justified by the MEC for Social Welfare) and possible amendments suggested by members of the provincial legislature. It is important to understand that such amendments can be influenced by the inputs and contributions of civil society actors. Normally, provincial budgets are introduced to the provincial legislature in the second week of March and adoption normally happens around July/August.

Does it mean that the budget approved remains unchanged throughout the financial year? Although the legally approved budget becomes a law of the Republic of South Africa, various internal and external circumstances may necessitate that the spending totals for programmes and sub-programmes be revised much later in the financial year. The proposed changes to programmes and sub-programmes are recorded in the "*Adjustment Appropriation Bill*", which is tabled at the end of October every year. This means that funding for prevention and early intervention activities might be given further financing boosts or you may be faced with a situation where funding to such key programmes are reduced to pay for emergency expenditures or any other priorities as determined by the national and provincial governments. The key observation here is that funding is never cast in stone, and although our budget process discourages large adjustments in allocations, extraordinary circumstances may overturn the original allocations.

Based on our description above, the South African budget process provides two major opportunities to bring about an attempted reconciliation between the implementation demands of social welfare policies and the available resources. At the macro level, provincial governments receive resources based on their demographic profiles, which means that poor provinces that have a higher demand for services for children will get more funding than more affluent provinces. The second opportunity exists at the provincial level, but instead of an objective funding formula guiding the allocation of funding to departments, a whole range of new variables enter the allocation equation. This relates to provincial priorities, power relations among colleagues in the provincial executive and a provincial legislative process. This makes it hard to predict the size of the funding available to social welfare services more generally and prevention and early intervention activities more narrowly. Furthermore, the absence of objective financial allocation criteria, uneven historical spending patterns and a progressive realisation approach have resulted in unequal funding of key social welfare services across provincial governments.

The national Department of Social Development recognises this situation as undesirable and has published norms and standards for social welfare services as a means of countering the fragmentation of key services for children as mandated in the *Children's Act*. This is the subject of our review and analysis in the final sub-section.

Reviewing the published norms, standards and practice guidelines for the Children's Act

For the purposes of this paper, the relevant provisions from the Act are section 106(1), which deals with national norms and standards for child protection services and 147(1), which deals with national norms and standards for prevention and early intervention programmes. Section 147(1) and (2) states

(1) The Minister must determine national norms and standards for prevention and early intervention programmes by regulation after consultation with interested persons and the Ministers of Education, Finance, Health, Provincial and Local Government and Transport.
(2) The national norms and standards contemplated in subsection (1) must relate to the following:
(a) Outreach services;
(b) education, information and promotion;
(c) therapeutic programmes;
(d) family preservation;
(e) skills development programmes;
(f) diversion programmes;
(g) temporary safe care; and
(h) assessment of programmes.

With the exception of assessment programmes, norms for all the services and programmes are defined as “right of access to” and the accompanying standards specify the content of the services and programmes. However, before we analyse these norms and standards in greater detail, it is important to reflect on the different meanings of norms and standards in the key social service delivery departments of education, health and social welfare. As we show in the textbox below, norms and standards take on different meanings across the three departments.

Textbox 1 reflects on the various meanings associated with norms and standards in education, health and social welfare.

Textbox 1: Various meanings of norms and standards in the three key social services departments - health, education and social welfare[10]

In health, a **norm** is defined as “a statistical normative rate of provision or measurable target outcome over a specified period of time.” The same document defines a **standard** as “as a statement about a desired and acceptable level of health care.”

In education, a **norm** is defined as a funding norm (an absolute Rand amount), while a **standard** is defined as the system (data, information technology) and human resources requirements to make the implementation of the funding norms possible.

In social welfare, a **norm** is defined as an objective or provisions from the *Children’s Act* or any other relevant law (domestic or international) that articulates provisions in the Act. A **standard** is defined as something that gives content to the norm, i.e., it operationalizes the norm.

Of the three definitions of norms and standards, it is only the education sector that provides norms and standards that have unambiguous and direct funding implications for provincial governments. The policy document quantifies in exact terms the funding burden of implementing a key financing policy in the education sector. However, because the accompanying standards and their costs are not quantified, one may argue that the education norms and standards provide an incomplete estimate of the full costs of implementing the school funding norms and standards.

While the education funding policy provides a partial estimate of the cost of implementing school funding, the definitions in health and social welfare do not provide *any* indications of the concrete costs of implementing the primary health care system or provisions of the *Children’s Act*. Instead norms and standards are intended to facilitate a common understanding of what the delivery of certain services means. It is written in the form of an instructional manual to practitioners and it assumes that the hard costing of programmes and activities is done elsewhere. One may argue that such an approach is entirely justifiable, because the breadth of the services to be delivered makes explicit costing difficult. Also, such an approach avoids setting financial benchmarks that can be used by

[10]For health, the relevant document referred to is *The Primary Health Care Package for South Africa* (2000). For education, the relevant document is *Amended National Norms and Standards for School Funding* (2006) and for social welfare, it is the *Norms, Standards and Practice Guidelines for the Children’s Act* (May 2010).

members of Parliament or civil society to hold the various departments to account.[11]

The fundamental drawback of this approach in health and social welfare is that it becomes difficult to judge the adequacy of funding allocations to services and programmes because the costing of such functions is not publicly available. In the context of the costing study that was done for the Children's Bill, it makes it difficult to examine how provinces are narrowing the service delivery gaps, or how national implementation of the *Children's Act* reverses the fragmentation and inequalities identified in the original costing study. In addition, because provincial budget formats do not report the exact amounts of money set aside to finance prevention and early intervention programmes, it makes it near impossible to track the implementation of certain provisions of the Act.

This description of the norms and standards is applicable to both the over-arching norms and standards and those applicable to the delivery of prevention and early intervention programmes. In fact, the only mention of funding specifics in the social welfare norms and standards document is Norm 3, which states that "Services to children must be funded by government." However, both the accompanying standard and the guidelines refer to the development of costing models. This implies that such costing models are still in the process of development, costing will be done privately and will only be available to officials in provincial social welfare departments. It remains to be seen whether such costing models will be publicised, but given the approach taken in the published norms and standards for the *Children's Act,* this appears highly unlikely.

Given this review of the norms and standards in social welfare, what initial conclusions can be drawn regarding the published norms as a mechanism to aid in the systematic and uniform implementation of the Act?

- The norms and standards in social welfare are undoubtedly a useful way of promoting the coherence of implementation across provinces and this effort should be lauded.
- Its usefulness lies in its ability to designate verifiable standards that should be implemented and that can be compared across provincial social welfare departments.
- However, it is unlikely to prevent the further fragmentation of implementation or the uneven pace at which core services for children are implemented across provinces.
- What renders the norms and standards ineffective as an implementation leveller are the absence of published costing models, differential provincial fiscal capacity and the discretionary nature of provincial spending models. In fact, the norms and standards allow explicitly for the "customisation" of costing models.

[11] It remains to be seen whether the education infrastructure norms will be as explicit as the school funding norms (operational and running costs of schools). Given the trends in social development and health, it is unlikely.

Having reviewed how social welfare services are funded (including prevention and early intervention services) and speculated about the ability of the published norms and standards to promote a uniform approach to implementation, we now need to review the actual allocation and spending trends in the social welfare sector. This is the subject of our analysis and review in the next section.

Section 4: A budgetary perspective: trends in social welfare expenditures for the period 2009/10 to 2014/15

In this section, we attempt to answer the following questions:

- Does the rate of providing social welfare services outstrip that of funding for key services such as education and health?
- What is the composition of provincial welfare budgets and what does this mean for delivering services in terms of the *Children's Act?*
- How accurate are estimates of future spending in the provincial social welfare budgets?
- What are the key allocation and spending trends for programmes or sub-programmes that include prevention and early intervention activities?
- We conclude this section by summarising the key findings from our initial review and analysis of spending trends in provincial social welfare budgets.

Are social welfare services prioritised in the national and provincial budgets?

Table 3 provides information on the projected growth of spending on social services over the medium-term.

Table 3: Real growth of social protection services relative to other social services sectors for the period 2012/13 to 2014/15

R billion	2012/13	2013/14	2014/15	2015/16	Real[12] change between 2012/13 and 2013/14 (%)	Real change between 2012/13 and 2015/16 (%)
Health	121.7	132.3	141.8	151.1	3.2	2.3
Social Protection	124.5	135.6	145.7	155.3	3.4	2.4
Education	220	234	250.5	268.9	1.0	1.7
Employment and social security	43	48.6	53.9	55.9	7.3	3.9
Other	459.1	494.3	529.4	563	2.2	1.8
Total	**968.3**	**1044.8**	**1121.3**	**1194.2**	**2.5**	**2.0**
Plus state debt cost and contingency reserve	88.8	102.6	116.8	144.8	9.7	12.1
Grand Total	**1057.1**	**1147.4**	**1238.1**	**1339**	**3.1**	**2.9**

Source: *Medium Term Budget Policy Statement, 2012* (Own calculations)

[12] We have used Consumer Price Inflation (CPI) information published in the MTBPS and general CPI information by Statistics South Africa to construct appropriate deflators. For the budget information in the MTBPS, our CPI deflators are 2012/13 (1), 2013/14 (1.053), 2014/15 (1.106703), and 2015/16 (1.160931).

Table 3 includes data for both the national Department of Social Development and provincial social welfare budgets (consolidated social welfare spending). Spending on Social Protection compares favourably to that of expenditures on education and health. Spending on social protection budgets is projected to grow by 2.4% on average over the upcoming MTEF, while spending on education falls below 2% over the same period. For our purposes, the average annual growth of government spending (minus debt repayments and the contingency reserve) over the medium term is 2% and the fact that social protection achieves a marginally better rate (2.4%) is indicative of the prioritisation that social protection enjoys in the national and provincial budgets.

Does the same picture hold when we examine spending on provincial social welfare only? Table 4 provides information on the nine provincial social welfare budgets over the same period used in Table 3 (2012/13 to 2014/15).

Table 4: Expenditure on provincial social department budgets for the period 2012/13 to 2014/15

R'000	2011/12	2012/13	2013/14	2014/15	Real [13]average change 2012/13 to 2014/15 (%)	Real average change 2009/10 to 2014/15 (%)
Eastern Cape	1 683 125	1 782 421	2 008 857	2 119 979	2.5	2.8
Free State	813 977	865 450	922 393	960 164	0.3	2.4
Gauteng	2 415 234	2 490 492	2 792 459	2 956 748	1.6	4.5
KwaZulu-Natal	1 831 609	2 047 812	2 293 980	2 401 373	3.9	6.9
Limpopo	1 163 138	1 164 508	1 280 595	1 355 257	-0.1	6.9
Mpumalanga	961 074	920 299	1 080 207	1 136 619	0.7	3.7
Northern Cape	524 836	525 897	587 209	615 082	0.2	2.8
North West	897 196	949 701	1 029 267	1 091 756	1.3	7.0
Western Cape	1 319 677	1 411 512	1 539 274	1 633 460	1.9	1.8
Total	**11 609 866**	**12 158 092**	**13 534 241**	**14 270 438**	**1.7**	**4.3**

Source: Provincial Budget Statements, 2012

The most important datum in Table 4 is that provincial social welfare budgets are projected to grow by 1.7% above the projected inflation rate during the 2012 MTEF. However, the average rate (1.7%) does not seem to represent the growth in all the provincial social welfare budgets. Some provinces' budgets are stagnant (Limpopo and Northern Cape), others have marginally small growth (Gauteng and North West) while some have growth rates that far exceed the average provincial growth rate (KwaZulu-Natal and the Eastern Cape). Although there are clear signs

[13]In order to adjust for the effects of inflation, we have used CPI data provided by Statistics South Africa and projections of fiscal year CPI provided in the National Treasury's *MTBPS, 2012.* The deflators used are 2009/10 (0.9123495), 2010/11 (0.9472837), 2011/12 (1), 2012/13 (1.057), 2013/14 (1.113021) and 2014/15 (1.16978507).

of prioritisation at the provincial level, inter-provincial differences in additional spending over the medium term complicate the overall good news.

The composition of spending in provincial social development budgets

Table 5 provides information on expenditures by type in the consolidated provincial social development budgets.

Table 5: Expenditure by type for the consolidated provincial social development budget for the period 2009/10 to 2014/15

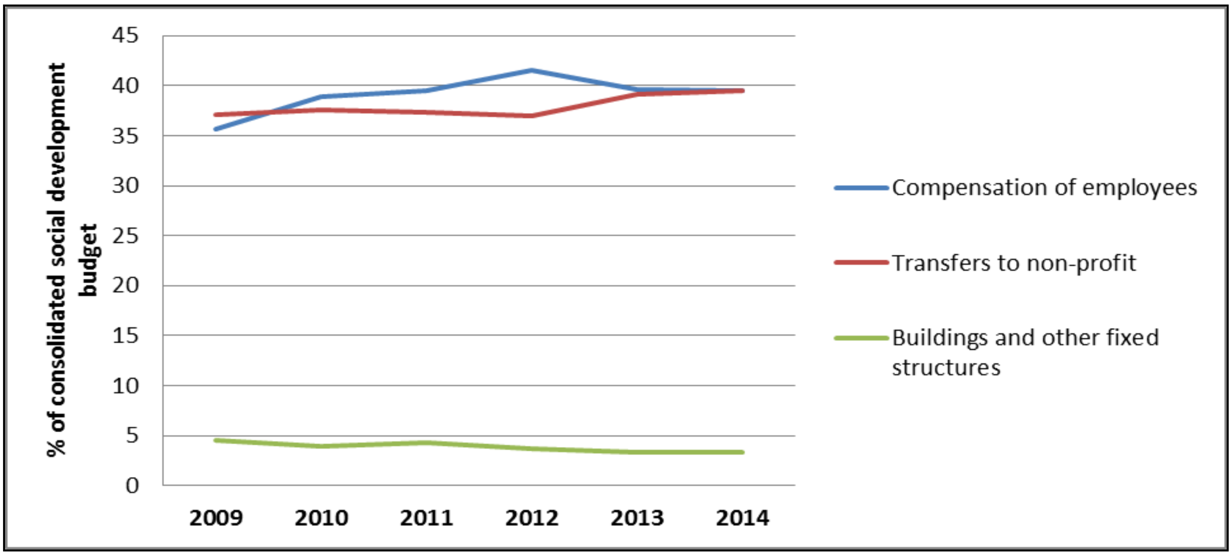
R'000	2011/12	2012/13	2013/14	2014/15	Real average change 2012/13 to 2014/15 (%)	Real average change 2009/10 to 2014/15 (%)
Current payments	**6 443 983**	**6 957 705**	**7 515 311**	**7 863 325**	**1.4**	**4.3**
Compensation of employees	4 585 628	5 044 396	5 353 725	5 635 355	1.7	6.5
Goods and services	1 857 437	1 912 632	2 160 872	2 227 219	0.9	0.0
Other	918	677	714	751	-10.0	4.4
Transfers and subsidies	**4 524 264**	**4 631 596**	**5 439 355**	**5 794 863**	**3.2**	**5.1**
Non-profit institutions	4 328 733	4 497 526	5 296 234	5 642 658	3.8	5.6
Households	190 964	128 320	137 069	145 842	-11.2	-3.7
Other	4 567	5 750	6 052	6 363	6.4	-18.7
Payments for capital assets	**641 619**	**568 791**	**579 575**	**612 252**	**-6.3**	**-1.7**
Buildings and other fixed structures	493 849	445 640	444 214	472 088	-6.3	-1.3
Machinery and equipment	143 176	118 930	129 407	133 860	-6.6	3.5
Other	4 594	4 221	5 954	6 304	7.2	-21.5
Total	**11 609 866**	**12 158 092**	**13 534 241**	**14 270 440**	**1.7**	**4.3**

Source: Provincial Budget Statements, 2012 (Own calculations)

The largest spending items in the consolidated provincial social development budget are compensation of employees and current transfers to NGOs. Over the 2012 MTEF, spending on these items is projected to grow by 1.7% (compensation) and 3.8% (transfers) above the projected inflation rate respectively. These are clear signs of their relative importance in the provincial social development budget. While we are unable to say whether such increases are "adequate", given the general shortages of skilled social workers, our expectation was that the compensation line item would grow by a larger margin. Also, the annual rate at which the overall budget expands is far below the 10% expansion in the system envisaged by the costing study of the Children's Bill.

Figure 2 examines the trend in shares of each of the main expenditures by type over the period 2009/10 to 2014/15.

Figure 2: Trends in the shares of the key expenditure items in consolidated provincial social development budgets for the period 2009/10 to 2014/15 (%)



Source: Provincial Budget Statements, 2012 (Own calculations)

Figure 2 provides rich data for examining the immediate impact of the *Children's Act* after its formal introduction in April 2010. Expenditures on transfers to NGOs - as a share of total spending in the provincial social development budgets - decline from 37.6% in 2010/11 to 37% in 2012. This may reflect the national government's drive to register NGOs, which in all likelihood have contributed to the trimming of expenditure in this area. This suggests that as soon as the law became effective in 2010, no substantially additional services to children would have been provided by NGOS.

If we examine the shares of compensation, we see a noticeable increase from 36% in 2009/10 to 42% in 2012/13. However, the outer years of the present MTEF (2013/14 and 2014/15) project a slight decline in the share of resources that are devoted to compensation. Noteworthy is the convergence in shares of compensation and transfers to NGOs at the end of the 2012 MTEF. This confirms the importance of both expenditure types, but we do have concerns about the pace of growth in expenditures that are required to effectively implement provisions of the Act that relate to prevention and early intervention programmes.

How accurate are estimates of future spending in the provincial social welfare budgets?[14]

The credibility of budgets or the extent to which estimates of future allocations is realised is an important part of independent budget analysis. Budlender and Proudlock (2012) performed this analysis when they compared **predicted**

[14]This section is based wholly on and taken from the paper *Funding the Children's Act: assessing the adequacy of the 2012/13 budgets of the provincial departments of social development* by Budlender and Proudlock (2012).

allocations for the 2012/13 financial year to the **actual allocations** for the 2012/13 financial year.

Table 6 reproduces their analysis of the deviation between predicted spending and actual allocations for four of the sub-programmes in provincial social welfare budgets.

Table 6: Changes in estimates for 2012/13 between the 2011/12 and 2012/13 budget books (%)

Provinces	Child care and protection	HIV/AIDS	Family care and support	Crime prevention
Eastern Cape	2	-41	-5	10
Free State	-2	9	211	55
Gauteng	-5	3	-2	18
KwaZulu-Natal	-15	-4	33	-3
Limpopo	-6	19	73	-3
Mpumalanga	-16	-38	-56	-16
Northern Cape	-8	-26	-17	-20
North West	20	16	4	7
Western Cape	8	-100	7	1
Total	**-4**	**-6**	**6**	**5**

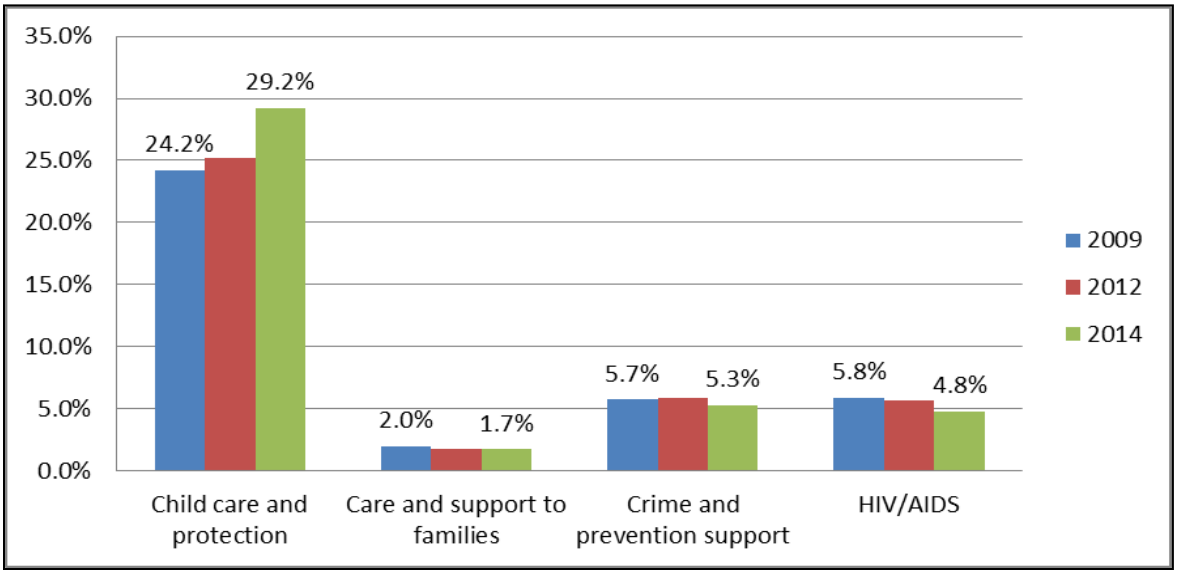
Source: Budlender and Proudlock, 2012: 25

The authors wanted to draw attention to the fact that although the deviations for the consolidated provincial social welfare budgets are relatively small, there are large province-specific deviations that merit serious attention. The authors are of the view that MTEF estimates are not good predictors of final allocations, but our view is that such conclusions must be tempered seeing that the analysis was done over only one year. However, this kind of analysis is necessary as is the deviation between the approved estimates and the final outcomes.

Allocation and spending trends for programmes/sub-programmes that include prevention and early intervention activities

Provincial social development budgets do not provide direct information about actual or planned spending on prevention and early intervention activities. Our review is at best an approximation of the resources that are truly spent or allocated to such activities. We have selected four sub-programmes that contain substantial prevention and early intervention activities and mapped their shares as a percentage of provincial social welfare budgets in Figure 3 below.

Figure 3: Child care and protection, care and support to families, crime and prevention support and the HIV/AIDS sub-programme as a % of consolidated provincial social welfare budgets - 2009/10, 2012/13 and 2014/15



Source: Provincial Budget Statements, 2012 (Own calculations)

Spending on the child care and protection sub-programme as a share of total provincial social welfare budget is projected to grow from 24% in 2009/10 to 29.2% in 2014/15, while most of the other relevant sub-programmes' shares are trimmed over the corresponding period. The decline in the share of spending in the HIV/AIDS sub-programme is understandable as some of its spending and implementation responsibilities will be shifted to some of the other sub-programmes. Budlender and Proudlock (2012) further suggest that the reduction in funding from the USAID-funded PEPFAR is another reason behind the decline in shares of the HIV/AIDS sub-programme.

Having established the relative shares of each of the sub-programmes, we now examine whether some or all of the sub-programmes have higher than inflation growth rates over the 2012 MTEF.

Table 7 provides information on the real growth rates of each of the four sub-programmes.

Table 7: Inflation-adjusted growth rates in spending on child care and protection, care and support to families, crime prevention support and the HIV/AIDS sub-programme

Sub-programmes	Real change between 2012/13 and 2013/14 (1-year % change)	Real average change between 2012/13 and 2014/15 (3-year average % change)	Real average change between 2009/10 and 2014/15 (5-year average % change)
Child care and protection services	20.4	7.6	8.5
Care and support to families	3.3	1.7	2.3
Crime and prevention support	-4.8	1.4	2.7
HIV/AIDS	-10.9	-5.1	0.3

Source: Provincial Budget Statements, 2012 (Own calculations)

Expenditure on child care and protection services was consistently positive, irrespective of the measure of growth being used. Due to function and content shifts as well as reduction in donor funding contributions, expenditure on HIV/AIDS is negative for two of our measures, while allocations to the care and support to families sub-programme show modest increases over the periods represented in Table 7 above.

The slow rates of growth in sub-programmes other than the child care and protection services sub-programmes suggest that resources are at a premium and increasingly, NGOs, which deliver prevention and early intervention services, will be hard pressed to justify their spending and corresponding impact.

Summary of key findings from the initial budget review

- Over the next three years, above inflation growth rates are projected for allocations on national and provincial social development programmes.
- Growth in spending on social development programmes outpaces that of programmes in education and health, thereby showing clear prioritisation of the social development function.
- There are significant variations in projected spending among the nine provincial social development departments suggesting that the norms and standards have as yet made little impact on inter-provincial differences in spending.
- Within provincial social development budgets, expenditures on transfers to NGOs and compensation remain the largest spending items. In the same breath, both these items are projected to experience above inflation growth over the medium-term.
- While these increases are positive, dire personnel and professional shortages in the sector suggest that larger budgets should have been set aside to meet the human resources requirements of the sector.

- Furthermore, while the strong positive growth of expenditure on transfers to NGOs is to be welcomed, only detailed interviewing data will establish what portion of that funding is set aside for prevention and early intervention programmes and activities.

- The predicted 10 per cent expansion of the sector as spelled out in the costing of the Children's Bill is not a reality, suggesting serious under-funding of all the key services for children under the *Children's Act*.

- Among the four sub-programmes examined in this section, expenditure on the child care and protection programme continues to grow, while most projected spending on other sub-programmes is trimmed over the same period.

- Overall, in spite of the growth in resources for social development programmes, resources remain at a premium and the development and application of monitoring and evaluation systems to measure the outcomes of such spending will become increasingly necessary.

Section 5: Concluding remarks

The main aim of the present paper is to gain a broad understanding of social development funding at the provincial and national government levels. Ultimately, we want to use such frameworks to analyse the extent of progress achieved by provincial social development departments in advancing a prevention and early intervention agenda.

However, given the relatively low usage of independent budget analysis in our sector, we had to provide a rationale for why we and others should invest in this kind of analysis. Our use of independent budget analysis is focused around its importance to our monitoring and our advocacy agenda.

Our monitoring agenda is likely to establish whether social development spending enjoys prioritisation in provincial budgets, whether social welfare budgets assist in expanding services to a larger number of beneficiaries, and whether the sector is devoting more resources in line with the implementation requirements of Children's Act. Independent budget analysis can also be used as an advocacy tool. This lies at the heart of our efforts to develop budget analysis capacity in our organisation and in the sector more broadly. It is important to understand that such capacity allows us to make inputs into public processes (hearings), air our views on key matters (newspaper articles), assist departments to shift allocations in the social development budget (internal departmental advocacy), and act as specialist advisor to regional and international inter-government institutions on children's rights.

Some of our key findings around the funding of social welfare services include:

- The costing study of the Children's Bill made it clear that inter-provincial differences in spending constitute a major barrier to the realisation of the provisions of the Act.

- ❖ Funding gaps are likely to accompany the implementation of the Act and it is important that provinces develop sound phasing-in implementation plans.

- ❖ While the Act is clear about the funding obligations of provincial social development departments, the absence of objective financial benchmarks make it hard to judge whether present allocations are adequate or enabling the effective implementation of the Act.

- ❖ The published norms and standards are a laudable attempt in promoting a more coherent and systematic approach to the implementation of the Act.

- ❖ However, the ability of the norms and standards to perform a levelling function across provinces is impaired because of the absence of clear financial benchmarks for allocations, differential provincial fiscal capacity and the discretionary nature of spending at the provincial level.

- ❖ The fact that the norms and standards are not expressed in direct monetary terms makes them less useful as a tool aimed at reducing inter-provincial differences in resources allocations.

- ❖ Provincial governments rely heavily on transfers from the national government to fund social welfare services and their small own funding base reduces the fiscal space through which the requirements of the Act can be tackled more aggressively.

- ❖ In spite of the liberal opportunities provided by the national and provincial budget process to match allocations to implementation responsibilities, funding at the provincial level remains a complicated matter.

- ❖ The main reason for the latter being that instead of an objective funding formula guiding the allocation of funding to departments, at the provincial level, a whole range of new variables enters the allocation equation. This relates to provincial priorities, power relations among colleagues in the provincial executive and a provincial legislative process. This makes it hard to predict the size of the funding available to social welfare services more generally and prevention and early intervention activities more narrowly.

In our brief and introductory analysis of spending trends in social development budgets at the national and provincial level, we came to the following initial conclusions

- ✓ Over the next three years, above inflation growth rates are projected for allocations on national and provincial social development programmes.

- ✓ Growth in spending on social development programmes outpaces that of programmes in education and health, thereby showing clear prioritisation of the social development function.

- ✓ There are significant variations in projected spending among the nine provincial social development departments suggesting that the norms and standards have as yet made little impact on inter-provincial differences in spending.

- ✓ Within provincial social development budgets, expenditures on transfers to NGOs and compensation remain the largest spending items. In the same breath, both these items are projected to experience above-inflation growth over the medium-term.

- ✓ While these increases are positive, dire personnel and professional shortages in the sector suggest that larger budgets should have been set aside to meet the human resources requirements of the sector.

- ✓ Furthermore, while the strong positive growth of expenditure on transfers to NGOs is to be welcomed, only detailed interviewing data will establish what portion of that funding is set aside for prevention and early intervention programmes and activities.

- ✓ The predicted 10 per cent expansion of the sector as spelled out in the costing of the Children's Bill has not materialised, suggesting serious under-funding of all the key services for children under the *Children's Act*.

- ✓ In our review of funding allocated to prevention and early intervention programmes, we established that expenditure on the child care and protection sub-programme continues to grow, while most projected spending on other sub-programmes is trimmed over the same period.

- ✓ Overall, in spite of the growth in resources for social development programmes, resources remain at a premium and the development and application of monitoring and evaluation systems to measure the outcomes of such spending will become increasingly necessary.

The biggest challenge facing provincial social development departments is to overcome the arbitrariness with which allocations to the various social welfare programmes are made. To do so, departments must push for the monetisation of the published norms and standards. This would enable them to use the norms as a funding hook to attract better funding to the sector and allow external stakeholders to judge the extent to which departments are adhering to the carefully formulated norms and standards. Both political accountability standards and financial adequacy are better served by the publication of explicit funding norms.

Secondly, the only way to take seriously the implementation of the Act is to have financial and non-financial data that consistently reflect on implementation and implementation progress. For example, saying something meaningful about implementation progress for prevention and early intervention activities is impossible in the context of the present budget formats and the weak reporting in departmental annual reports. Provinces must re-think their approach to reporting on implementation and the service delivery reports as well as the annual reports should provide external stakeholders with more relevant and accurate data.

Thirdly, while the coherence of implementation across provinces is an important goal, this should not supersede the need to have meaningful implementation of the Act. Provinces have different service delivery realities and the best help that national agencies can provide to provincial departments is to assist in the development of phased-in implementation and resourcing plans that address provincial realities.

This is ultimately the yardstick by which implementation will be judged and not whether provinces have exactly the same implementation schedules.

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