The Provision and Funding of Child Welfare Services in South Africa
The Provision and Funding of Child Welfare Services in South Africa

RP304/2013
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The Financial and Fiscal Commission ("the Commission") is a permanent, independent and impartial Institution established in terms of the Constitution of the Republic of South Africa Act No. 108 of 1996 as amended. It is governed by among others the Financial and Fiscal Commission Act No. 99 of 1997 as amended. The mandate of the Commission is specifically to make recommendations to Parliament, provincial legislatures and organised local government on the annual division of the revenue that has been nationally raised between and among the three spheres of government, and generally to provide advice to organs of state on any other financial and fiscal matters. The latter can be done either of the Commission’s own accord or initiative (section 3 (2)(b)(i) of the Financial and Fiscal Commission Act), or at the request of an organ of state (section 3 (2)(b)(ii) of the Financial and Fiscal Commission Act).

This Submission is made in terms of section 3 (2)(b)(i) of the Financial and Fiscal Commission Act and is the culmination of a review of the Provision and Funding of Child Welfare Services in South Africa project that the Commission embarked upon in 2011, and which involved among others the holding of public hearings and bilaterals with key government and non-government stakeholders aimed at soliciting their views on real and perceived challenges facing the sector. It reports on the research process, the findings that the Commission has made, and formally outlines the Commission’s recommendations on the matter.

For and on behalf of the Financial and Fiscal Commission

Bongani Khumalo (Mr.)
Acting Chairperson/CE
Financial and Fiscal Commission
25 September 2013
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<td>MEC</td>
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<td>MTEF</td>
<td>Medium-term expenditure framework</td>
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<td>National Association of Child Care Workers</td>
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<td>National Department of Social Development</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>Non-profit organization</td>
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<td>PFMA</td>
<td>Public Finance Management Act (No. 1 of 1999 as amended)</td>
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<td>SASSA</td>
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<td>SCOA</td>
<td>Standard Chart of Accounts</td>
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<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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EXECUTIVE SUMMARY

Introduction

With declining global economic growth, many countries including South Africa are being forced into counter-cyclical fiscal measures to buffer the impact of international macroeconomic shocks on a domestic weakening economy. In light of these macroeconomic pressures, it has become necessary to investigate the impact (if any) of tighter fiscal frameworks on government spending patterns for child welfare services, especially after the introduction of the Children’s Act in 2010. An important corollary is whether any significant spending changes in child welfare services are observable following previous court judgements, relevant Financial and Fiscal Commission (FFC) recommendations and Auditor-General (AG) findings.

Specifically, this report critically examined the following key areas of research:

• The legislative and policy framework for the provision and funding of child welfare services;
• Provincial budgets for child welfare services;
• Informational and data gaps to determine the accurate mandate and allocation of child welfare services funds; and
• Policy alternatives and recommendations.

Methodology

The applicable legislation, regulations and policies governing child welfare services were critically reviewed and analyzed.

The emphasis of the study is therefore on the Children’s Act (No. 38 of 2005) as amended and applicable regulations as the Act provides for the largest share of services to children. The aim of the Children’s Act is to prescribe how children’s rights will be protected through various programmes. The main aim of the Children’s Act is to give effect to children’s constitutional rights to:

• Family care, parental care or appropriate alternative care when removed from the family environment;
• Social services;
• Protection from maltreatment, neglect, abuse or degradation; and
• Have children’s best interests considered to be of paramount importance in every matter concerning the child.

The Child Justice Act (2008) is also an important piece of legislation that is reviewed as it pertains to some elements of the National Department of Social Development’s crime prevention and support sub-programme. Many overlaps exist between the Children’s Act and the Child Justice Act, both of which came into effect in 2010. Policies relating to HIV and AIDS and services to families also include pockets of services to children. There are currently no clear amounts that are allocated to children services in these subprogrammes. A new budget structure that will bring all children services in these subprogrammes under one children services programme is currently
being implemented. This will allow for better transparency and tracking of expenditure information on children services in the future.

The review also assessed the following:

- All relevant Constitutional and High Court cases;
- Norms and standards that exist and those that need to be defined;
- Relevant conditional grants, more specifically cash transfers to caregivers of children;
- The current status of any relevant FFC recommendations made in the past and government responses thereof;
- AG findings on Social Development Departments and child welfare expenditure; and
- Relevant sections of the National Development Plan.

The review includes an analysis of child welfare budgets of Social Development Departments. The historical spending patterns, medium-term expenditure framework (MTEF) projections, transfer spending to non-profit organizations (NPOs) and MTEF projections of child welfare expenditure are assessed in the context of tighter fiscal frameworks measures implemented by the National and provincial governments. The analysis also attempts to pick up whether spending patterns and future trends are sensitive to policy decisions and recommendations put forward by oversight and advisory bodies such as the AG and FFC.

The budget analysis review draws on the 2012 provincial budget statements, latest annual reports of provincial Social Development Departments, medium-term budget policy statement (MTBPS) and the 2012 Division of Revenue Bill. A short questionnaire was also administered to all provincial Departments of Social Development to collect more detailed data, although the response rate and quality of data received raised questions of validity, hence they are not used in the analysis. The timeframe for the review is from 2007/2008 to 2014/2015.

A further strand of analysis examines the effectiveness of service delivery. Non-financial information from Departments is reviewed to determine if child welfare service delivery targets are being achieved. It is also important to note whether future increases in service delivery outputs for child welfare services match concomitant increases in budgetary allocations. The analysis does not delve into the adequacy of current funding of child welfare services, but rather points to gaps in efficiencies, the relative prioritization of child welfare services in relation to other services, and whether current budgeting practises reflect a child-sensitive approach through progressive realization of child rights. There have been few attempts to estimate the adequacy of child welfare services, largely because of poorly defined or inconsistent norms and standards, and paucity of good-quality data to test for robustness. A sound approach to delve into this critical area must still be properly thought through. Adequacy estimation is a critical area for further research.

Conceptual framework

This report proposes a child-sensitive legislative, policy and budget analysis framework that can be used by lawmakers and policymakers to better understand the factors that impact on child welfare. Specifically, this framework is the first step towards an integrated approach using qualita-
tive and quantitative parameters to interrogate the effect of macroeconomic variables such as inflation, fiscal and public finance management (PFM) system parameters (including the prevailing legislative and policy frameworks), and budget variables such as the relative size and trends of child welfare services expenditure by government and NPOs. In other words, this framework of analysis considers macro, meso and micro level funding impacts, where macro is at the level of the country/sector, meso at the level of the province and micro at the level of the individual service provider. This framework can serve as an important tool for advocacy by interest groups to articulate linkages between policies, budgets and child welfare in order to advocate for, among other things, sustained and increased social services expenditure that prioritizes child rights and child welfare. Also, this framework can serve as an important oversight tool by key stakeholders, such as National Parliament and Provincial Legislatures in their oversight role over the NDSD and Provincial Departments of Social Development, and civil society in general when they interrogate and evaluate government’s performance with respect to child welfare services.

**Definition of child welfare services**

Broadly speaking, child welfare services refer to those services that aim to provide children with the necessary protection from socio-economic, physical and developmental hardship, abuse and neglect. The policy and legislative analysis section of this report covers the requirements for the government to deliver and fund child welfare services. The budget analysis section covers the following specific services:

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<th>Child Care and Protection</th>
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<td>Residential Facilities</td>
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<td>Prevention and Early Intervention</td>
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<td>Training</td>
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The services provided to children in the HIV/AIDS subprogramme includes home and community based care and support programs for orphans and vulnerable children whilst counselling and reunification programs are provided to children within the Families subprogramme.

**Policy and Institutional Analysis**

The policy and legislative framework analyses presented in this report outline important policy considerations and areas of further study with regards to child welfare services. Notably, child welfare services are largely delivered by sub-programme activities delivered by Provincial Depart-
ments of Social Development and municipalities by subsidizing/funding non-profit organizations (NPOs) and funded almost exclusively by the unconditional Provincial Equitable Share\(^1\) (PES) from National Government. Since most of the government’s funding of NPOs that deliver child welfare services originate from the discretionary budgets of Provincial Departments of Social Development, clear policy directives and interventions are needed to improve the efficiency, effectiveness and economy of the funding arrangements for these NPOs. Also, in order for Provincial Departments of Social Development and NPOs to successfully deliver child welfare services, adequate capacity and resourcing needs to be put in place, for example enough social and auxiliary workers to give proper effect to the requirement of the Children’s Act.

There is a lack of human resource capacity in child welfare service provision, both in NPOs and in terms of the capacity of provincial Departments of Social Development to administer and monitor the current welfare system adequately. Costing exercises have indicated that the proper implementation of the Children’s Act will require between 16 000 and 66 000 social workers and auxiliary social workers, depending on which output modality is chosen. Coupled with a concentration of social workers in the three richest provinces, this situation begs the question whether additional funding to increase the scope of child welfare programmes over the MTEF would be readily absorbed by the current staff complements of both government and NPOs. Furthermore, costing exercises point to a lack of adequate funding of NPOs by the provincial Departments of Social Development through existing subsidies and programme funding in order to deliver on the requirements of the Children’s Act.

**Court cases**

Various court judgements involving child welfare services have noted that the courts are not responsible for determining social development budgets and transfer amounts to NPOs, but instead directed the provincial Departments of Social Development to implement policies based on adequate funding of NPOs delivering statutory child welfare services on behalf of the mandate of provincial Departments. The judgements have stated that the courts are aware of budgetary constraints and as such are avoiding a prescriptive approach.

**Auditor-General findings**

AG findings for provincial Departments of Social Development have raised serious questions about the capacity of these Departments to facilitate child welfare services through their management of transfer payments to, and interaction with implementing NPOs, as well as concerns about the health and integrity of the intergovernmental fiscal relations system due to the sheer size of child welfare-related expenditure. In all the provinces, the supporting documents to verify the accuracy, validity and completeness of social service delivery could not be provided for audit purposes, or reliability of supporting documents could not be verified.

\(^1\) The Provincial Equitable Share (PES) disbursements are transfer payments authorised by the annual Division of Revenue Act from the National Reserve Fund. PES disbursements form part of government’s unconditional grant framework, since departments are allowed discretion in the scope and aim of expenditure.
EXECUTIVE SUMMARY

Costed norms and standards
There is a critical need for updated costed norms and standards for all child welfare services in order to establish the degree to which provincial governments should budget for meeting minimum service levels as determined by nationally-determined prescribed norms and standards. While provincial governments invariably have pressure to budget for many competing social services, they should be empowered with appropriate information to make budgetary tradeoffs; one way of empowering them are costed minimum norms and standards that could be used to provide the marginal cost of child welfare services or outputs. This can be used as an analytical tool that could allow for the adjustment of the norms and standards and map the direction for the progressive realisation of child welfare services.

The NPO sector experiences current norms and standards, particularly those present in the Children’s Act regulations, as serious barriers to the provision of child welfare services due to the NPO sector’s resource constraints. Coupled with this, the NPO sector provides services in resource-constrained settings where infrastructure and basic service delivery is poor. Currently, NPOs are provided with little assistance to meet the norms and standards, subsequently limiting their access to government funding. There is room for further research on the effect of cost drivers for child welfare services on future service provision, including the growth of vulnerable child populations, increase in number of poor households, and increase in incidence of parental deaths due to HIV/AIDS.

FFC recommendations for child welfare services
The Provincial Equitable Share (PES) expanded significantly after a recommendation by the FFC that early childhood development (ECD) be funded through the PES. Social grants were centralized at national level after the FFC recommended in its submission on the 2004/05 Division of Revenue that imposing social grants onto provinces would crowd out service delivery of provinces. The weights of the PES were subsequently adjusted to account for this shift in responsibility. Another recommendation that received serious consideration was the issue of including a separate welfare services component into the PES, and estimating the weights of each component through costed norms. Government responded by saying that there is a lack of clarity on how to cost norms across different sectors, that provinces may lose their budgetary authority and that ambitious policy norms are likely to impact on expenditure projections. Subsequent to further recommendations by the FFC, Government undertook to study the elements of such a basket of services, especially statutory services, which should be delivered.

The National Development Plan
The NPC’s role is to chart the developmental growth and social development path of government beyond the five-year strategic planning cycle. The plan envisages that by 2030 all vulnerable groups, including children, will enjoy the full protection and services required by the Constitution, particularly during short-term shocks and difficult labour market conditions. The NDP states that provinces rely heavily on NPOs to deliver social services. The NDP calls for expansion of social welfare services and funding of NPOs. The NDP states that the Children’s Bill Costing Report recommended a shift to a child-centred services model of full funding rather than the existing model of partial subsidisation. The plan does not deal with the inefficiencies in the transfer system such as
late payments to NPOs that are arguably adversely affecting services to social welfare benefici-
aries. The onus is on provincial Departments of Social Development to address these inefficiencies.

**Service delivery model**

Many departments are making a deliberate attempt through increased funding, to enhance the in-
frastructure of district offices in an attempt to bring services closer to beneficiaries. Although this
approach will yield significant gains in allocating resources more optimally, the broader question
of cost-driver effects such as Occupational Specific Dispensation (OSD) for certain categories of
social practitioners and full funding of services through internal delivery mechanisms is a more
expensive option than if the funds were transferred to NPOs which are not bound by such cost-
driver effects to the state. Further work is needed to understand the cost drivers for the different
delivery models. The existing hybrid model should be examined for unintended consequences and
a plan to avoid these consequences should be implemented. In addition, there is also the question
of the capacity to deliver appropriate community-based services. The NPO sector has harnessed
relevant skills, expertise and knowledge of community-based strategies through decades of child
welfare service delivery.

**Budget analysis findings**

**Demographics**

Approximately 18.1 million children reside in South Africa, with the majority living in KwaZulu-
Natal, Gauteng and the Eastern Cape (55%).

KwaZulu-Natal, the Eastern Cape and Gauteng have the highest children populations and orphan
numbers in the country. In terms of macro prioritization, and purely from a demographic perspec-
tive, these regions should reflect the largest investment in child welfare services.

**Macro-prioritization of social development sector**

The social sector Departments in South Africa, especially Health and to a lesser extent Social De-
velopment, have been negatively impacted by the slowdown of the economy in recent years, with
forecasts suggesting that the poor outlook will remain at least until the 2014/2015 financial year.

A definite moderate progression of child welfare at an aggregate level is observable against all
the main indicators for the period considered. However, the growth is more muted over the MTEF
period (2012/2013–2014/2015), largely because of contraction in the growth of government ex-
penditure and the knock-on effect on the social development budget. In the Minister of Finance’s
2013 budget speech, he stated an additional R600 million will be made available to the sector over
the MTEF period to assist service delivery agencies with the current funding crisis.

**Micro-prioritization of child welfare services**

The provincial Departments of Social Development account for 99% of total expenditure on child
welfare services compared with 1% by the National Department of Social Development.

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2 Salary levels of employees in the government centres are higher than in the NGO sector resulting in many social workers
leaving the NGO sector to seek employment with the State.

3 Orphan rates are calculated as double orphans.
The funding of child welfare services grew in real terms between 2008/09 – 2014/15, with significant gains in 2008/2009 (33%) and again in 2011/2012 (12.55%). Despite the poor economic forecast, funding of child services is expected to expand over the MTEF, especially in 2013/2014 (16.4%), but this steep rise will be cushioned by small real growth in 2012/2013 (1.5%) and 2014/2015 (0.3%). The demographic data reveal that the Eastern Cape has the highest child population, orphan population and number of single-parent households compared with other provinces, yet funding of child welfare services here ranks only fourth highest among the provinces, suggesting that the Eastern Cape may be underfunding child welfare services compared with other provinces.

On aggregate, services to children constitute nearly half the funding of the welfare services programme for social development, emphasizing the importance of the children sector over other welfare sectors in South Africa. The funding of child welfare services has also increased on average by 11% per annum compared with 7% for other welfare services over the period considered.

Results from the internal prioritization exercise reveal that some provincial departments (e.g. KwaZulu-Natal, the Eastern Cape and North West) are not allocating sufficient funds to child welfare services from the quantum of total welfare services funds, especially when interpreted in the context of demographic data and per capita child expenditure for these regions.

**Progression of child welfare budgets**

Although child welfare budgets doubled between the period 2007/2008 and 2014/2015, for almost all provinces, the annual growth is irregular, with significant increases recorded in 2008/2009, 2011/2012 and anticipated in 2013/2014, but this is mixed with moderate to small increases in other years. In some instances, provinces recorded negative growth, which was unexpected in light of new legislative obligations. The outlook for public investment in child welfare services is not promising over the MTEF period, with five of the nine provinces showing a 5% or lower annual average real increase. These increases would be lower if Departments did not cut back in other areas such as goods and services, infrastructure and maintenance as part of efforts to deal with government consolidation efforts.

Provinces that expanded child welfare budgets quite rapidly between 2007/2008 and 2011/2012, are budgeting for lower growth over the MTEF. In contrast, provinces with lower growth figures for child welfare budgets between 2007/2008 and 2011/2012, are budgeting for higher growth estimates over the MTEF period.

Tier one (high spenders) spent on average nearly three times more than tier two (low spenders) in 2011/2012. The implication of this suggests that it will take a considerable effort for tier two Departments (low spenders) to catch up with the current level of per capita spending by tier one departments (high spenders). The current expansion of child budgets of most of tier two departments is not growing fast enough to close the existing gap in spending between the two tiers. The discrepancy in per capita spending between tier one and tier two provinces are due to historical reasons and a lack of prioritization by some provinces.
Efficiency in child welfare spending

Total unspent funds by Social Development Departments over the five-year period (2007/08–2011/12) amounted to R1.2 billion, with unspent funds in 2010/2011 accounting for more than half this amount (R690 million). KwaZulu-Natal (R283 million), Gauteng (R182 million) and Limpopo (R176 million), had the largest share of unspent funds over the five-year period respectively. Where significant increases in child welfare budgets were observed, under-spending ensued, but this was only in limited cases. On aggregate, provinces underspent by 4% of the child care and protection sub-programme in 2009/2010 and 2010/2011, with KwaZulu-Natal recording the poorest spending performance, going from 81% of the budget spent in 2009/2010 to only 68% in 2010/2011.

On aggregate, the actual to planned spending ratio on crime prevention by Departments improved on aggregate from 1.12 in 2009/2010 to 1.05 in 2011/2012, but the number of provinces overspending increased from five to seven departments, suggesting that Departments are unable to manage available resources with the existing service delivery demands.

Transfers to NPOs

The diagram below contextualises the funding of NPOs through the budgets of Provincial Departments of Social Development. Private sector funding of NPOs is also an important separate funding flow.

Seven provincial Departments allocated more than 50% of their child care budget to transfers in 2011/2012, while for crime prevention there are no such instances. NPOs have a bigger footprint as a key partner in offering child care and protection services on behalf of government than they do in offering crime prevention services. Total child transfers to NPOs increased from R1.63 billion in 2009/2010 to R2.15 billion in 2011/2012, which signals an average 10.4% real increase. The Western Cape, Gauteng and Kwazulu-Natal accounted for nearly two thirds of all child transfers to NPOs. Unspent transfer funds from the child care sub-programme amounted to R227 million compared with R6 million for crime prevention. This suggests strongly that whilst NPOs are struggling with funding, departments are failing in their responsibility to channel the funds available to the respective NPOs.
EXECUTIVE SUMMARY

Service delivery performance
Output indicators reported on in the annual reports of provincial Departments of Social Development were poorly formulated, making it very difficult to track sub-programme performance. Many indicators reported on are not within the complete control of Departments (e.g. Court placements of children in children’s homes), with the result that it would be difficult to hold Departments accountable for meeting these stated targets.

Only some provincial Departments of Social Development included a set of key MTEF output indicator targets in their budget statements. These targets suggest a significant expansion of child care and protection services over the next three years, especially funding ECD sites for children and newly admitting children into foster care.

Unfortunately, for the most part, MTEF indicator targets for crime prevention were not very meaningful, but going with budgetary increases, one expects a significant expansion of crime prevention services in 2012/2013 but very little increase or no increase at all in 2013/2014 and 2014/2015. Overall, the output indicator targets reported on by the Departments of Social Development in the budget statements are poorly mapped to annual budgetary changes, suggesting a disjuncture between service delivery planning and financial forecasting in Departments.

Main Report Findings and Recommendations

Recommendation 1: The funding for agencies providing child welfare services are drying up because donor agencies are entering into bilateral agreements with government, government policy of partial funding of child welfare services, a decrease in lottery financing access, donor community less inclined to fund statutory services and lower private donations because of economic slowdown. The FFC recommends:
  i. National and provincial spheres of government and NPOs should reach an agreement on the funding principles to improve transparency in the grant system.
  ii. Other sources of funding for child welfare services should be identified to ease existing funding pressures.
  iii. Delays in the disbursement of financial awards which place pressure on NPO cashflows should also be eliminated.

Recommendation 2: Auditor-General (AG) findings for the 2010/2011 financial year for provincial Departments of Social Development point to maladministration, specifically in terms of management, monitoring and oversight of the work NPOs. Some NPOs have also not been able to account for the grants received as the AG requires and in some cases have used funds for inappropriate purposes. The FFC recommends:
  i. The entire value chain in the transfer system should be audited to identify bottlenecks and inefficiencies so that administrative systems can be streamlined, simplified and standardized across provinces.
  ii. Where best practises are implemented, this should also be shared with other provinces.
**Recommendation 3:** With limited funding for children services available, funding for non-statutory services like ECD, may be diverted to fund statutory services which is legally binding on government. The FFC recommends:

i. The national and provincial spheres should carefully balance the funding allocated to statutory and non-statutory services such as ECD, through its prioritization framework that recognizes the importance of both services to children’s wellbeing.

**Recommendation 4:** The results show significant service delivery disparities in child welfare services between various regions in the country due to historical reasons. This is exacerbated by a lack of adequate prioritisation by some provinces. The FFC recommends:

i. Some standardisation of funding per child that is in line with the minimum norms and standards across all provinces to reduce existing funding disparities.

**Recommendation 5:** The Policy on Financial Awards does not adequately address some of the important funding issues that the sector is struggling with. For example, the affordability of norms and standards, the funding mix between various service levels (E.g. Early intervention and protection v mandatory services) and the extent to which these services should be funded. There is also a lack of clarity and agreement on the definition on transformation implied by the Policy (E.g. are we talking about transformation into urban v rural, staff composition of NPOs, beneficiaries being targeted). The FFC recommends:

i. The Policy on Financial Awards should be reviewed to assess whether the following components have been adequately addressed: a prioritization framework for welfare services, a financing model based on agreed principles, minimum criteria to qualify for funding and a clear definition on transformation.

**Recommendation 6:** The Constitution and specifically the Bill of Rights enshrines children’s rights to access welfare services and also that the state should prioritize these rights through putting in place adequate policies, laws and budgets to give effect to these rights. The FFC recommends:

i. For long-term avenues of action, government should put in place a financing plan that moves towards full funding of minimum norms and standards for children services provided for in terms of the relevant Acts.

ii. Provincial EXCOs need to ensure adequate prioritisation of child welfare funding

**Recommendation 7:** Provinces have not been able to implement a needs analysis for child welfare services as required by the Children’s Act. This has led to a lack of information on backlogs and to a lesser extent, existing service provision needs, resulting in some children services not being adequately provided for. The FFC recommends:

i. Provinces should conduct an updated needs analysis for child welfare services to inform short and long-term service planning, budgeting and monitoring and evaluation.

**Recommendation 8:** There is lack of coordination in planning, budgeting and target setting of CWS between all the relevant stakeholders. NPOs often are the delivery vehicle but do not participate in these processes at all, undermining cooperative delivery. The FFC recommends:

i. A coordinated and integrated service delivery (planning, budgeting, consultation, communication) across national and provincial spheres and NPOs.
An agreed upon set of value principles should guide the relationship between government and NPOs.

**Recommendation 9:** Key programmatic child welfare indicators and targets not reported on by provinces in a consistent way. Some indicators are also of poor quality and do not meet the SMART criteria. It is therefore difficult to monitor the implementation of child welfare services and to hold departments accountable. The FFC recommends:

i. The national sphere should standardize a limited number of indicators that the sector departments and NPOs must report on.

ii. One system for reporting and monitoring these indicators should be introduced that is simple to use and can be applied in all the provinces.

The national sphere should build capacity within provincial departments to monitor, support and enhance the delivery capacity of NPOs, especially emerging ones.
Introduction

The Children’s Act (No. 38 of 2005 as amended by Act No. 41 of 2007) and other related legislation, such as the Child Justice Act (No. 75 of 2008), place an obligation on the state to provide children with the social services necessary to give effect to certain constitutional rights. For example, Section 7 (2) of the Bill of Rights in the South African Constitution addresses children’s rights to family care and protection from abuse and neglect. The Children’s Act aims to support parents, to promote wellbeing, and to prevent child abuse and neglect. The Act also makes provision to extend appropriate welfare services to children in need of care and protection. The state therefore has an obligation in respect of its legal responsibilities to provide adequate funding to support child welfare-related programmes targeting vulnerable children.

With global economic activity declining, many countries including South Africa are being forced into counter-cyclical fiscal policy measures to buffer the impact of macroeconomic shocks on a weakening economy. In the light of these macroeconomic shifts, it has become necessary to investigate the impact (if any) of fiscal consolidation measures on government spending patterns for child welfare services, especially after the full introduction of the Children’s Act in 2010. An important corollary is whether any significant spending changes in child welfare services are observable following previous court judgements, FFC recommendations or AG findings. In an environment of fiscal uncertainty, a third area of exploration is the issue of funding design and whether it plays any meaningful role in consistent and stable funding flows to various child welfare services.

More specifically, this report critically examines the following key areas of research:

- The policy and legislative framework for the provision and funding of social welfare services
- Provincial budgets for child welfare services
- Informational and data gaps to determine the accurate mandate and allocation of child welfare services funds
- Policy alternatives and recommendations.

The Children’s Act and the Child Justice Act advance very important legal principles and universal rights entitled to vulnerable children. Although the legislative framework is still in its infancy, the analysis seeks to capture the immediate and possible future tensions, especially from a funding point of view, between the various legislative, implementing and judicial stakeholders. The analysis also aims to capture whether the state’s funding trends in child welfare services are meeting statutory requirements adequately.

1.1 Definition of child welfare services

Broadly speaking, child welfare services refer to those services that aim to provide children with the necessary protection from socio-economic, physical and developmental hardship, abuse and neglect. Child protection and social security are guaranteed through the Bill of Rights in the Constitution and give effect to the enshrined socio-economic rights through legislation (such as
the Children’s Act, No. 38 of 2005 as amended by Act No. 41 of 2007), policies and government programmes of action. The child welfare services prescribed in legislation are referred to as child welfare services that the State is legally bound to deliver. For the purposes of this report, two aspects of obligatory children services in South Africa should be distinguished throughout:

1. The provision and/or funding of child welfare services as prescribed in the Children’s Act (e.g. crèches, early childhood development centres and programmes, drop-in centres, prevention and early intervention and protection services for vulnerable children, foster care, adoption, and child and youth care centres)

2. The provision of social security in the form of social assistance through government-administered cash grants targeting children as provided for in the Social Assistance Act (2004) (e.g. Child Support Grant, Foster Care Grant, etc.).

This report focuses exclusively on child welfare services as prescribed in the Children’s Act and Child Justice Act.

1.2 Arguments in favour of public investment in children

It is widely accepted that public investment in children through social services such as education, health and child welfare services is desirable, and the following arguments among others explain why:

- **The rights-based argument:** it is the right thing to do because international child rights instruments, such as the United Nations Convention on the Rights of the Child (UNCRC) (UN, 1990) and the African Charter on the Rights and Welfare of the Child (ACRWC) (OAU, 1990) oblige countries to invest resources in children. This study will highlight the key provisions on child welfare in the Constitution of South Africa, which have been informed, among others, by the above international commitments.

- **The socio-economic argument:** Through public investment in children (such as child welfare services), human development outcomes are reached (such as reduced mortality rates and increased literacy rates) and improved economic development and productivity (United Nations Children’s Fund - UNICEF, 2005). These outcomes could be reached through the implementation of various public investment instruments; for child welfare services this may entail efforts to smooth the consumption of households and sustain their spending on food, basic education and healthcare in periods of fiscal austerity.

- **The political argument:** Countries need safe, healthy, well-nourished and educated children who can participate effectively and responsibly in labour markets, in civil society and in democratic processes when they reach adulthood (UNICEF, 2005 and Barro, 1999).

- **The social argument:** Countries need to foster a stable child population otherwise society will crumble and become extinct (African Child Policy Forum - ACPF, 2011a). The political argument for public investment in children is therefore closely aligned to the social argument: socio-economic and political risks are mitigated through public investment in children.

- **The macro argument:** Lately, the FFC have begun to make a macro-growth argument in favour of investing in children that has been absent from literature for a long time. Essentially, such investments not only support financial activities but beneficiaries have higher levels of savings, and are able to engage with credit markets on generally more favourable terms.
1.3 Scope of work
This section expands on the project brief and explains how each research component will be investigated.

1.3.1 Policy and legislative framework
The applicable legislation, regulations and policies governing child welfare services are critically reviewed and analysed. Important questions explored are the following:

- What are the respective service delivery obligations placed on government?
- Are proper norms and standards in place to guide services to children?
- Are there any specific funding mechanisms identified by the legal framework?
- Are the current implementation challenges of child welfare services adequately addressed?
- Are any identifiable gaps that may improve service delivery and funding to child welfare services evident in the legal framework inter alia?

The emphasis of the study is therefore on the Children’s Act as amended (2007) and applicable regulations as this encapsulates the largest share of services to children. The Child Justice Act (2008) is also an important piece of legislation that is reviewed as it pertains to some elements of the crime prevention and support sub-programme. Many overlaps exist between the Children’s Act and the Child Justice Act, both of which came into effect in 2010. Policies relating to HIV and AIDS and services to families also include pockets of services to children. Currently, there is no accurate way of stripping out the amounts that are allocated to children services in these sub-programmes. A new budget structure that will bring all children services in these sub-programmes under one children services programme is currently being implemented. This will allow for better transparency and tracking of expenditure information on all children services in the future. The report provides a general overview of these two subprogrammes. Future work in this area is required.

The review also assesses the following:

- **All relevant Constitutional and High Court cases** – Litigation cases against the state regarding the disbursement of grant funding are examined for the previous three years. A recent example in the Free State (2010) revealed the implementation challenges regarding grant funding of NPOs that confront government. Other cases similar to the Free State judgement are reviewed, taking into consideration the dispute before the court and the final judgement handed down.

- **Norms and standards that exist and those that need to be defined** – The norms and standards of the various welfare services determine the level, scope and extent of services that must be provided. Norms-costed services guide the level of funding disbursed to child welfare service providers. Hence exercises attempting to cost the norms and standards for child welfare services are reviewed and existing gaps identified.

- **Relevant conditional grants** – Conditional grants place an obligation on government agencies to utilize these funds only for the purposes intended by the grant design. Several interesting questions are explored. For example, are there existing conditional grants for child welfare services and what relevant child services are targeted? Are these grants (in totality) increasing or decreasing over the period considered? Are any expenditure adjustments taking place?
Are there any relative differences in the allocation of conditional grants compared with services funded through the equitable share?

- **The current status of any relevant FFC recommendations made in the past** – Although the National Treasury is not compelled to implement any FFC recommendations, it is however, still statutorily obliged to consider them in some meaningful way. An important consideration here is the extent to which previous recommendations on child welfare services and welfare services in general are reflected in the vertical and horizontal division of resource allocation.

- **Relevant sections of the National Planning Commission’s National Development Plan** – The Commission’s role is to chart the developmental growth and service delivery path of government beyond the five-year strategic planning cycle of Departments. To this end, this report assesses government’s long-term planning objectives with regard to child welfare services and welfare services in general.

The table below highlights the distinction between funding responsibilities of the four main stakeholders in child welfare service provision, namely provincial Departments of Social Development, SASSA and implementing NPOs.

### 1.3.2 Budget analysis of child welfare services

The welfare services programme of Departments contains the largest share of the child welfare funding. The sub-programmes that target services to vulnerable children are:

- Child care and protection
- Crime prevention and support
- HIV and AIDS
- Care and support to families

The Child Care and Protection and Crime Prevention and Support sub-programmes spend their funds almost exclusively on services to children. The other sub-programmes listed above are largely transversal, hence pockets of funding go towards the wellbeing of children. In relation to

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Child welfare service</th>
<th>Action / funding areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Department of Social Development</td>
<td>Provision and funding of child welfare services, including those defined in the Children's Act</td>
<td>Transfer payments to SASSA (social grants), other governmental social service delivery organizations, and implementing NPOs (e.g. subsidies and programme funding)</td>
</tr>
<tr>
<td>Provincial Departments of Social Development</td>
<td>Provision and funding of child welfare services, including those defined in the Children's Act</td>
<td>Establishement and funding of child and youth care centres (CYCCs), early intervention programmes, notably the Isibindi programme, and early childhood development (ECD) programmes</td>
</tr>
<tr>
<td>SASSA</td>
<td>Child welfare-related social grants</td>
<td>Administration and disbursement of child support grants (CSGs), foster care grants (FCGs), care dependency grants, and social relief of distress grants</td>
</tr>
<tr>
<td>Implementing NPOs</td>
<td>Provision and funding of child welfare services, including those defined in the Children's Act</td>
<td>Receipt of transfer payments from provincial Departments of Social Development, e.g. subsidies and programme funding</td>
</tr>
</tbody>
</table>
the transversal sub-programmes, Child Care and Crime Prevention constitute roughly between 80% and 90% of total funding allocated to children. The analysis of budgets for child welfare will therefore focus exclusively on these two sub-programmes. The report also provides a general overview of the HIV/AIDS and Families subprogrammes. Currently the budget books do not report the allocations that these subprogrammes make for children services. A new budget structure will soon be implemented in the sector. This will allow for better tracking and monitoring of all child welfare expenditure.

According to the Children’s Act, provincial Departments are largely tasked with implementing services to children. The national Department plays chiefly a policy and coordination function, although funding for a handful of national NPOs is also provided. Our analysis will, therefore, focus mainly on the spending patterns of provincial Departments. The provincial budget statements that contain the budgets of provincial Departments are examined for the period 2007/2008 to 2014/2015. The analysis over the period considered is meant to show any changes in spending priorities through adjustments to the MTEF baseline from one year to the next. The 2012/2013 budget statements is employed to assess historical spending trends.

The provincial budget statements provide summary information on programmes and sub-pro-grammes of Departments. Budget information on planned expenditure for different child welfare services is therefore not available. According to the Children’s Act, the following services must be funded (Budlender and Proudlock, 2010):

- Prevention and early intervention services
- Protection services (including support schemes for child-headed households)
- Foster care and cluster foster care
- Adoption
- Child and youth centres (children’s homes, places of safety, schools of industry, reform schools, secure care facilities and shelters for street children).

However, some provisioning clauses in the Children’s Act state that services may be funded (Berry, Jamieson and James, 2011). Provincial social development officials therefore have discretion as to whether, and to what extent, these services should be funded. This is applicable to:

- Partial Care Facilities (crèches);
- Early Childhood development programmes; and
- Drop-in centres4.

The document review was supplemented by administering a questionnaire to all Departments of Social Development to collect actual child welfare services data. The analysis further examines both nominal and real changes to expenditure data. Population figures for the respective age cohorts can be used to estimate per capita spending for child welfare services.

A large portion of the welfare services budget is transferred to community-based NPOs. These organizations fulfil the role of service delivery agents in the respective communities, providing

4 The full list of activities reported on by each Department is included in Annexure 2.
much-needed social welfare services in an independent capacity, but also, crucially, fulfilling the state’s mandatory obligation towards beneficiaries. With the demand for child welfare services being more than the available supply of funds, funding to these NPOs is partial and meets only certain expenditure needs of these organizations. The shortfall is expected to be covered by raising funds from other sources. This study will therefore examine the transfers being disbursed to NPOs and assess whether any discernible pattern can be detected. With the implementation of the Children’s Act in 2010, one would assume a general increase in transfers disbursed to NPOs offering child welfare services. On the other hand, with the implementation of consolidation measures, government may have reallocated funds into other areas of service delivery.

Non-financial performance information is reported on in the Annual Performance Plans (APPs) of Departments. Achievement of these targets must be reported on in the Annual Report of Departments. The Annual Report is therefore a backward-looking summary of a Department’s operations, where actual targets achieved are compared with planned targets. Performance targets have implicit budgetary implications. As performance targets increase, the available budget should consequently increase, unless efficient ways of delivering the same service become available. This study reviews the performance indicators and targets of the nine provincial Departments to ascertain the level of service delivery for child welfare services and if these services are being extended in subsequent years. The assessment presents the funding trends observed with the performance information. Should a consistent pattern emerge, then Departments are spending appropriately and taking account of service delivery information when they allocate resources. Service innovation may see fewer resources spent for the same amount of outputs delivered. Service innovation can therefore be detected if a consistent decrease in the budget is observable for the same level of outputs over a number of years.

Given that funding is constrained, the efficiency and effectiveness of spending are crucial if service-delivery objectives are going to be achieved. Planned versus actual targets for financial and non-financial information will reveal whether funding is being spent adequately and if service-delivery targets are being achieved. By comparing actual and planned targets and examining service-delivery information in relation to the planned budget, one would also be able to assess whether the recommendations from the FFC, court case rulings and AG findings are reflected in the findings.

Availability of reliable data makes it easier to judge whether funding of various priorities is taking place adequately. This study will review the available data sources to determine what the gaps are and how data on the funding aspects of child welfare services can be improved upon. The study will be particularly interested in data that can assist with defining the nature, scope, extent and level of child welfare services that should be provided. Norms and standards, policy documents, service-delivery backlogs, and budgetary and annual reported information are all relevant sources in examining data gaps.

Finally, the AG reports are studied to examine if any observations have been made pertaining to adequate funding of the Children’s Act. A corollary to this is investigating what implications, if any, the AG recommendations have had on the actual funding and service delivery of child welfare services by provincial Departments.
1.3.3 Policy alternatives

The results of the investigation reveal the existing tensions and challenges within the funding structure of child welfare services. The results also provide a framework that will assist with identifying the best policy options within the existing and future financial constraints of government. Recommendations made are subject to prevailing conditions and for pragmatic reasons are classified according to ‘short-term’, ‘medium-term’ and ‘long-term’. In this way, various government agencies responsible for different dimensions of planning can incorporate the appropriate recommendations into their planning processes.
Child welfare services provided by government are determined by the scope, size and adequacy of government budgets. A child-sensitive government budget for children is not a separate budget; it is, however, one that includes programmes aimed at realizing children’s rights within each government entity’s budget (UNICEF, 2007a). Emerging best practice on child-sensitive budget analysis calls for a comprehensive and systematic analysis of the major factors that either impact on or facilitate the welfare of children; see for example the framework proposed in The African Report on Child Well-being by the African Child Policy Forum (ACPF, 2011a). Below is a description of factors that underpin such an analysis. The description of the factors is adapted to fit in with the aims of this section of the report, namely reviewing the legislative and policy framework of child welfare services. The factors are not applied in full in the review that follows; however they do serve as points of reference for recommendations for future research by the FFC.

2.1 International, regional and national obligations for public investments in child welfare

South Africa is obligated under various international laws, conventions and other rights-based instruments to provide child welfare services. Domestic legislative contexts, such as the Bill of Rights in the Constitution, give particular effect to the country’s international obligations. The review will list the most salient obligations that are reflected in the Constitution. The review will also discuss relevant policy frameworks that dictate the strategies and programmes of action that the government would implement to deliver on constitutional and legislative imperatives.

2.2 Macroeconomic space

The macroeconomic dimension refers to the factors of production (such as labour and financial capital) and variables (such as the supply and demand for goods and services) that influence a nation’s wealth or poverty levels and trajectory. Macroeconomists are concerned with the important prices in the economy, such as the price of labour (namely wages), goods and services, money and debt (namely interest rates) and national currencies (namely exchange rates). Macroeconomic policies typically try to keep these prices stable, credible and predictable, while trying to stimulate the production and demand for goods and services in a given country, i.e. macroeconomic performance.

There exists a proven link between macroeconomic performance and child wellbeing: vulnerable citizens such as children tend to benefit more from a sound macroeconomic environment (IMF, 2000). For example, inflation should be curbed to reduce the shortages that invariably result in less

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5 An abstract of the framework is provided in Annex 1 at the end of this report.
resources and time for childcare (De Vylder. 2000:16). Furthermore, macroeconomic measures aimed at reduction in public expenditure could be seen as ways through which children may be directly affected, especially in times of tighter fiscal frameworks when social services budgets may be at the highest risk of being reduced (De Vylder, 2001: 8). Also, macroeconomic policies should strive to be pro-poor and conducive to employment creation, since the effects of long-term unemployment are particularly negative on child wellbeing (McLoyd, 1989).

UNICEF argued that the macroeconomic dimension, and specifically macroeconomic policies that try to shape and steer the important prices in the economy and variables such as inflation, should be critically reviewed for their sensitivity to the rights and needs of children if a country wants to alleviate child poverty (see for example UNICEF, 2007b).

Studies of macroeconomic growth, fiscal variables and social sector expenditure trends highlight the important linkages between these variables (see for example Köhler&Bonnerjee, 2008, on positive correlations between gross GDP growth and social sector expenditure for South Asian countries since 2000). Therefore, macroeconomic policies that facilitate increases in public expenditure can be considered as conducive to improvements in child wellbeing, but only if social sector expenditure also specifically targets child welfare services. Although child-sensitive budget analyses for countries in Africa have produced various conclusions on child-sensitive budgetary trends (see for example The African Child Budget Report by ACPF, 2011b), not much research exists in terms of the impact of macro-economic variables on child wellbeing.

The following elements could be considered conducive to a ‘child-friendly’ macro-economic environment, i.e. an enabling environment that facilitates improvements in spending on child welfare services (UNICEF, 2007b):

- A stable macroeconomic environment that fosters economic growth, including low inflation rates and low unemployment
- Children are explicitly prioritized throughout the budget process and during all stages, i.e. from legislative and policy level through to budgeting and service delivery
- Sound socio-economic policies and plans that are decentralized and are sensitive to child rights and child welfare goals at all levels of government
- Socio-economic policies that prioritize early interventions to strengthen families, develop the health of children and protect children and their rights
- Equitable socio-economic policies and plans that reach the most vulnerable groups of the population but do not lead to further social exclusion or discrimination.

A critical analysis of the linkages between macroeconomic growth, fiscal variables and social expenditure does not form part of the scope of this report, although it is advisable that future research investigates these linkages in the South African context in order to establish whether macroeconomic policies and variables facilitate the progressive realization of child rights in South Africa.
2.3 Fiscal space

A government’s fiscal space refers to the degree of manoeuvrability of that government’s budget in addressing competing priority policy areas without prejudice to the government’s fiscal position (Heller, 2005). Adequate fiscal space for increased public investment in child welfare-related services therefore means that a government can justify increased expenditure through the merits of child-friendly policies as well as the availability and flexibility of public funding for such policies. Avenues and fiscal mechanisms to increase a government’s fiscal space can be plotted as a function of the size of a country’s economy, such as percentage of GDP. The Fiscal Space Diamond is illustrated below (Roy et al., 2006) and is followed by a description of how fiscal space could be created and maintained.

**Figure 1: The Fiscal Space Diamond**

Source: Roy et al., 2006.

**Domestic revenue mobilization:** A government can enhance the fiscal space for human development through more effective tax and expenditure policies (Roy et al., 2006). International examples abound on how the broadening and deepening of the tax base leads to capital accumulation (see for example the case study on Thailand in Roy et al., 2006). Countries have created sustainable fiscal space by implementing tax policies and tax systems that create the right incentives for the sustainable increase in domestic revenues through elements such as a) universal and moderate corporate income tax rates, b) simplistic personal income tax with limited personal exemptions and deductions, and c) broad-based consumption taxes (such as VAT) (Tanzi and Howell, 2000).

**Official development assistance (ODA):** Many less-developed countries have benefited from ODA as a way of complementing their domestic revenue in the development process, but this source of funding has been shown to be unsustainable (Deles et al., 2010). South Africa has sig-
nificantly low levels of reliance on ODA compared with other sub-Saharan African countries and it is not foreseen that the government will pursue this avenue in future. However, a case can be made for international donor organizations to play a vital role in supporting child-sensitive policies and budget processes, advocating for child-sensitive social expenditure, making evidence-based policy recommendations (such as on counter-cyclical social spending), and supporting the participation of children in the budget process (Harper & Jones, 2009).

Reprioritization and efficiency of expenditure: Fiscal space can be created when budget allocations and expenditures are examined in relation to their intended results in order to remove non-performing activities and programmes. This would also lead to better reprioritization as well as strengthening efficiency and accountability of the implementing institutions (World Bank, 2008).

Deficit financing: Fiscal space can be created by financing budget deficits through domestic and external borrowing. Whether borrowing in domestic or international capital markets, governments need to take heed of prudent debt-management practices, including the need to maintain sustainable debt levels, producing rates of return and value-for-money to finance the debt and avoid the crowding out of domestic lenders (such as banks). Creating fiscal space through borrowing has to be efficient; efficiency in terms of debt management means borrowing funds at the lowest possible cost (Shah, 2007).

Remittances: Remittances by foreign-based labourers can be seen as an emerging dimension of fiscal space, especially for low-income countries. Internationally, remittances have been directly linked to private disposable incomes and private consumption (Deles et al., 2010), as well as to declines in poverty. Since poverty directly affects the wellbeing of children, it may be useful to understand how remittances from South African nationals working abroad affect domestic poverty levels, including the consumption of child welfare services.

From the perspective of child-sensitive budget analysis, the Fiscal Space Diamond provides a useful analytical starting point to analyze fiscal space avenues and advocate for creating fiscal space for increased public investment in children. Studies in sub-Saharan Africa has shown that the most important factor in analysing fiscal space, apart from the relative size and growth of government budgets, is inflation, since it allows for the identification of real growth in a child-sensitive public expenditure and the comparison with other cost-driver effects, such as growth in the number of beneficiaries of child welfare-related social grants (ACPF, 2011b). Since South Africa hardly relies on donor funding, the other aspects of the Fiscal Space Diamond framework are more relevant and useful to analyze fiscal space for increased public investment in children; the country’s internal budgeting and planning processes are particularly paramount.

2.4 Public finance management system and budget process space

The degree to which a country’s public finance management (PFM) system and budget process facilitates and enforces sound principles such as aggregate fiscal discipline, allocative and operational efficiency, effectiveness, economy, equity, transparency and accountability, have repeatedly been linked to the degree of success in addressing priority policies (see for example World Bank, 1998). Without the presence of these sound principles, service delivery to children suffers due to
mismatches in the linkages between government plans, budgets and expenditure. One aspect of child-sensitive budget analysis would therefore be to assess the integrity of the whole PFM system and its parameters. There are many parameters, but noteworthy ones are:

- A political commitment to international conventions and charters in order to formulate child-friendly policy and legislative frameworks
- Sound administrative and managerial capabilities to implement government policies adequately
- Sound and transparent budgeting systems and approaches such as activity-based budgeting and performance/output-oriented budgeting in order to provide credible budget information, including data on the marginal costs of outputs, which would be useful for decision-makers to make informed decisions regarding policy and budgetary trade-offs
- Sound intergovernmental relations frameworks and systems that allow for adequate levels of vertical and horizontal fiscal balance in general, and specifically allow for the efficient and effective flow of nationally collected revenue to points of service delivery. Topics for analysis in this regard could include whether the combination of the prevailing conditional social grant framework and the unconditional provincial equitable share (PES) framework adequately address child welfare service priorities
- Commitment to performance-management frameworks to measure whether these policies are thoroughly implemented and have the desired impact on child well-being outcomes.

Another aspect of the PFM system and budget process would be to establish whether the above mentioned principles and parameters of sound PFM systems are present during each of the budget process stage, namely the policy formulation, strategic and annual planning, budgeting, budget implementation, reporting, accounting, auditing, monitoring and evaluation (M&E) and oversight.

Analyses could distinguish between quantitative and qualitative sub-analyses. The following quantitative sub-analyses could be performed:

- The relative size and growth of child welfare-related social grants and the child welfare-related aspects of the budgets by provincial Departments of Social Development
- The relative size and growth trends in provincial government budgets for child-welfare-related infrastructure (e.g. for secure care centres), social service professionals (not only social workers but also social auxiliary workers, child and youth care workers and community development workers as envisaged by the Children’s Act) and financial support to implementing NPOs.

The following qualitative sub-analyses could be performed:

- Analyses of the verbal and written commitments that government provide on child welfare services in budget speeches, strategic plans, social development policies, plans of action, and others
- The relationship of each PFM parameter (e.g. political commitment, managerial and administrative capacity, performance management, etc.) within each step of the budget process (planning, budgeting, implementation, M&E, etc.) to establish whether capacity exists in the PFM system for the mainstreaming and prioritization of child welfare and whether it receives adequate resources.
Analyses could also identify demand and supply side cost drivers, i.e. those pertinent variables that would influence the cost of delivery of a given unit for child welfare services over and above normal cost increases such as population growth and inflation. For example, the cost of providing foster care services to one child would increase significantly if the foster care grant was increased above inflation. Similarly, the cost of providing early intervention through the Isibindi programme would increase significantly if the stipend of child and youth care workers was increased above inflation. From a demand side perspective, substantial bottlenecks in the foster care system currently exist, since demand for court orders far outweighs the supply. Therefore, the cost of child protection, among other things, would increase significantly if social workers experienced longer-than-expected delays in obtaining court orders as this would increase their average time spent placing children in foster care.

Furthermore, and in order to progressively realize the commitments on public investment in child welfare services, one would need to see real growth in public investment in children, i.e. growth over and above inflation of public expenditure. Nominal growth alone may only just be keeping track with inflationary pressures in domestic economies and may not adequately meet the demand for services from growing poor and vulnerable child populations.

2.5 Selective application of the child-sensitive legislative framework, policy framework and budget analysis

The application of a child welfare services-friendly budget analysis framework for analyzing and advocating public expenditure on child welfare services is recommended. Drawing from the above description, a child welfare services-sensitive legislative, policy and budget analyses can be defined as:

- Analyses that take into account the spaces that impact on child welfare, the macroeconomic space, the fiscal space and the PFM system/budget process space
- Qualitative and quantitative analyses that interrogate the effect of macroeconomic, fiscal and PFM system parameters on child welfare, including the prevailing legislative and policy frameworks, macroeconomic variables such as inflation, and budget variables such as relative size and trends of social services expenditure by governments that target child welfare
- A tool for advocacy by interest groups to articulate linkages between policies, budgets and child welfare to advocate for, among other things, sustained and increased social services expenditure that prioritizes child welfare.

The child welfare services-sensitive legislative, policy and budget analysis outlined above is too detailed for the purposes of this report. In order to reflect the scope of the report accurately, only the most salient elements of the framework will be used. Therefore, in order to address aspects of the PFM system and budget process, this report will include a review limited to the main legislative obligations, policy directives and trends in funding arrangements of child welfare services in South Africa. As far as possible and depending on available information, the analysis will take into account the impacts that the macroeconomic and fiscal considerations have on child welfare services.

It is advisable that stakeholders to child welfare services apply a child welfare services-friendly budget analysis framework for analyzing public expenditure on child welfare services, especially during times of fiscal consolidation.
CHAPTER 3

Review of the legislative and policy framework for child welfare services

This part of the study will provide an overview and analysis of the policy and legislative framework for the provision and funding of child welfare services in South Africa. The review focuses specifically on child welfare services that are provided by provincial Departments of Social Development and NPOs and the related funding frameworks. The following questions informed the review and analyses:

- What are the child welfare service delivery obligations placed on government?
- Does the legal framework cover funding of all obligated child welfare services? What are the gaps, if any?
- Are proper norms and standards in place to guide child welfare services?
- What are the funding mechanisms identified by the legislative framework, such as conditional funding frameworks (if any), and how do these funding mechanisms provide for budget allocations that adequately and efficiently address service delivery objectives?
- What are the current implementation challenges of child welfare services and how are they being addressed?

3.1 Review of the legislative framework for child welfare services

The child-sensitive legislative, policy and budget analysis framework presented above provides the anchor points for the review of the factors that impact on child welfare services. It is noted that the prevailing legislative framework is an important parameter for interrogating the PFM system for the assessment of political commitment in adopting key international conventions and charters on child welfare. South Africa is among many countries that have adopted and ratified such conventions and charters. South Africa is therefore obliged to progressively harmonise its national policy and legislative frameworks with the obligations contained in these conventions and charters. To a large extent, an a priori view confirms South Africa’s commitment to child rights. Child welfare services have been shown to receive the single largest portion of government social services expenditure and it is arguably one of the largest aspects of non-government service delivery in South Africa (Budlender and Proudlock, 2011a).

Prior to reviewing the laws and regulations that govern child welfare services in South Africa, it is useful to note in the next few sub-sections some international and regional instruments that inform provisions for child welfare services in South African law. Subsequently, this study will detail specific South African laws and regulations that regulate child welfare services.

3.1.1 The United Nations Convention on the Rights of the Child (UNCRC)

The UNCRC (UN, 1990) requires that signatory countries establish enabling environments for the implementation of the Convention. One aspect of an enabling environment should be increased public investment and budget allocations to improve the protection and promotion of children’s rights. Article 4 of the UNCRC and Article 5 of the ACRWC require governments to invest “the maximum extent of available resources to realize the wellbeing of children.” Specifically, Article
4 of the UNCRC requires governments to “undertake all appropriate legislative, administrative, and other measures for the implementation of the rights” that are contained within the UNCRC. Therefore, signatory countries are obliged to prioritize public investment in children. The UNCRC Committee regularly reports on signatory countries’ compliance with the obligations in terms of the Convention. The Committee’s past recommendations call for states to pay particular attention to developing appropriate mechanisms to track, monitor, and influence public investment in child welfare services (see for example UNCRC, 2006). Furthermore, budget allocations in favour of children should be handled as a cross-cutting concern within the clusters and sectoral development programmes within states.

### 3.1.2 The African Charter on the Rights and Welfare of the Child (ACRWC)

The ACRWC (OAU, 1990) provides for the obligation by countries to invest resources in children. Article 5 of the ACRWC (as is the case with Article 4 of the UNCRC) also requires governments to invest, to the fullest extent of public resources, to improve the wellbeing of children.

### 3.1.3 The Social Policy Framework for Africa

The Social Policy Framework for Africa was endorsed by the African Union (AU) Member States in 2008 and sets down policy recommendations, objectives and targets for Member States to alleviate poverty and inequality, and improve the health of citizens. Specifically, for Member States committed to improving public investment in social protection, one of the quantitative targets is that governments should budget 4.5% of GDP for social protection services.

The Framework also calls on Member States to renew their commitment to implement other child welfare-related charters and obligations, namely:

- The Call for Accelerated Action on the Implementation of the Plan of Action Towards Africa Fit for Children
- The Algiers Common Position and Plan of Action on Strategies to Support Orphans, Vulnerable Children and Children Infected with HIV/AIDS
- The African Youth Charter.

### 3.1.4 The Framework on the Comprehensive Care and Support for Orphans, Vulnerable Children & Youth (OVCY)

- The Strategic Framework and Programme of Action on the Comprehensive Care and Support for OVCY (2008-2015) promotes the comprehensive fulfilment of all basic needs of children and youth within the South African Development Community (SADC). It calls for public investment in children, especially in terms of early childhood development (ECD), in order to effectively prevent social problems when child populations become adults. SADC countries committed to following objectives when they agreed to this Framework (SADC, 2008a: 37-43): “to facilitate the establishment of a conducive and supportive policy and legislative environment to reduce deprivation and vulnerability facing;
- To enhance capacities of SADC Member States in planning, developing and implementing comprehensive policies and programmes on OVCY;
- To enhance cross learning, sharing and scale up of best practices on OVCY in SADC;
- To ensure evidence based and responsive policies and programmes on OVCY in the SADC region; and
• To facilitate the availability of financial, technical and human resources to respond effectively to OVCY in the SADC region.”

3.1.5 SADC Protocol on Gender and Development
Article 11 of the SADC Protocol on Gender and Development (2008b) binds member states to ensure the development and protection of children by adopting appropriate laws, policies and programmes. The Protocol calls for child welfare measures, such as ensuring that children have equal access to education and health care.

3.1.6 The Constitution of South Africa
The Constitution of South Africa (Act No. 108 of 1996 as amended) addresses children’s rights as citizens in general in Section 7 (2) and specifically in Section 28 (1) of the Bill of Rights, namely that every child has a right to “social services” and “protection from abuse and neglect.” Children’s rights to have access to social security, and where necessary social assistance, must be progressively realized by the state through reasonable legislative and other measures, within its available resources (Section 27 (2)). The specific Constitutional dispensation in South Africa means that policy formulation is assigned to the national government, whereas implementation is assigned to provincial governments. Within this context, provincial Departments of Social Development are obliged to roll-out child welfare policies and programmes and the tension arises when these Departments are under budgetary pressure and do not have the institutional capacities to deliver upon their mandates.

The concept of “progressive realization” is an important starting point to consider during budget analyses. Budget analyses could assess whether there is real growth in public investment in child welfare-related services, i.e. growth over and above inflationary pressures and keeping track with the demands of a growing child population, as is the case in South Africa. Most of South Africa’s welfare policies are targeted at certain groups, i.e., ‘poor’ children and children vulnerable due to particular circumstances, e.g. abused children. While poverty can be fairly easily tracked and growth in numbers projected, growth in other vulnerable groups, such as abused children, is more complex to project. However, it is very useful to bear in mind that prevention services, which government is obliged to provide, should be rendered to the entire child population.

Another point that has been argued is that children have been highlighted as a special group of people compared with other groups in the Bill of Rights and therefore policy and budget processes should reflect this priority. In practice this should mean that during times of tighter fiscal frameworks, the funding of services aimed at supporting families to care for their children and at children directly, such as early childhood development (ECD), should take priority (Budlender et al., 2011b). NPOs often have considerable duties in terms of municipal child care centres and are often recipients of government funding. It is noted that there is a concurrent legislative competence of national and provincial government to monitor and oversee the effective performance of these centres (see Schedule 4, Part B, of the Constitution).

Local government should promote social development according to Section 152 (c) of the Constitution, as well as participate in national and provincial development programmes according to Section 153 (b). In particular, a municipality has executive authority in respect of, and the right
to administer ‘child care facilities’ as a local government matter (Section 156 (a) read together with Part B of Schedule 4). National and provincial governments can regulate this aspect in terms of Section 155 (7), which is the case with the regulation of child care facilities in terms of the Children’s Act.

The respective duties of provincial and local government in terms of child welfare services are further described in the section on the Children’s Act below.

### 3.1.7 The Children’s Act and related regulations

The Children’s Act (No. 38 of 2005 as amended by Act No. 41 of 2007) encapsulates the largest share of government’s responsibilities in terms of public social services to children. Operationalized by a Presidential Proclamation on 1 April 2010, the Act gives effect to the rights of children contained in the Constitution. It repealed various child welfare related laws, notably the Child Care Act of 1983. The Children’s Act of 2005 was passed in terms of Section 75 of the Constitution as an “ordinary bill not affecting the provinces”. On the other hand, the Children’s Amendment Act of 2007 was passed in terms of Section 76 of the Constitution as an “ordinary bill affecting the provinces”.

Welfare services have been listed in Schedule 4 of the Constitution as a functional area of concurrent national and provincial legislative competence. This means that both national and provincial legislative bodies can pass laws pertaining to child welfare services. However, a national law like the Children’s Act is of a higher order and power than a provincial law if certain circumstances are met (as per Section 146 of the Constitution).

**Child welfare services covered by the Children’s Act**

The Children’s Institute (UCT) and the National Association of Child Care Workers (NACCW) notes that the main aim of the Children’s Act is to give effect to children’s constitutional rights to:

- “Family care, parental care or appropriate alternative care when removed from the family environment;
- Social services;
- Protection from maltreatment, neglect, abuse or degradation; and
- Have [children’s] best interests considered to be of paramount importance in every matter concerning the child.” (Mahery et al., 2011).

The Children’s Act provides for the following social services for children and families (Mahery et al., 2011):

- “Crèches and early childhood development programmes;
- Prevention and early intervention programmes (including home-based care for families affected by chronic illnesses such as HIV/AIDS, parenting programmes, and child and family counselling);
- Drop-in centres;
- Protection services (identifying, reporting and supporting abused and vulnerable children);
- Foster care and cluster foster care;
- Adoption; and
- Child and youth care centres (children's homes, schools of industry, places of safety and shelters for street children).”
Regulations pertaining to the Act were promulgated in 2010 and contain norms and standards for a variety of social welfare services, including child protection. These norms and standards are therefore statutory and binding to both the entities of government and implementing agencies such as NPOs. Norms and standards governing child welfare services are described elsewhere in this report. It is important to note at this stage that the child welfare services prescribed in the Children’s Act do not include the provision of social grants targeting children, which is a form of child welfare services support. Social assistance for children is legislated in the Social Assistance Act of 2004.

**Roles and responsibilities in terms of the Children’s Act**

The Children’s Bill and Amendment Bills have been drafted with the following distinction in mind in terms of statutory roles and responsibilities (Mahery et al., 2011):

- Services that are the responsibility of national government, such as children’s rights, adoptions, parenting rights, and courts.
- Services that are the responsibility of provincial governments, such as child and youth care centres, early childhood development programmes and protection services.

Duties of provincial members of executive councils (MECs) include the provision of a range of child welfare services, namely child protection services, prevention and early intervention programmes, and child and youth care centres (see for example Sections 78, 93, 105, 146, 193 and 215 of the Children’s Act). This can be interpreted to mean that either provincial governments provide the services themselves or they must see to it that implementing agencies, in other words NPOs, provide the services. By implication provincial governments must fund NPOs. The extent of funding provided has a direct impact on the scope and quality of child welfare service provision by NPOs (Budlender et al., 2011a). Three significant provincial responsibilities are discussed below, namely child and youth care centres (CYCCs), early child development (ECD) and early intervention programmes.

**Child and youth care centres:** A CYCC is a facility that “provides residential care for more than six children outside of the child’s family environment according to a residential programme suitable for the children in the facility” (Children’s Act, 2005). Children placed in CYCCs are not considered foster children.

Strategies to ensure sufficient provision of CYCCs are prescribed in Section 192 of the Children’s Act. The Minister of Social Development has to produce a national strategy to ensure an appropriate spread of CYCCs throughout the country. Based on the national strategy, each MEC for Social Development must produce a provincial strategy for the establishment of properly resourced, coordinated and managed CYCCs throughout the provinces that provide the required range of residential care programmes. The provincial Head of Social Development must keep a record of all available CYCCs in the province, and of the programmes that each centre offers. The Act also requires the national Minister of Social Development and the MECs to ensure that there are enough facilities for children with disabilities.

The provision and establishment of CYCCs are prescribed in Sections 193, 195 and 197 of the Children’s Act. Each MEC for Social Development must provide and fund CYCCs for that province.
from money obtained from the relevant provincial legislature. Accredited organizations operating CYCCs can qualify for funding from money obtained from the provincial legislature provided that they comply with the prescribed national norms and standards and other requirements that may be prescribed. The provincial Head of Social Development can assist persons or organizations that operate CYCCs to comply with the norms and standards and the other requirements. In addition to the obligation to provide and fund CYCCs in a province, MECs for Social Development are also compelled to establish and operate centres using money appropriated from their provincial legislatures. The national Department of Social Development or any provincial Department of Social Development, municipality or accredited organization may establish and operate CYCCs provided that the centres are properly registered, managed and maintained, comply with the prescribed national norms and standards and such other requirements and comply with the structural, safety, health and other requirements of the municipality where the facility is located.

**Early childhood development:** ECD services include crèches, pre-schools and day-care centres that provide a) a head start for children prior to starting primary school, b) facilitation of social skills, c) a secure environment for children and d) child care on behalf of working mothers. ECD services vary greatly in terms of quality and cost (NDSD, SASSA and UNICEF, 2011).

Besides services offered to young children through partial care facilities or centres, the Children’s Act makes provision for the implementation of services through ECD programmes in Chapter 6 of the Act. The Chapter 6 provisions show recognition and support for, and legitimise, the delivery of ECD services through various models, including home-based and community-based programmes (Berry, Jamieson and James, 2011).

According to Chapter 6, the National Minister of Social Development must develop a national ECD strategy in consultation with government and other stakeholders. Provincial MECs for Social Development should follow with provincial strategies, detailing a plan on how to cooperate with municipalities in identifying and providing suitable premises for ECD centres. The Children’s Act allows provincial Departments of Social Development to delegate provincial CWS functions to a municipality through formal agreements (Section 102). Provincial Departments of Social Development are still responsible to monitor the provision of ECD services by municipalities.

In terms of how municipalities would implement ECD, the City of Cape Town ECD Strategy envisages the following governance and institutional arrangements:

- The metro’s Social Development Department will champion the implementation of the strategy
- An Inter-departmental task Team consisting of officials from Social Development, Planning, Health and Property Management
- The relevant Portfolio Committee will exercise an oversight role

**Early intervention programmes:** The most notable national-level early intervention programme by the national Department of Social Development is the Isibindi programme, which offers support to families with children who have been identified as being “vulnerable to or at risk of harm or removal into alternative care” under the Children’s Act. The Isibindi programme is community based and specifically targets vulnerable and at-risk children, youth and families in a holistic
manner, delivered by trained child and youth care workers (CYCWs). The programme is based on the family preservation approach as well as processes and methods of community development (Mahery et al., 2011). A range of other early intervention programmes is provided by NPOs at provincial and local levels across the country, many of which are receiving government funding.

**State and non-state actors:** The obligation of the state (such as provincial Departments of Social Development and municipalities) to deliver child welfare services is clearly prescribed in Constitution and Children’s Act, as well as other related legislation such as the Child Justice Act. Non-state actors also have statutory obligations under the Children’s Act, for example parents and appointed caretakers are obliged to protect and nourish their children. The very rationale for child welfare services, i.e. To care for children who do not receive adequate protection or nourishment from parents and other caretakers, prompts non-state non-profit actors to voluntarily organize themselves to provide and contribute to child welfare services. These organizations need to be registered in terms of the NPO Act in order to be legally eligible to provide child welfare services. NPOs are non-statutory, i.e. they are voluntary organizations in that they are not obliged to exist.

Profit-making non-state actors, such as corporate firms, can and do provide financial and technical assistance to NPOs, but cannot legally provide child welfare services. Once contracted with government, NPOs are bound by contractual agreements on e.g. the scope and quality of child welfare services, financial management and reporting arrangements, and oversight over the outcomes of their child welfare activities.

**Funding arrangements**

The Children’s Bill has been costed (Barberton, 2006) based on a set of full-cost scenarios (what the model would cost when fully implemented) and implementation plan scenarios (allowing for a phased implementation) (UNICEF, 2007a). The implementation plan scenarios were signed off by the heads of the Departments that would have substantial responsibilities in terms of the Children’s Act. The costing model was underpinned by the activity-based costing approach: all envisaged tasks in the juvenile criminal system were identified and costed, including pre-screening the parents and children, placing children and follow-up. The costing exercise highlighted significant levels of underfunding of child welfare services in some provinces (UNICEF, 2007a), well in advance of the promulgation of the Act and eventual implementation. Furthermore, the costing exercise provided scenarios that enable implementers to make informed cost-effective decisions and accurately plan for the phased implementation of the Act over the MTEF budget cycle.

Section 4(2) of the Act obliges government to prioritize budgetary allocations and expenditure on these services in order to realize the objectives of the Act. The national and provincial Departments of Social Development fund child welfare services mainly through the following avenues (Budlender & Proudlock, 2011a):

- Employment of social workers and other staff dealing with child welfare services;
- Funding of NPOs working in the child welfare sector; and
- Allocations to government entities that fund service delivery organizations (e.g. National Development Agency) and administer payments of social grants (namely SASSA).
Funding of NPOs by national and provincial Departments of Social Development is mainly through the following means (Budlender & Proudlock, 2011a):

- subsidisation of social worker and related posts (in the case of child protection services in terms of case investigations and court-related work), which typically only partially covers salaries; and
- Programme funding, which typically only partially covers cost of the programme.

The situation is different for ECD subsidies though; these subsidies are given on a per-child basis, based on a means-test. Government’s ECD subsidies originate from two major sources: a) subsidies by the Department of Education (DoE) of formal Grade R, mainly in public schools, and b) subsidies for community-based ECD facilities by the Department of Social Development (DSD).

The provincial Department of Social Development may provide and fund ECD services from money appropriated by the provincial legislature, meaning that these services could be funded by the provincial Department, or partially or not at all (Berry, L. et al. 2011). ECD service providers are generally expected to raise money in other ways.

A public expenditure tracking exercise of a sample of community-based ECD facilities highlighted concerns over nutrition standards and poor financial management practices by the NPOs that govern these facilities, although the scope for outright abuse was limited (Department of Basic Education, Department of Social Development and UNICEF, 2010). These findings point to the need for improved training and capacity building of managerial personnel in such NPOs.

Government subsidies only cover centre-based ECD services. There is currently no clear mechanism of funding for home and community-based programmes and therefore very few programmes of this kind are receiving government funding (Budlender, 2010).

Relevant to child welfare services, in the 2010 MTEF, additional MTEF allocations for the 2010/2011 and 2012/2013 financial years were included to provide for implementation of the Children’s Act and the Child Justice Act (National Treasury, 2010). The average percentage of the total provincial social welfare programme budget that is transferred to NPOs for 2011/2012 is 51.3% (Budlender & Proudlock, 2011b), which indicates the heavy reliance of provinces on NPOs to deliver statutory child welfare services.

Implementation challenges facing the Children’s Act

A review of findings and reports on the implementation of the Children’s Act can be summarized in the following three elements: a) lack of human resources, b) inefficiency and ineffectiveness in the foster care system, and c) inadequate budgetary funding to implement the requirements of the Children’s Act. Below follows a description of these as well as other implementation challenges.

Lack of human resources: Human resource constraints entail what can be described as a) inadequate numbers of social workers under the employ of provincial Departments of Social Development to deal effectively with the child welfare caseloads (Budlender & Proudlock, 2011a), and b) high levels of demand for protection and prevention services (Mahery et al., 2011). It is not
surprising that surveys point to a certain level of dissatisfaction with the quality of work among social workers; a common complaint is that social workers failed to follow up on issues raised with recipients of child welfare services (NDSD, SASSA and UNICEF, 2011).

Costing exercises on the Children’s Bill projected a requirement of between 16 000 and 66 000 social workers to implement the Bill effectively (Barberton, 2006). In 2011 there were 13 773 registered social workers and 2057 registered auxiliary workers employed by government and NPOs, and it is estimated that only 45% of these workers provide direct welfare services (Budlender and Proudlock, 2011a). These figures are very skewed in terms of geography, with almost 50% of these workers residing in Gauteng.

In addition, there were 9 000 child and youth care workers in 2010 employed by government and NPOs (Budlender and Proudlock, 2011a). Most of them work at CYCCs. It is not clear how many more are needed to assist with early intervention and caring programmes, although there appears to be a substantial increase in funding for the Isibindi programme in the 2012 MTEF (National Treasury, 2012a).

**Lack of adequate budgetary funding:** It is clear from budgetary allocations and existing policies that national and provincial Departments of Social Development do not fully fund NPOs to deliver statutory child welfare services (Budlender and Proudlock, 2011b), despite the recommendation of the Children’s Bill Costing Report that a full funding model be adopted (Barberton, 2006). Furthermore, varying levels across most provinces in terms of under-spending of provincial sub-programmes of care and support to families, crime prevention and support prevention and early intervention services (as witnessed in the 2010/2011 period, see Budlender and Proudlock, 2011b) provide reasons for concern.

Departments are not obliged to publish service delivery performance indicators in their publicly available annual budget votes, however these indicators should be included in annual performance plans (APPs). APPs are public documents, but unfortunately many provincial Departments of Social Development do not publish them or provide them in time to provide a priori analysis on how child welfare-related targets would be met in a given fiscal year. When provided, performance indicators are of inferior quality and lack standardisation (Budlender & Proudlock, 2011b).

Furthermore, it is not foreseeable that less-capacitated municipalities would be in a financial position to fund and administer ECD programmes and CYCCs, given the pressures that they

**Government schools of industry and reform schools:** For the first two years of the implementation of the Children’s Act as amended, the Department of Education has remained responsible for providing education to children in government schools of industry and reform schools. However, these schools became the responsibility of the national Department of Social Development in 2012. Although these schools do not appear to provide child welfare services, it is important to note that this added funding responsibility for the national Department would create additional funding pressure and may impact on delivery of statutory child welfare services by the national and provincial Departments of Social Development.
**Cross-cutting issues:** Many aspects of primary health care have a direct impact on the social welfare of children, for example proper nourishment is especially crucial for the survival of infants and cannot be fully separated from child protection. Insofar as children’s rights to healthcare are concerned, preliminary findings point to limited protection by the Children’s Act (Büchner-Eveleigh and Nienaber, 2012). The Act, for example, does not provide minimum standards for health care for children and does not refer to any rights of children to access basic nutrition, potable water, safe sanitation and clean and safe environments.

**Stakeholders in public investment in children as required by the Children’s Act**

The table below provides a list of decision-makers and stakeholders in child welfare services in South Africa and when and how they could be approached and influenced to prioritize planning and budgeting for child welfare services.

### Table 2: Recommended actions to increase the budget for children’s welfare services

<table>
<thead>
<tr>
<th>Budget process stage</th>
<th>Action needed</th>
<th>Stakeholders / Decision-making forums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy formulation</td>
<td>Make child care and protection services (alongside health and education) a</td>
<td>Cabinet, National Planning Commission, Political party conferences pre-elections</td>
</tr>
<tr>
<td>National budget allocation</td>
<td>national strategic priority for political parties and government.</td>
<td>National Treasury (Provincial Equitable Share formula and Division of Revenue Bill)</td>
</tr>
<tr>
<td>National budget allocation</td>
<td>Increase provinces share of national revenue</td>
<td>National Parliament (Provincial Equitable Share formula and Division of Revenue Act)</td>
</tr>
<tr>
<td>Provincial budget allocation</td>
<td>Increase Department of Social Development’s share of each provincial budget.</td>
<td>Provincial Treasuries, Provincial MECS and HODs, Provincial Cabinets, Provincial Legislatures</td>
</tr>
<tr>
<td>Departmental budget allocation</td>
<td>Increase share of Department budget that is allocated to Children’s Act services</td>
<td>Provincial Treasuries, Provincial MECS and HODs, Provincial Cabinets, Provincial Legislature</td>
</tr>
<tr>
<td>Departmental budget allocation</td>
<td>Promote good annual growth in these sub-programmes (at least 15% growth per year)</td>
<td>.vocab.set({“Provincial Treasuries”, “Provincial MECS and HODs”, “Provincial Cabinets”, “Provincial Legislature”})</td>
</tr>
<tr>
<td>Departmental budget allocation</td>
<td>Increase share of Department’s budget that is allocated to NPOs</td>
<td>Provincial MECS, HODs</td>
</tr>
<tr>
<td>Budget implementation/ service delivery</td>
<td>Step up the pace of service delivery and expenditure especially in under-serviced areas</td>
<td>Provincial MECS, HODs, All government personnel, all NGOs and CBOs</td>
</tr>
</tbody>
</table>

Source: Adapted from Budlender & Proudlock, Children’s Institute, 2011c.
3.1.8 The Child Justice Act

Child welfare-related services covered by the Act

The Child Justice Act (No. 75 of 2008) is also an important piece of legislation to be reviewed as it pertains to some elements of the crime prevention and support sub-programme. The Act places an obligation on the state to provide children with constitutional rights that they are entitled to. The Act aims to support parents with children so as to promote wellbeing and prevent abuse and neglect. The Act also makes provision to extend certain welfare services to children in need of care and protection. The state therefore has an obligation in respect of its legal responsibilities to provide adequate funding to support welfare-related programmes targeting vulnerable children.

Funding arrangements

A cost-benefit analysis and subsequently a cost-effectiveness analysis of the Child Justice Bill (Barberton and Stuart, 1999) was a first for legislation in draft form. A summary of the findings of this analysis is discussed later in this report. The Bill was again in the spotlight as the first piece of draft legislation to have funds allocated for its implementation by the national and provincial treasuries prior to its passage (UNICEF, 2007a). After a prolonged period of not being discussed in Parliament at all, the Bill was reintroduced and enacted in 2008. It then appeared that the Minister of Justice was cautious in driving the Bill due to the financial commitments that would have ensued once implemented (UNICEF, 2007a).

Implementation challenges

Many overlaps exist between the Children’s Act and the Child Justice Act, both of which came into effect in 2010. A major concern is the lack of clarity about the number of probation officers needed for the full implementation of the Child Justice Act. The majority of probation officers are employed by the government as opposed to NPOs (Budlender and Proudlock, 2011a). Another concern is the lack of close cooperation between the NDSD and the Department of Justice and Constitutional Development (DoJCD); this impacts on the successful implementation of the Children’s Act (Martins, 2010). For example, the Children’s Court and social workers should work closely together to “ensure that the court-based processes move quickly so that children in need of care and protection are not excluded from protection by delays” (Martin, 2010).

3.1.9 Other child welfare-related legislation

The following legislation also play a role in child welfare services and funding, albeit in a less direct way:

- Non-Profit Organizations Act (No. 71 of 1997 as amended): This Act prescribes an administrative and regulatory framework for NPOs to conduct their affairs. NPOs can, for example, be NGOs and community-based organizations (CBOs). However, in many cases, volunteer organizations are not registered because they cannot meet the criteria of the NPO Act. There have been many calls by practitioners in child welfare requesting that social service providers should also qualify for public funding if they are in the process of registration to become an NPO or if they form a joint venture with a registered NPO.

3.1.10 The annual Division of Revenue Act

Section 214 of the Constitution requires the equitable division and allocations of revenue among
the national, provincial and local spheres of government, including “the determination of each province’s (discretionary or unconditional) equitable share of that revenue, as well as any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and any conditions on which those allocations may be made (including conditional grants). To this effect, the Division of Revenue Act is introduced into the National Assembly on an annual basis fulfilling the requirements of the Constitution. The Division of Revenue Act introduces a range of conditional grants to provincial and local spheres of government. These grants are used for specific purposes and, as the name implies, they have conditions attached to them. Their main aim is to further national priorities. Whereas provincial Departments of Social Development indirectly receive funding from the PES based on the social development component in the distribution formula, there are few or none conditional grants that they receive that are directly related to child welfare services. Other social service sector departments, such as health and education, do receive substantial funding through conditional grants, although these grants are not specifically targeting child welfare services as envisaged by the Children’s Act.

3.1.11 The Public Finance Management Act (PFMA)

The PFMA (No. 1 of 1999 as amended) and related regulations provide for the budgeting, management, receipt, expenditure and reporting of public funds for national and provincial government.

An important reform that the PFMA introduced was the need for public entities to plan, budget and measure financial as well as non-financial performance in accordance with predetermined objectives. Section 38(j) of the PFMA is especially important since it requires procedures to be followed before the transferring of any public funds by government entities to external service providers. A government entity must obtain written assurance from the external provider that it will implement “effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems.”

Government Departments, specifically provincial Departments of Social Development and SASSA, should budget adequately for compliance with Section 38(j) of the PFMA, especially in terms of the identification and record-keeping of caregivers and beneficiaries, and the administration involved in the disbursement of social grants and financial awards to registered NPOs. To the extent that some NPOs may receive, administer and spend grants, these NPOs also need to produce the required monitoring, reporting and oversight mechanisms to deal with transfer payments.

NPOs will invariably incur costs in complying with these required mechanisms, which would need to be funded either by their own budgets or additional public funding. Increased expenditure by both government and NPOs to put adequate measures in place to comply with PFMA requirements may have a significant impact on the future budgets of these entities and adversely affect the size of child welfare-related budgets.
3.1.12 Summary of functional assignments for child welfare services

The table below provides a summary of the high-level functional assignment of child welfare services across and between the three spheres of Government in terms of the Constitution, Children’s Act and Child Justice Act.

Table 3: Functional assignment of child welfare services in South Africa across and between the three spheres of Government in terms of the Constitution, Children’s Act and Child Justice Act

<table>
<thead>
<tr>
<th>Legislated / functional child welfare service area</th>
<th>National Government</th>
<th>Provincial Government</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of basic social services [Constitution, Section 28(1)]</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Promote social development [Constitution, Section 152(c)]</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Implement the Children’s Act, to take “reasonable measures to the maximum extent of their resources to achieve the realisation of the objects of this Act”</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>All organs of state to “cooperate in the development of a uniform approach aimed at co-ordinating and integrating the services delivered to children” [Children’s Act, Section 5]</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Concurrent legislative authority over municipalities in terms of child care facilities [Constitution, Schedule 4, Part B]</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Executive authority over child care facilities, as a ‘local government matter’ [Constitution, Section 165(a), Schedule 4, Part B]</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Minister of) National Department of Social Development is responsible for enforcement of Children’s Act, children’s rights, parenting rights, issuing regulations, norms and standards, and delegations and assignment of powers and duties in terms of the Act.</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Provincial Departments of Social Development responsible for:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Placement of children in CYCCs [Children’s Act, Section 158(3)]</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>• ECD programmes [Children’s Act, Chapter 6]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Protection services [Children’s Act, Chapter 7]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Municipalities may provide ECD programmes and manage CYCCs [Children’s Act, Chapter 6]</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Department of Justice and Constitutional Development responsible for functioning of Children’s Court and issuing of court orders [Child Justice Act, Children’s Act]</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The administration and management of social workers [Children’s Act]</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
3.2 Review of the policy framework for child welfare services

Below follows a description of the salient strategies and policies on child welfare in South Africa.

The White Paper on Social Welfare of 1997 addresses the social and economic development dimensions of individuals, families and communities. Apart from statutory interventions, such as social grants targeting children, the White Paper also envisaged responses by communities to develop vulnerable people in society.

Policy on the Transformation of the Child and Youth Child Care System, 1998
This Policy emphasized the importance of child and youth care work and community-based child welfare services, especially non-government (private sector) services. It paved the way for minimum standards for child welfare that were later incorporated into the Children’s Bill (Allsopp and Thumbadoo, 2002).

National Department of Social Development’s Ten Point Plan, 2000
The Ten Point Plan represented the priority areas of the social development sector for the period 2000–2005. The following child welfare-specific aspects were addressed in the Plan:

- An integrated poverty-eradication strategy that provides direct benefits to those in greatest need, especially women, youth and children in rural areas and informal settlements
- A comprehensive social security system that prioritizes the most vulnerable households
- Eradication of violence against women and children
- Provision of a range of services to support community-based care and assistance for people living with HIV/AIDS, particularly orphans and children infected and affected by HIV/AIDS
- Youth development by reducing youth in conflict with the law and promoting youth development within the framework of the National Crime Prevention Strategy
- Improving the accessibility of social welfare services to people in rural, peri-urban and informal settlements, and ensuring equity in service provision
- Training, educating, re-deploying and employing a new category of workers in social development.

Policy Framework for Accrediting Diversion Services in South Africa, 2009
The Probation Services Act (No. 35 of 2002) requires the NDSD to develop, implement and monitor the implementation of diversion programmes at all levels of intervention and to promote restorative justice initiatives within the child justice system. The Policy Framework for Accrediting Diversion Services in South Africa covers ‘children at risk’ from being exposed to crime and/or absorbed into the criminal justice system and describes the quality management framework for accreditation of service providers that provide diversion-related social services. The Policy paved the way for the regulation and accreditation procedures of diversion service providers and programmes by the Child Justice Act. The Policy also aims to guide the funding arrangements for service providers in the social development sector. The Policy emphasises the NDSD responsibility as primary funder and allocator of funds for diversion services, as well as the responsibility to monitor the use of funds by service providers.
CHAPTER 3

This Policy Framework aims to provide for an integrated system for collecting and managing data on children’s contact with the juvenile justice system in South Africa. It provides guidelines for the establishment of an integrated information management system to “enable effective monitoring, analysis of trends and interventions, to map the flow of children through the child justice system and to provide quantitative and qualitative data” (DoJCD, 2010).

This Strategy highlights the broad response by the national and provincial Departments of Social Development to “identify and promote innovative partnership-driven ways of reducing the current levels of crime and preventing crime from taking place”. It is envisaged that the Strategy will be implemented alongside other social development initiatives, including child protection. Early childhood development (ECD) and prevention have been identified as key initiatives to prevent children from being affected by or exposed to crime. The Strategy does not clarify whether any additional government funding is required for its implementation.

National Department of Social Development Strategic Plan 2012–2015
The NDSD’s Strategic Plan 2012–2015 provides among other things the Department’s situational analysis, vision, mission, strategic goals, strategic objectives, programmes and sub-programmes, high-level outcome and outputs, and performance indicators and measures. Noteworthy to the analysis of child welfare services, are the following priority areas identified in the NDSD Strategic Plan:

- Early childhood development (ECD) services
- Support of NPOs that promote the adoption and fostering of children in need of protection.

These priority areas could form the basis of analyses on whether budgets are aligned to the qualitative weights applied to these priority areas

National Department of Social Development’s Policy on Financial Awards to Service Providers
The NDSD revised the Policy on Financial Awards for Service Providers, which altered the extent to which NPOs are funded for the social services they deliver. However the Policy does not commit to the full funding of services, even for statutory social services such as child protection. The NDSD’s Strategic Plan for 2012–2015 aimed to roll out the National Implementation Plan on the Policy on Financial Awards to Service Providers by March 2013.

Alternative service delivery models
Alternative service delivery is not new to the public service delivery landscape; numerous government entities other than government bureaucracies provide specialized and ring-fenced public services on behalf of government, whether they are profit or not-for-profit. Provincial and municipal child welfare agencies can potentially provide a range of child welfare services which a provincial Department of Social Development may be unable to do. The Children’s Act allows for the provision of child welfare services at CYCCs by government as well as any accredited organisation, under the provisions of the Act. In addition, Section 76 of the Municipal Systems Act (National Treasury, 2000) provides for the possibility of service delivery agreements between municipalities and community-based organisations (CBOs) or non-governmental organisations (NGOs).
Due to a municipality’s proximity to local communities, it may be in the best position to respond to any child welfare-related needs that are communicated through established statutory community participation processes. Municipalities can contract with CBOs to provide municipal services, although they need to be registered in terms of the NPO Act. Best practice indicates that services that have a low asset complexity and easy monitoring burden are ideally suited to be outsourced as a form of alternative service delivery (Brown and Potoski, 2001). Although infrastructural requirements of CYCCs could be relatively simple, child welfare services need specialized skills to monitor.

A provincial or municipal child welfare agency should be mainly concerned with core issues, such as selecting and disbursing funds to accredited NPOs to deliver on precise and specialised mandates, and not be involved in human resources or facilities management. A municipal agency, due to its proximity to the implementing NPO, may also be well situated to perform monitoring of the proper utilization of municipal funds and oversight over the achievement of the specified child welfare objectives.

To avoid the costly and time-consuming statutory processes to use an alternative delivery mechanism for longer than three years, provinces and municipalities can opt to establish child welfare agencies with a shorter lifespan, narrow mandate and a focus on short- to medium-term result. The nature of child welfare is sustained development and protection of children, rendering this option less attractive. Also, the establishment and management of agencies involve considerable scoping capacity and financial resources, something that especially medium and low capacity municipalities plagued management insufficiencies would find hard to provide in the light of pressures on delivering on their core mandates, namely basic municipal services. It would be useful to research the feasibility of increased reliance on municipalities to deliver child welfare services through alternative service delivery mechanisms and to determine what sort of fiscal, legal and managerial arrangements should be in place.

3.3 Review of court cases and judgements involving social welfare grants

A review was conducted of Constitutional Court and High Court cases that involved child welfare-related services and funding within the auspices of the Constitution and the Children’s Act. Very few cases have been found, which was to be expected due to the relatively recent promulgation of the Act.


The dispute: NPOs in the Free State took the provincial Department of Social Development to court over the Department’s 2003 Policy on Financial Awards to the NPOs in the Social Development Sector and argued that the Policy was inconsistent with among other things the Constitution and the Children’s Act. NPOs argued that the Policy failed to recognise that NPOs fulfil the
The obligation of statutory child welfare services which the Department was obliged to provide. During the court case the Department acknowledged that the budgeted amount for the 2010/2011 fiscal year for NPOs to deliver child welfare services was inadequate to cover the costs of those NPOs.

**The judgement:** The Court found the Policy inconsistent with among other things the Constitution and the Children’s Act. The Department was ordered to implement a revised Policy in order to remedy the abovementioned shortcomings and report on the progress to the Court. The new Policy should strive to implement a “fair, equitable and transparent method of determination of the contributions that the NPOs should make from own resources or sources of income in respect of provision of the (child welfare) care and services.”

The outcome of this court case appears to have influenced the NDSD’s drafting process of the National Policy on Financial Awards to Services Providers through the following requirements (Budlender, 2011):

- “The policy should be revised in consultation with NPOs;
- the policy must have a fair, equitable and transparent method of determining how much the provincial departments should pay and how much the NPOs should contribute from other sources of income such as donations from funders; and
- NPOs cannot be made responsible for covering the shortfall in funds for delivering services for which government is constitutionally and statutorily responsible.”

*C and Others v Department of Health and Social Development, Gauteng and Others (CCT 55/11) [2012] ZACC 1; 2012 (2) SA 208 (CC); 2012 (4) BCLR 329 (CC) (11 January 2012)*

The dispute: Applicants brought into question the lawfulness of the removal of children suspected to be in need of child protection by officials from the provincial Department of Social Development. Applicants argued that the Children’s Court needed to be involved closely in the granting of removal orders.

**The judgement:** The above Constitutional Court’s judgement found that “sections 151 and 152 of the Children’s Act are unconstitutional insofar as they do not provide for automatic judicial review of the removal process and thereby lack a method for determining whether there was just cause for the removal.” The Court’s judgement emphasized the importance of the protection of children’s rights to child protection as enshrined in the Bill of Rights; however the added procedure to allow Children’s Courts to review the removal of children from their primary caregivers is not likely to have significant administrative or budgetary impacts in future.

*Jonker v The Manager, Gali Thembani/ JJ Serfontein School and Others (94/2011) [2012] ZAECGHC 12 (19 March 2012)*

**The dispute:** The applicant argued that Section 195 of the Children’s Act provides that the Member of the Executive Council for Social Development of a province must establish and operate CYCCs and that the onus therefore rests on the provincial Department of Social Development to plan and budget adequately for this requirement.

**The judgement:** The judgement confirmed the statutory obligation of the provincial Department of Social Development in establishing and operating CYCCs and other centres under their control.
providing social services such as education. In terms of centres controlled by the Department that provide education, such centres should be adequately staffed with full-time educators. The judgment affirmed the power of the Children’s Court to deal with the relocation of children from and to CYCCs. In addition, the Department should report to the Court on the steps that it took to provide for CYCCs in the Eastern Cape as contemplated in Section 191(1)(i) of the Children’s Act for girls who present with behavioural, psychological and emotional difficulties.

_Ntame v MEC Department of Social Development Eastern Cape (ECJ 012/2005) [2005] ZAECHC 1; [2005] 2 All SA 535 (SE) (11 January 2005)_

**The dispute:** Applicants included beneficiaries of social grants from the Department of Social Development who experienced discontinuation in various forms of grants that they had been receiving.

**The judgement:** This case entrenched the power of High Courts to order provincial Departments administering social welfare grants to pay, stop or continue with these grants if deemed justifiable. The court, in its judgement, considered prescripts of the Constitution and the Promotion of Administrative Justice Act (PAJA) (No. 3 of 2000) and ruled that the applicants had not been granted administrative justice by the provincial Department of Social Development.


**The dispute:** The court heard arguments from applicants about delays, late payments and inexplicable refusals of payment of social assistance grants by the provincial Department of Social Development. The court recounted previous cases involving substantial administrative inefficiencies in the social assistance system in the Eastern Cape Province. The court acknowledged the large number of similar cases that had appeared before the courts in the past, yet no real improvements in the system could be witnessed.

**The judgement:** The court judged that it had every right to remedy problems related to the infringement of citizens’ rights to social assistance and cited Sections 38, 165 and 172 of the Constitution in this regard. The court felt it necessary to “spell out for its officials that they need to implement any decisions they may take that are favourable to the applicants, and that they must do so with reasonable haste.” The court was concerned, however, with the boundaries of the judiciary and its institutional competence to “engineer administrative efficiency.” The court ordered that all applicants receive the appropriate and immediate attention of the Department in payment of the respective grants they were entitled to.

### 3.3.1 Limitations and implications of child welfare-related court judgements and orders

The Children’s Act and the Child Justice Act advance very important legal principles and universal rights entitled to vulnerable children. It is important to note the relative constitutional infancy of these legal precepts and that some way still has to be travelled before constitutional maturity is reached.

Since the provision of child welfare services by the government is a socio-economic right as per the Bill of Rights, it is also important to contextualize court case judgements in terms of the
adjudication and instructive power of courts with regard to child welfare. In the Constitutional Court case of Government of the Republic of South Africa & Others v Grootboom & Others 2001 1 SA 46 (CC), the issue of children’s socio-economic rights was strongly considered; the judgement strongly emphasized the need for government to provide child protection services as contemplated by Section 28 of the Constitution in the event that parental or family care is lacking.

The issue was again considered in Minister of Health and Others v Treatment Action Campaign (No 2) 2002 (5) SA 721 (CC), although the judgement was more neutral. See for example paragraph 38:

“Courts are ill-suited to adjudicate upon issues where Court orders could have multiple social and economic consequences for the community. The Constitution contemplates rather a restrained and focused role for the Courts, namely, to require the State to take measures to meet its constitutional obligations and to subject the reasonableness of these measures to evaluation. Such determinations of reasonableness may in fact have budgetary implications, but are not in themselves directed at rearranging budgets. In this way the judicial, legislative and executive functions achieve appropriate constitutional balance.”

Courts therefore are not responsible for determining the size of child welfare grants, or social development budgets, or the exact quality of housing of children within the care of NPOs. The above quotation highlights the Constitutional Court’s relatively neutral opinion, not about whether it should direct the executive branch of government to deliver on socio-economic rights-based services, but about what approach it should take to direct the executive branch (McLean, 2009). Courts have and will continue to play an important role in the progressive realization of child rights as contained in the Bill of Rights. As for welfare-related legislation such as the Children’s Act and the Child Justice Act, the picture is still evolving about the approach the courts are taking to direct provincial Departments of Social Development to formulate and develop policies that would progressively realize the prescriptions of these Acts. Some aspects, such as the need for provincial Departments of Social Development to implement sound policies to adequately fund NPOs for statutory child welfare services, have been made clear in some of the abovementioned court judgements.

3.4 Review of Auditor-General findings and reports involving social welfare grants

For the 2010/2011 financial year, the national Department of Social Development (NDSD) received a qualified opinion (as was the case for the 2009/2010 financial year) due to irregularities in expenditure management and with findings on predetermined objectives and compliance (AGSA, 2011a). On a positive note, the AG noted an improvement in grant administration and the business processes at SASSA and the implementation of structures within the NDSD to perform better oversight over the functions of SASSA. For SASSA the audit opinion improved from a disclaimer to an unqualified audit opinion with the findings.

A review of the AG’s reports on provincial audit outcomes from 2007/08 to 2010/11 revealed
that many provincial Departments of Social Development received qualified audit opinions. For example, the AG’s report on provincial audit outcomes for the 2007/2008 financial year pointed to a deterioration of audit opinions for provincial Departments of Social Development from 2002/03, notably for the Eastern Cape and Mpumalanga, with more than half of the provinces receiving qualified audit opinions for the 2007/08 financial year (AGSA, 2008). It was alarming to note that in some provinces Departments that administered large amounts of grants (prior to SASSA’s takeover of that function) experienced problems with monitoring transfer payments to NPOs and community-based projects (notably in the Eastern Cape) and ensuring that NPOs have appropriate financial management systems in place (notably in Limpopo and KwaZulu-Natal).

For the 2008/09 financial year, many provincial Departments of Social Development received qualified audit opinions due to problems ranging from inappropriate accounting for capital assets, to unauthorised expenditure, fruitless and wasteful expenditure, irregular expenditure and non-compliance with the PFMA (AGSA, 2009). Similar to the 2008/09 audit outcomes, the 2009/10 audit outcomes again highlighted problems within these provincial Departments with the management of transfers to NPOs. The AG reported that the “overall monitoring of compliance with the service contracts with NPOs did not receive the necessary attention, with the result that at the majority of the departments the achievement of social service delivery could not be ascertained and verified by the sector departments” (AGSA, 2010). Furthermore, in all these provincial Departments, the supporting documentation to verify the accuracy, validity and completeness of the reported service delivery (such as child care and protection services), could not be provided for audit purposes, or the reliability of the supporting documentation could not be verified.

Again, the AG’s report on provincial audit outcomes for the 2010/2011 financial year revealed serious flaws in the regulatory compliance and management in many provincial Departments of Social Development. The AG noted that a general deterioration has occurred in audit outcomes and that this should be turned around. Especially relevant to his latest report is the following audit finding: “Provincial departments do not have proper measures in place to monitor NPOs with regard to expenditure incurred and progress made on service delivery [such as] child care and protection services” (AGSA, 2011b). Issues with the management of transfers to NPOs in many provinces, including for child care and protection services, include the following:

- Non-submission of financial statements by NPOs
- No monitoring of services delivered by the NPOs
- Funds not transferred as per contract
- Contracts with NPOs not signed before payment.

To illustrate this point, the AG noted that in more than half of the provinces, the provincial Departments of Social Development did not have accurate, valid and complete performance information on the number of newly placed children in foster care (AGSA, 2011b). The issue in this case is not whether Departments know the number or not, but rather whether they have the capacity, in terms of management and performance-monitoring mechanisms, to absorb and disburse an increasing number of child welfare grants, and any other grant for that matter.

Whereas there appears to be improvements in management and administration at the NDSD, the above findings by the AG cast serious doubts on the capacity of provincial Departments of Social
Development to facilitate the delivery of child welfare services through their management of grants and interaction with implementing NPOs.

3.5 Review of existing norms and standards for child welfare services

The 2010 Regulations to the Children’s Act contain norms and standards for child-related social services, of which most could be considered child welfare services. Not all services envisaged by the Act are covered by the norms and standards in the Regulations. Norms and standards of the various welfare services determine the level, scope and extent of services that must be provided. Norms-costed services guide the level of funding disbursed to child welfare service providers. Many emerging NPOs are unable to achieve the norms and standards that are in place. A more practical approach would be to specify the minimum level of standard that must be adhered to by all NPOs. This will allow more emerging organizations to access funding but also ensure beneficiaries in all regions enjoy a minimum acceptable service level of service from NPOs. A potential unintended consequence is equalizing services at a lower level. Government should therefore keep the existing norms and standards and allow for the minimum specified standards to operate parallel to the existing ones.

3.5.1 Costing of the Children’s Bill, 2006

The costing exercise on the Children’s Bill for the 2005–2010 (Barberton, 2006) provided costed scenarios for different implementation plan (IP) paths. The table below illustrates the scenario paths. It only considers the full-cost (FC) scenario.

<table>
<thead>
<tr>
<th>Costing Scenarios</th>
<th>Level of Norms &amp; Stds</th>
<th>Variable Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>IP Low scenario - Implementation Plan Low</td>
<td>Low norms and standards</td>
<td>Demand variables supplied by Departments</td>
</tr>
<tr>
<td>IP High scenario - Implementation Plan High</td>
<td>High norms and standards</td>
<td>Demand variables supplied by Departments</td>
</tr>
<tr>
<td>FC Low scenario - Full Cost Low</td>
<td>Low norms and standards</td>
<td>Demand variables based on consulting team’s assumptions</td>
</tr>
<tr>
<td>FC High scenario - Full Cost High</td>
<td>High norms and standards</td>
<td>Demand variables based on consulting teams assumptions</td>
</tr>
</tbody>
</table>

Source: Barberton 2006.

Based on the four scenarios of the Children’s Act costing exercise, and after taking inflation into account since the costing was done, it became evident that the low implementation plan would be underfunded for the period 2013/14. Using estimates from the Barberton costing study, Budlender and Proudlock (2013) estimates government expenditure on child services for 2013/14 amounts to R5.7 billion compared to the costing estimate for IP low of R12.9 billion. This means current allocations are only 44% of IP low compared to 7% for FC high. Budlender and Proudlock (2013) therefore concludes that this contradicts the principle of progressive realization. The results extrapolates from the Barberton study from 2006 and have not been tested against the Children’s Act and the prescribed norms and standards published in 2010. The results should therefore be interpreted with caution, although the general idea that there is underfunding in child welfare services have merit.
3.5.2 Norms and standards for child welfare services

The 2006 costing exercise was updated by the development of the Inter-sectoral Implementation Plan., The 2010 Regulations to the Children’s Act contain the norms and standards for the following services targeting children:

- Child protection services
- Alternative care, such as foster care, cluster foster care and CYCCs
- Adoption
- Partial care
- Early childhood development
- Prevention and early intervention
- Drop-in centres.

Most of the above services have sub-sets of norms and standards. The Norms, Standards and Practice Guidelines for the Children’s Act (2010) distinguish between guidelines for the NDSD and provincial Departments of Social Development, but do not detail costs (Rand values) for statutory child welfare services.

The following norms and standards for child welfare-related services have been designed and contain detailed costed (Rand amounts) norms and standards:

- Minimum Norms and Standards for Secure Care Facilities in South Africa (2010), providing standardized and uniform services for children in conflict with the law in secure care facilities.
- Costing of the Policy on Disability (2010), providing detailed costing of statutory services for people with disabilities, including children.

3.5.3 Costed norms and standards for child welfare services, 2012

The National Department of Social Development (NDSD, 2012b) designed (in so far as possible) activity-based costing models for welfare services in 2012. The NDSD excluded programmes for which there were no data available. The average cost per beneficiary for the programme areas was calculated based on a “bottom-up” approach: this approach is informed by the minimum service standards for the particular welfare service, which in turn are informed by norms and standards, legislative and policy frameworks. The user guide for costing models reported that “the nature of activities conducted for each programme and category of service are not prescribed and therefore costing was not activity-based.”

The following “children-related” programme areas, based on the norms established by the NDSD, were included in the model:

- Community-based programmes for vulnerable children:
- Drop-in centres
- Places of safety and shelters
- Schools of industry
- Early childhood development.

Where these input standards were not available, the “top-down” approach was employed, based on existing business plans of the NDSD. Once it was known what the available budget for programme areas was for the MTEF, it could then easily be established how many beneficiaries could be reached with the predetermined level of service.
The 2012 costing model for welfare services of the NDSD is the closest that the sector is to a “costed-norms” and activity-based budget (ABC) for child welfare services. It is a useful planning and budgeting tool to determine what the trade-offs would be in terms of numbers of beneficiaries enjoying a welfare service if budgets are realigned within programme areas (such as “children-related” programmes areas) and among programme areas (i.e. among welfare services for children, older persons, etc.). From a policy perspective, its usefulness is that it could improve allocative efficiency (i.e. maximizing welfare given a situation of scarce resources such as budgets), although data to allow for activity-based costing should be readily available and credible.

When social grants and welfare services functions under the Department of Social Development were split, most of the resources went to SASSA to operate and disburse the social grants programme. Welfare services therefore started off from a low base and have not grown sufficiently to address the needs of the sector (DSD Interview, 2013). The public hearing that the FFC hosted in April 2013 by-enlarge agreed that there are insufficient funds for the provisioning of child welfare services and other welfare services. National Treasury only funds services if there is a policy framework or an Act that supports that service. Currently, some welfare services are still in the process of developing these frameworks and therefore funding for these services (E.g. drug prevention, etc.) have not been funded adequately (DSD Interview, 2013).

In the Free State MEC for Social Development v NAWONGA case, work is also continuing to arrive at accurate costings for children services. Further work in this area is required to match the NAWONGA costings with provincial needs analysis to arrive at the extent of the underfunding. The extent of the underfunding should be the basis for implementing a national plan to arrive at progressive realization of children services in all provinces.

3.6 Review of the funding framework for child welfare services

3.6.1 Intergovernmental fiscal relations framework, social grants and other social development transfer payments

It is necessary to contextualize the framework for child welfare grants and funding for statutory child welfare services within the broader intergovernmental fiscal relations (IGFR) framework, since services are planned for, budgeted for and funds disbursed within this framework, involving all three spheres of government, entities such as SASSA, and non-governmental entities such as implementing NPOs.

Statutory child welfare services are funded through Vote 19 – Social Development:

- Transfer payments authorised by the annual Division of Revenue Act from the National Reserve Fund as part of the Provincial Equitable Share (PES) disbursements to provincial Departments of Social Development. These Departments, in turn, deliver child welfare services themselves or make transfer payments to NPOs to subsidize their activities and fund specific programmes for statutory child welfare services. The PES disbursements form part of government’s unconditional grant framework, since departments are allowed discretion in the scope and aim of expenditure, for example departments may choose to spend more on employing social workers than subsidizing NPOs to deliver child welfare services.
The substantial degree of vertical fiscal imbalance (VFI) in the South African public finance system is the reason for the substantial intergovernmental fiscal transfers to provincial governments to enable basic service delivery (FFC, 2007). Whereas this type of fiscal decentralization is conducive to improving allocative efficiency (i.e. the degree to which welfare is optimally maximized given the prevailing resource constraints), the specific structures and implementation considerations within a country’s intergovernmental relations system may actually decrease the benefits, for example a poorly constructed conditional grant framework may impede provincial service delivery performance if too many resources are consumed in administering and implementing the respective grants (Ajam, 2001).

### 3.6.2 Funding of child welfare through unconditional grants: the Provincial Equitable Share

Provincial and local government equitable share allocations are calculated using a formula that takes various factors into account, including demographic, socio-economic and financial management performance. It is important to note that the formula is mainly driven by the relative sizes of provincial populations and that the allocations it generates are very sensitive to shifts in population across provinces. The rationale is that changes in populations lead to changes in the relative demand for public services across provinces (National Treasury, 2012a).

The total amount available for Provincial Equitable Share (PES) allocations is based on the estimates of nationally raised revenues. For the 2012 MTEF (starting with the budget for the 2012/13 financial year), the PES has been increased due to policy-related adjustments to help provinces to provide more funds for child and youth care services and to standardize and equalize subsidies for ECD centres (National Treasury, 2012a). These increases are in addition to obligations funded through existing provincial and local government baseline allocations and can be seen as a commitment from government to prioritize expenditure on child welfare services.

Despite the adjustments in the PES formula, it “continues to be without a factor in respect of social welfare services for vulnerable groups” (Budlender&Proudlock, 2011b). The National Treasury is of the opinion that the formula’s poverty component has already taken into account social development demands (National Treasury, 2011), but new provincial obligations in terms of child welfare services (including those contained in the Children’s Act) mean that there should perhaps be greater emphasis on the weight of the poverty component (Budlender&Proudlock, 2011b).

### 3.6.3 Child welfare programming and funding provided by the National Department of Social Development

The brunt of child welfare services funding by NDSD lies within Programme 2: Social Assistance. There are other programmes that involve policy development, implementation support and coordination services in the provision of child welfare services, but these services fall outside the scope of this report. The table below provides a brief description of the social grants that target or include children as beneficiaries and points to the aspects of the ensuing budget analysis of this report.
### 3.6.4 Child welfare programming and funding provided by the provincial Departments of Social Development

Provincial government departmental programme structures are to a large extent prescribed and therefore similar, which assists with a generic analysis of child welfare service provision. The table below summarises the typical sub-programmes that are concerned with child welfare services within the Welfare Services Programmes of provincial Departments of Social Development.

#### Table 6: Provincial Departments of Social Development: Welfare Services Programmes

<table>
<thead>
<tr>
<th>Sub-programmes</th>
<th>Child welfare services / activities</th>
<th>Indicative cost drivers</th>
<th>Suggested quantitative analysis / indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Child care and protection</strong></td>
<td>Partial care and early childhood development (ECD) programmes: for example ECD subsidies.</td>
<td>Growth in demand: socio-economic status/poverty levels, etc. Supply side: above-inflationary growth in administration costs of NPOs.</td>
<td>• Average/annual growth of provincial sub-programme budgets within Welfare Services Programmes. Disaggregation: provincial v. total of all provinces, nominal v. real.</td>
</tr>
<tr>
<td></td>
<td>Child and youth care centres (CYCCs): for example CYCC subsidies, Isibindi programme subsidies</td>
<td>Growth in demand: socio-economic status / poverty levels, etc. Supply side: above-inflationary growth in costs of child and youth care workers. Growth in administration costs of NPOs.</td>
<td>• Trends in relative size of individual sub-programme budgets within Welfare Services Programmes. Disaggregation: provincial v. total of all provinces.</td>
</tr>
<tr>
<td></td>
<td>Protection services</td>
<td>Growth in demand: socio-economic status / poverty levels, etc.</td>
<td>• Trends in numbers of children reached with services from sub-programme. Disaggregation: provincial v. total of all provinces.</td>
</tr>
<tr>
<td></td>
<td>Prevention services</td>
<td>Growth in demand: socio-economic status/poverty levels, etc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Drop-in centres</td>
<td>Growth in demand: socio-economic status /poverty levels, etc. Supply side: above-inflationary growth in administration costs of NPOs.</td>
<td></td>
</tr>
<tr>
<td><strong>Care and support services to families</strong></td>
<td>Child and family counselling services, Parenting skills programmes, and family preservation.</td>
<td>Growth in demand: socio-economic status/poverty levels, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Crime prevention and support (this sub-programme has a mixture of adult and children’s services, as well as Child Justice Act services)</strong></td>
<td>Children’s Act services that fall under this sub-programme: Diversion, probation officer assessments, secure care centres.</td>
<td>Above-normal growth in prevalence of crime in child populations. Supply side: above-inflationary growth in costs of social workers (government and non-government).</td>
<td></td>
</tr>
</tbody>
</table>

3.7 Review of past FFC recommendations related to child welfare services

Although the National Treasury is not compelled to implement any FFC recommendations, it is however, still statutorily obliged to consider them in some meaningful way (Constitution, Section 214(2)). FFC recommendations in terms of the annual Division of Revenue Bill are published in the National Treasury’s Budget Review which accompanies the tabling of the annual budget. For the purposes of this report, only submissions by the FFC from 2002 and onwards were reviewed. An important consideration here is the extent to which previous recommendations on child welfare services and welfare services in general are reflected in the vertical and horizontal division of resource allocation.

2002 Budget Review

In its submission on the 2002/03 Division of Revenue, the FFC proposed among other things a revision of the provincial equitable share (PES) formula in order for the formula to take into account constitutionally mandated obligations, such as child welfare services and priorities identified through the political processes in government. The FFC recommended that norms and standards be developed for constitutional obligations; norms and standards are critical to determine the appropriate size and scope of budgets for social services.

Government agreed to the recommendation to revise the PES, although it noted that “due to a lack of a) clear definitions of constitutionally mandated services and b) in view of the lack of data to support a costed norms approach,” it has not been able to revise the formula based on these parameters. Government also pointed out that its focus on alleviating poverty and vulnerability translated into increased allocations for early childhood development programmes, and the Integrated Nutrition Programme (INP) (which is targeted at poor provinces with large populations of school children).

2003 Budget Review

In its submission on the 2003/04 Division of Revenue, the FFC proposed that funding for early childhood development be explicitly funded by PES allocations. Government agreed to this and noted that by 2004/05, funding for this programme would be fully included in PES allocations. In addition, government also recognized the significant pressure on provincial budgets due to the child support grant and has significantly increased the PES allocation to provinces over the medium term.

2004 Budget Review

In its submission on the 2004/2005 Division of Revenue, the FFC proposed various broad changes in the financing of social development, among others:

- It reiterated its proposal that social security grants should be budgeted for and funded at a national level to avoid the crowding out of the other provincial service delivery mandates
- The populations of grant recipients in the current social welfare system should more closely reflect the actual take-up of the three grants in the provinces
- The overall allocation to welfare in the current system should be revised to more accurately reflect the share of aggregate provincial spending on social development
• The welfare component of the PES formula should distinguish between social security grants and welfare services.

Government responded that the revision of the PES formula is an ongoing process; however, increased allocations to social welfare should be cautioned since they may crowd out other provincial expenditure priorities, such as health and education.

The FFC reiterated its proposal that the shares of the different components in the PES formula should be determined by costed norms and standards (i.e. those proposals contained in its Report: “FFC report Recommendations: 2001-2004 MTEF Cycle”). Government in turn reiterated its position that it would not adopt the costed norms and standards approach due to its concerns among other things about a) the availability of appropriate data, b) the potential loss of relative provincial government budgeting autonomy, c) the lack of clarity on how to cost norms and standards across different sectors, and d) the effect of ambitious policy norms on expenditure projections. Instead of a tool for allocations, government encouraged the use of a costed-norm model as a tool for analysing expenditure.

2005 Budget Review
In its submission on the 2005/2006 Division of Revenue, the FFC recommended that the weight of social services expenditure in the PES should change due to shift of responsibility for payment of social grants from provincial to national government. Government agreed and noted that the weights of all had changed to allow for this shift.

The FFC also recommended that the NDSD should ensure that adequate measures are in place to monitor the proper administration and payment of social security grants. Broadly speaking, government agreed to this and pointed out that the national equitable share had increased to fund social grants.

2006 Budget Review
In its submission on the 2006/2007 Division of Revenue, the FFC proposed that the provincial equitable share should be augmented to allow for more funding of social welfare services in provinces. Government agreed with this and commented that it had made considerable allocations for social welfare services in the 2006–2008 period.

Furthermore, the FFC recommended that government expedite the setting of norms and standards for the delivery of a defined minimum basket of social welfare services by provinces. In particular, government was asked to “define the basket of social welfare services, and develop a rigorous, transparent and robust way of calculating the reasonable operating costs of efficient and effective social welfare services.” Government supported the need for a clearly defined basket of social welfare services, and norms and standards that these services should adhere to. Government undertook to study the elements of such a basket of services, especially statutory services, which should be delivered.
2007 Budget Review
In its submission on the 2007/08 Division of Revenue, the FFC proposed that a social welfare component be incorporated into the PES formula. This component should be based on population, population in poverty and institutional capacity of provincial governments. Furthermore, the FFC recommended that the “funding for social welfare services should take into account the need to maximise the spread of both welfare delivery institutions and human resources.”

Government agreed that the formula should include a component that captures the demand for social welfare services and that a formula review process would commence in the immediate future. Government noted that the formula already had a poverty component that was based on the poor proportion of the population.

2008 Budget Review
The FFC recommended that allocations to primary schools in terms of the national school nutrition programme should be increased to improve access by more poor children for longer. This programme aims to improve nutrition of poor school children, enhance active learning capacity and improve attendance in schools. The FFC requested better institutional management of the programme. The FFC also recommended that the programme be extended to secondary schools, although government cautioned this.

2009 Budget Review
The FFC did not make any recommendations directly related to child welfare on the division of revenue for the 2009 MTEF.

2010 Budget Review
The FFC recommended that government should increase the rollout of social grants to “cushion poor people from the effects of the economic downturn,” yet social assistance should be managed in such a way as to reduce the dependency of households on social grants in the long term. Government agreed with these points.

2011 Budget Review
The FFC recommended that government should increase expenditure on child support in the short term in order to protect and support this vulnerable group in society in coping with the effects of the global economic crisis in South Africa. Government responded, noting that “the number of social grant beneficiaries has more than tripled between 2002/03 and 2010/11 and a committee of inquiry is in place to investigate more cost-effective beneficiary payment options for SASSA.”

The FFC also recommended that government should introduce a block grant for education, health and social development over the medium to long term, to fund clearly defined and costed outcomes. Government responded, saying that block grants are “potentially unconstitutional.” Government was of the opinion that the recommendation on block grants is an issue related to the review of the equitable share formula, which was by then an ongoing initiative.

Lastly, the FFC also recommended that government should sustain “social assistance expenditure as far as possible during fiscal consolidation.” Government supported this recommendation.

2012 Budget Review.
The FFC did not make any recommendations directly related to child welfare on the division of revenue for the 2012 MTEF.

3.8 Review of the National Planning Commission’s National Development Plan

The National Planning Commission’s role is to chart the developmental growth and service delivery path of government beyond the five-year strategic planning cycle of Departments. To this end, it is crucial to assess the long-term planning objectives of government with regard to child welfare services and welfare services in general. The Commission’s vision for development is contained in the 2011 document: “National Development Plan: Vision for 2030.”

The Plan notes that a large and growing child population has greatly increased the demand for the professional social services of NPOs, yet the state funding of these NPOs has declined steadily since 1994 which has resulted in reductions in the scope and quality of such services. The Plan acknowledges that there are many children who do not receive the grants that they are legally entitled to, as has been found by Leibbrandt et al. (2010).

Orphans are among the most “at-risk” segments of the child population. A high proportion of paternal orphans are receiving grants, particularly the child support grant, but a low proportion of maternal orphans are receiving grants. This supports evidence found by Case et al. (2005) that the probability of a child receiving a grant decreases when the mother is absent. Not surprisingly, orphans who have lost both parents are most likely to receive the foster care grant while they are less likely to receive the child support grant than children with both parents. This may be a result of the more complex documentation required without the child’s mother as caregiver.

The Plan envisages that by 2030 all vulnerable groups, including children, will enjoy full protection and services as required by the Constitution, and specifically that these groups will enjoy social protection during short-term shocks and difficult labour-market conditions.

The NDP acknowledges that provinces rely heavily on NPOs to deliver social services. The NDP calls for expansion of social welfare services and funding of NPOs. The NDP states that the Children’s Bill Costing Report recommended a shift to a child-centred services model of full funding rather than the existing model of partial subsidisation. A useful proposal is for a single, integrated database detailing recipients and beneficiaries of social assistance, something that developing countries such as Brazil and India have already done. South Africa has an advantage in the sense that citizen identity numbers are unique identifiers that can be used to link various government services on a universal information system.

The Plan does not address the inefficiencies in the grant system, or maladministration in some provincial Departments of Social Development that arguably reduce services to intended beneficiaries.

The intent of the Plan was not to provide detailed solutions and therefore the onus is on the social development sector to address inefficiencies, as well as to respond constructively to the proposals and objectives of the Plan.
3.9 Main findings of the legislative and policy framework review

The legislative and policy framework review and analysis capture the immediate and possible future tensions that exist or may exist, especially from a funding point of view, between the various legislative, implementing and judicial stakeholders. Below is a summary of the main findings of the review:

- Child welfare services are largely delivered sub-programme activities delivered by provincial Departments of Social Development or by subsidising/funding NPOs and funded almost exclusively by the Provincial Equitable Share (PES) from national government. To a much lesser extent, municipalities provide child welfare services in municipal CYCCs, but only after they have been accredited to do so. It was noted that there is a concurrent legislative competence of national and provincial government to monitor and oversee the effective performance of these centres (see Schedule 4, Part B, of the Constitution).

- A lack of human resource capacity in child welfare service provision, both in NPOs and in terms of the capacity of provincial Departments of Social Development to administer and monitor the current grant system. Costing exercises have indicated that the proper implementation of the Children’s Act will require a large number of social workers and auxiliary social workers. Coupled with a concentration of social workers in the three richest provinces, this situation begs the question whether additional funding to increase the reach of social grants and the scope of child welfare programmes over the MTEF would be readily absorbed by the current staff complements of both government and NPOs.

- Costing exercises point to a lack of adequate funding of NPOs by provincial Departments of Social Development through existing subsidies and programme funding in order to deliver on requirements of the Children’s Act.

- Alternative service delivery mechanisms for delivering child welfare services could be a viable option if they are cost-effective, especially municipal child welfare agencies due to the proximity of municipalities to local communities and their social development needs. However, such agencies should be bound by precise and specialized mandates, follow the required fiscal, legal and managerial considerations and not detract from the basic service delivery mandate of municipalities. The capacity of municipalities to deliver these services should also be considered.

- Court cases involving child welfare services have affirmed the responsibilities of provincial Departments of Social Development to implement policies based on adequate funding of NPOs delivering child welfare services on behalf of the mandate of provincial Departments;

- A deterioration of Auditor-General audit opinions for provincial Departments of Social Development since the 2007/2008 financial year raises serious questions about the capacity of these Departments to facilitate child welfare services through their management of social grants and transfer payments to implementing NPOs. In many cases these Departments did not monitor transfer payments adequately and could not ensure that NPOs have appropriate financial management systems in place. This situation, coupled with the reasonable expectation that the situation would improve for the 2011/2012 financial year, raises concerns about the health and integrity of the intergovernmental fiscal relations system due to the sheer size of child welfare-related expenditure;

- The NDSD modelled activity-based costs for established norms and standards for most child-
related welfare services in 2012. They represent the only recent and reasonably accurate costing models (since the 2006 costing exercise of the Children’s Bill) and provide a starting point to question whether there are gaps between the quality and adequacy of current child welfare services as well as the degree to which government funding needs to increase to meet the prescribed norms and standards. The costings in the NAWONGA case should provide better cost estimates of children services which should be linked with a needs analysis at provincial level. Estimating the extent of underfunding should be the basis for a national plan to achieve progressive realization of child welfare services.

- The main cost drivers for child welfare services include the growth of vulnerable child populations, growth of poor households, and growth of parental deaths due to HIV/AIDS.

- In the period from 2002 to 2012, the FFC made significant recommendations to government in its annual submissions on the Division of Revenue. Notably, the FFC successfully argued for the increase in social welfare allocations in the 2006 MTEF period and the sustained and increased allocations to protect vulnerable children in the 2011 MTEF period during the global economic crisis. Government also undertook to improve the cost-effectiveness of the grant administration system. In its submission on the 2006/2007 Division of Revenue, the FFC recommended a revision of the Provincial Equitable Share formula and in its 2007/2008 submission specifically recommended the inclusion of social welfare component. Government agreed to these recommendations, however it has not reported back yet on its undertaking in this regard. This should be an avenue of further advocacy and follow-up.

- The National Planning Commission’s National Development Plan affirmed the need for government to deliver on requirements of the Constitution in terms of services to vulnerable groups, which include children. Although the Plan does not quantify any child welfare-related targets in terms of its vision for South African society for 2030, it does demand that all vulnerable groups should receive protection, both to ensure human development and protection during short-term economic shocks.

- The intent of the Plan was not to provide detailed solutions for improving inefficiencies in some provincial Departments of Social Development and therefore the onus is on the social development sector to address inefficiencies, as well as to respond constructively to the proposals and objectives of the Plan.
The Children’s Act (2005) as amended places the responsibility for delivering services to children on the MECs for social development. Hence, the largest share of the funds spent on children must come from the budgets of provincial Social Development Departments. It is for this reason that the analysis presented in this section focuses specifically on the provincial Departments of Social Development. Similarly, some services prescribed in the Children’s Act must be implemented by other line Departments such as the Department of Justice and the Department of Education. In his costing of the Children’s Bill, Barberton (2006) shows that the share of funds these Departments need to implement children-related services are relatively inconsequential compared with the mandate of the provincial Departments of Social Development.

4.1 Demographics

The Children’s Act, just like the Juvenile Justice Care and Protection of Children Act (2000), defines a child as someone under the age of 18 years. The analysis framework adopted here assumes the same definition. The demographic statistics do not always present data in a way defined by legislation. The StatsSA 2011 Census, for example, defines age categories in five-year age cohorts. Hence, total population figures are presented for the age cohorts 0–4, 5–9, 10–14, 15–19 and upwards. To reach a reliable estimate for our population sample, proportionally equal distribution for the 15–19 age cohort is assumed and estimates are adjusted proportionally to arrive at an adjusted estimate for the 15–17 age cohort in the table below.

Table 7: Demographics of Children

<table>
<thead>
<tr>
<th>Age</th>
<th>Eastern Cape</th>
<th>Free State</th>
<th>Gauteng</th>
<th>KwaZulu-Natal</th>
<th>Limpopo</th>
<th>Mpumalanga</th>
<th>North West</th>
<th>Northern Cape</th>
<th>Western Cape</th>
<th>All Provinces</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>00-04</td>
<td>767 216</td>
<td>295 896</td>
<td>1 191 418</td>
<td>1 198 134</td>
<td>680 163</td>
<td>461 599</td>
<td>404 347</td>
<td>121 918</td>
<td>564 60 161</td>
<td>5 685 451</td>
<td>11%</td>
</tr>
<tr>
<td>05-09</td>
<td>715 992</td>
<td>262 522</td>
<td>905 501</td>
<td>1 042 528</td>
<td>583 964</td>
<td>402 772</td>
<td>332 303</td>
<td>114 007</td>
<td>460 161</td>
<td>4 819 750</td>
<td>9%</td>
</tr>
<tr>
<td>10-14</td>
<td>684 282</td>
<td>240 497</td>
<td>812 012</td>
<td>1 038 857</td>
<td>570 885</td>
<td>396 348</td>
<td>303 713</td>
<td>109 448</td>
<td>438 843</td>
<td>4 594 885</td>
<td>9%</td>
</tr>
<tr>
<td>15-17</td>
<td>444 308</td>
<td>157 739</td>
<td>554 753</td>
<td>671 721</td>
<td>376 400</td>
<td>254 567</td>
<td>189 919</td>
<td>64 606</td>
<td>288 073</td>
<td>3 002 086</td>
<td>6%</td>
</tr>
<tr>
<td>18+</td>
<td>3 950 253</td>
<td>1 788 935</td>
<td>8 808 578</td>
<td>6 316 061</td>
<td>3 193 454</td>
<td>2 524 695</td>
<td>2 279 670</td>
<td>735 882</td>
<td>4 070 856</td>
<td>33 668 384</td>
<td>65%</td>
</tr>
<tr>
<td>Total</td>
<td>6 562 051</td>
<td>2 745 589</td>
<td>12 272 262</td>
<td>10 267 301</td>
<td>5 404 866</td>
<td>4 039 941</td>
<td>3 509 952</td>
<td>1 145 861</td>
<td>5 822 733</td>
<td>51 770 556</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: StatsSA.2011 Census

The table shows that 35% (18.1 million) of the South African population are children, with the incidence of children spread evenly across the 0–4, 5–9 and 10–14 age cohorts. KwaZulu-Natal, Gauteng and the Eastern Cape have the largest share of children, with a combined total of 55% (10 million). Rural provinces such as Limpopo (41%), Eastern Cape (40%), KwaZulu-Natal (38%) and the Mpumalanga (38%) have the largest proportion of children in their populations compared with other provinces. This suggests that social development budgets for these provinces should reflect a proportionally larger share of their resources directed at child services. Of the total quantum of resources available for child services, the population estimates suggest that KwaZulu-Natal, and
Gauteng should receive proportionally more than the other provinces, assuming that the demand for child services is the same for all provinces.

The graph above describes the distribution of children living with parents in the various provinces of South Africa. Notably, better-resourced provinces such as the Western Cape (54%) and Gauteng (50.4%) have the largest share of children living with both parents, whereas rural provinces such as Limpopo (25%) and the Eastern Cape (22%) have the smallest share. In these predominantly rural provinces, most children are raised by the mother only, with the father most likely to have migrated to the Western Cape or Gauteng in search of employment opportunities. In the Eastern Cape, more than 30% of children stay with a caregiver who is neither the mother nor the father. Rural provinces such as KwaZulu-Natal (29%) and Limpopo (26.9%) have similarly high averages for children not staying with a biological parent, whereas for the Western Cape and Gauteng, 10.6% and 12.2% of children respectively stay without either parent. These demographic trends suggest that better-developed provinces, with lower levels of poverty, have stronger family structures than rural provinces where, oftentimes, unemployment and poverty force the head of the household to leave the home in search of employment opportunities elsewhere. Predominantly rural provinces such as the Eastern Cape, Limpopo and KwaZulu-Natal, with a high proportion of children staying without either parent, are therefore most in need of childcare and protection services.

Table 8: Children who are double orphans in South Africa

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>175 195.21</td>
<td>0.064</td>
</tr>
<tr>
<td>Western Cape</td>
<td>21 731.14</td>
<td>0.012</td>
</tr>
<tr>
<td>Gauteng</td>
<td>104 652.09</td>
<td>0.029</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>14 013.43</td>
<td>0.035</td>
</tr>
<tr>
<td>Limpopo</td>
<td>70 211.71</td>
<td>0.030</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>293 400.32</td>
<td>0.067</td>
</tr>
<tr>
<td>Free State</td>
<td>69 817.65</td>
<td>0.071</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>78 843.16</td>
<td>0.055</td>
</tr>
<tr>
<td>North West</td>
<td>69 753.48</td>
<td>0.057</td>
</tr>
<tr>
<td>All Provinces</td>
<td>897 618.38</td>
<td>0.05</td>
</tr>
</tbody>
</table>

The Children’s Act (2008) defines an orphan as a person whose parents have both died, including an adoptive parent. The table above indicates that just less than 900000 children in South Africa have no parents. Most of these children are found in KwaZulu-Natal (293 400), the Eastern Cape (175 195) and Gauteng (104 652). The Western Cape (21 931) has the lowest orphan population compared with other provinces. These figures indicate that the demand for adoption services and the placement of children in places of safety/foster care may be greater in KwaZulu-Natal, the Eastern Cape and Gauteng than in other provinces. The provincial budgets for these provinces should therefore reflect these demand patterns and show more funds being set aside to accommodate adoption and child placement services.

The gross domestic product (GDP) is the value of all the goods and services produced in a region in a given year. The table below shows the GDP per capita for the nine provinces in South Africa. The GDP per capita measurement is usually considered an indicator or proxy for the standard of living in a region. It is a standardized measure that is widely measured, hence making it a very useful indicator to compare the standard of living between regions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>22 477</td>
<td>26 620</td>
<td>28 014</td>
<td>31 235</td>
</tr>
<tr>
<td>Western Cape</td>
<td>61 964</td>
<td>62 903</td>
<td>55 451</td>
<td>74 380</td>
</tr>
<tr>
<td>Gauteng</td>
<td>72 408</td>
<td>75 132</td>
<td>78 657</td>
<td>82 813</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>42 214</td>
<td>47 173</td>
<td>48 947</td>
<td>57 224</td>
</tr>
<tr>
<td>Limpopo</td>
<td>25 984</td>
<td>30 978</td>
<td>32 853</td>
<td>36 435</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>33 185</td>
<td>36 837</td>
<td>37 507</td>
<td>40 803</td>
</tr>
<tr>
<td>Free State</td>
<td>37 434</td>
<td>43 308</td>
<td>45 745</td>
<td>53 158</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>40 153</td>
<td>45 783</td>
<td>4 783</td>
<td>53 482</td>
</tr>
<tr>
<td>North West</td>
<td>39 191</td>
<td>44 495</td>
<td>46 101</td>
<td>57 124</td>
</tr>
<tr>
<td>NATIONAL GDP PER CAPITA</td>
<td>43 090</td>
<td>47 576</td>
<td>48 803</td>
<td>54 974</td>
</tr>
</tbody>
</table>


Gauteng (R82 813) and the Western Cape (R74 380) have considerably higher GDP per capita than the other regions in South Africa. The Eastern Cape (R31 235) and Limpopo (R36 435) have the lowest GDP per capita respectively. KwaZulu-Natal produces the second-largest share of goods and services in the country (after Gauteng), yet its GDP per capita (R40 803) is considerably below the national average, largely because of its considerable population size relative to other regions in the country. The figures above suggest that the migratory patterns of male adults may be spurred largely by the prospect of employment and the provision of a better standard of living for the family. It also reflects a certain reality that largely rural provinces such as the Eastern Cape and Limpopo have a lower standard of living than more urbanized regions such as Gauteng and the Western Cape.

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This figure increased by more than 100% from 2002 when 350 000 children were counted as being without any parents (OHS, 2002, Children’s Institute, 2011).
On the surface, a tangible relationship is evident between the standard of living in a region and the stability of the family structure. The higher the living standard, the more stable the family structure and the less need to migrate, and the lower the standard of living, the less stable the family structure and the greater the need to migrate for economic reasons. Further investigation into this phenomenon is necessary so that a deeper understanding of the direction of causation can become apparent.

4.1.1 Summary

- KwaZulu-Natal, the Eastern Cape and Gauteng have the highest child populations and the highest orphan numbers in the country. In terms of macro prioritization, these regions, purely from a demographic perspective, should reflect the largest investment in child welfare services
- Orphan numbers have more than doubled since 2002, increasing from 350000 in 2002 to 900000 in 2011, most likely because of the HIV/AIDS pandemic
- Economic development of a region has an important bearing on the structure and stability of the family unit. The largest proportion of children staying with both parents typically occurs in urbanized, developed regions (e.g. the Western Cape and Gauteng). In areas with large rural populations, such as KwaZulu-Natal, the Eastern Cape and Limpopo, poverty levels are quite high and GDP per capita is the lowest. Adult males in these areas have to migrate to other areas to find work, while most children are raised by the mother only or by the extended family.

4.2 Macro prioritization of child welfare services

An important feature of the child rights approach to budgeting is the examination of whether the resource allocation at a macro level reflects an increase in child prioritization by the state. A new piece of legislation on children may lay the foundations for policy shifts in funding, but in many cases the success of child policies is determined by strong political will at senior level and the ability to convert policies into practical strategies for implementation. Comparing child expenditure over time, in relation to other sectors, as a proportion of GDP, helps to assess if the state is indeed reflecting a pragmatic approach towards addressing child rights and provision of care and protection services for children.

The graph below reflects historical trend data and medium-term estimates for total government, social development and child services expenditure as a proportion of GDP from 2007/2008 to 2014/2015.

Total government expenditure as a proportion of GDP increases from 27% to 31% during the period considered. Total government expenditure peaked at 34% of GDP in 2009/2010, just before taking a dip at the time when the economy started sliding into a recessionary phase. The counter-cyclical fiscal policy employed by the state is reflected in the graph below by the spike in 2009/2010 when a significant increase in government spending (over R100 billion increase from 2008/2009) was meant to sustain domestic demand and buffer further job losses in the economy.

9 The data for social development are aggregated for the national Department of Social Development and all nine provincial Departments of Social Development
Spending on social development increased from 3.56% of GDP in 2007/2008 to 3.96% in 2009/2010, before declining to 3.59% in 2014/2015. The significant increase in government expenditure as a percentage of GDP yielded positive expenditure outcomes for social development between 2007/2008 and 2009/2010, but the subsequent decline in government expenditure as a share of GDP has had a knock-on effect, with the impact expected to carry on until 2014/2015 at the minimum. Nevertheless, what is interesting is an observed marginal increase in social development expenditure as a percentage of GDP in 2011/2012 (3.88%), up from 3.77% in 2010/2011. This mirrors the overall trend in government expenditure as a share of GDP such that when this ratio increased in 2011/2012, a similar increase was observed for social development and when it started declining from thereon, the social development expenditure also declined.

The figure above shows child welfare expenditure estimates as a share of GDP increases from 0.087% in 2007/2008 to 0.13% in 2014/2015. The trend over time is on average positive and shows an increase in the prioritization of child expenditure. Yet it appears as if the increase in child welfare services as a percentage of GDP is being funded largely from the expansion of the social development resource base rather than reprioritizing from within the overall social development resource envelope. Nevertheless, concern from a child rights perspective is the impact, if only marginal, of the decrease in the child expenditure indicator from 0.129% in graph in 2011/2012 to 0.125% in graph in 2012/2013 and then from 0.136% in graph in 2013/2014 to 0.13% in graph in 2014/2015, mirroring a similar trend in the social development indicator. This strongly suggests that child welfare budgetary allocations are impacted by the overall change in social development budgetary allocation. Interestingly, there is an increase in the child indicator from 0.125% in 2012/2013 to 0.136% in 2013/2014, although the social development indicator declined in this period, suggesting possible attempts at reprioritizing in favour of child welfare within the overall social development budget. Further micro analysis would be needed to confirm this point. Child expenditure and MTEF projections as a share of GDP may be slightly understated given that our definition of child welfare expenditure captures only the two main sub-programmes delivering services to children.\(^\text{10}\)

\(^{10}\) The two sub-programmes are child care and support and protection and crime prevention.
The table below reflects the historical trend and expected estimates of the main social sector services. The figures are global totals for both the provincial and national spheres of government. The table also indicates the real annual percentage change of each social service over the period considered.

Table 10: Spending trends of social sector services

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>TL Govt Exp. &amp; estimates</td>
<td>558 000 000</td>
<td>715 400 000</td>
<td>826 600 000</td>
<td>874 400 000</td>
<td>964 400 000</td>
<td>1 057 100 000</td>
<td>1 147 400 000</td>
<td>1 238 100 000</td>
</tr>
<tr>
<td>TL SD Exp. &amp; estimates</td>
<td>73 382 400</td>
<td>84 432 680</td>
<td>94 371 160</td>
<td>103 951 030</td>
<td>115 468 753</td>
<td>124 374 853</td>
<td>134 442 037</td>
<td>144 346 658</td>
</tr>
<tr>
<td>TL Health Exp. &amp; estimates</td>
<td>75 357 000</td>
<td>90 494 000</td>
<td>106 559 000</td>
<td>119 802 000</td>
<td>113 200 000</td>
<td>121 500 000</td>
<td>130 400 000</td>
<td>140 100 000</td>
</tr>
<tr>
<td>TL Edn. Exp. &amp; estimates</td>
<td>104 951 000</td>
<td>127 259 000</td>
<td>146 979 971</td>
<td>162 040 904</td>
<td>190 800 000</td>
<td>202 600 000</td>
<td>218 200 000</td>
<td>231 700 000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL Govt Exp. &amp; estimates</td>
</tr>
<tr>
<td>TL SD Exp. &amp; estimates</td>
</tr>
<tr>
<td>TL Health Exp. &amp; estimates</td>
</tr>
<tr>
<td>TL Edn. Exp. &amp; estimates</td>
</tr>
</tbody>
</table>


Social development, health and education are the three main service delivery Departments of government, and resource allocation to these sectors plays a crucial role in influencing outcomes for overall wellbeing and standard of living for citizens, most importantly, children. Further, the targets for achieving the Millennium Development Goals for 2014 are directly related to the funding of activities in these sectors.

These three sectors combined accounted for 45% of total government expenditure in 2007/2008, before decreasing to 42% in 2014/2015. In 2007/2008, expenditure on social development amounted to R73.38 billion, marginally lower than health at R75.36 billion, while education expenditure was significantly higher than these other two sectors at R104.95 billion. In 2014/2015, social development expenditure increased to R144.3 billion, compared with R140.1 billion for health, while the allocation to education remained the largest by a significant margin, at R231.7 billion.

The relative expenditure trend has somewhat changed over time, with estimates for health expenditure as a proportion of total government expenditure declining from 14% in 2007/2008 to 11%, signalling the largest downward adjustment compared with the other two sectors. Social development also marginally declined as a proportion of total government expenditure, but by a smaller percentage (from 13% to 12%) compared with health. Education as a proportion of total government expenditure remained unchanged at 19% over the period considered.

A significant decline in the magnitude of the real annual growth rate of government spending is observed from 2007/2008 onwards. In 2008/2009 real growth amounted to 17%, but declined dramatically to 9% in 2009/2010 and then again to 2% in 2010/2011. The significant fall of the real growth in government expenditure can be linked to the onset of shrinking revenues from the impact of the global recession on a weakening South African economy. The negative impact of
the recession on government expenditure is not immediately apparent because the government is still maintaining a moderate to small real annual growth between 2009/2010 and 2014/2015\(^{11}\). Further, this small growth in government expenditure is largely possible because of the increase in borrowed funds, hence supplementing government’s own limited revenue base. The expenditure trend suggests a prudent and conservative approach to fiscal policy, with expenditure expansion curtailed in favour of pushing for more efficient use of government resources and implementation of consolidation measures.

The average real annual growth of expenditure on social development between 2007/2008 and 2011/2012 is about 6%. Over the MTEF period, the average real growth is expected to decline to about 2%. Although budgetary growth is still positive, the decline in real growth is disconcerting if legal obligations that are obtained through progressive realization by social development have to be curtailed somewhat through a slowdown of targeted funds. An expansion of the social development resource base is thus taking place at marginally below the average rate of 3% growth as overall government estimates over the MTEF. Social development budgetary growth over the MTEF is marginally higher than for health. Compared with education, the social development growth forecasts in 2012/2013 and 2013/2014 are 2% and 1% higher respectively, but in 2014/2015, the social development budgetary growth is significantly lower at 1% compared with 6% for education.

The table below presents the ratios for child welfare as a percentage of government, social development and welfare services expenditure and estimates.

**Table 11: Child welfare as a percentage of government, social development and welfare services**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Child Welfare Serv. percentage of TL Govt. Exp. &amp; est.</td>
<td>0.29%</td>
<td>0.32</td>
<td>0.32</td>
<td>0.32</td>
<td>0.34</td>
<td>0.33</td>
<td>0.38</td>
<td>0.37</td>
</tr>
<tr>
<td>Child Welfare Serv. percentage of Social Dev. Exp. &amp; est.</td>
<td>2.2%</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.9</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Child Welfare Serv. percentage of Welfare Exp. &amp; est.</td>
<td>38.7%</td>
<td>41.6</td>
<td>40.7</td>
<td>40.7</td>
<td>39.6</td>
<td>39.4</td>
<td>42.6</td>
<td>43.2</td>
</tr>
</tbody>
</table>


The trend over time reveals a moderate increase in child welfare as a proportion of government and social expenditure, and estimates with an anticipated moderate rise are likely again in 2013/2014. Despite the increase in the proportion of child welfare over time, the ratio also remained constant over a number of years.

The pattern for child welfare as a proportion of welfare services is less consistent from year to year, although on aggregate an upward trend is evident over the period. Child welfare as a proportion of welfare services increased from 38.7% in 2007/2008 to 41.6% in 2008/2009 before declining to 39.4% in 2012/2013. The ratio then increases over the MTEF period to reach 43.2% in 2014/2015.

\(^{11}\) With the exception of 2011/12, where real growth in expenditure reached 6%, largely because of the carry-through costs of the higher than anticipated wage bargaining agreement.
4.2.1 Summary

- The social sector in South Africa, especially health and to a lesser extent social development, was negatively impacted by the slowdown of the economy in recent years, with slower real growth predicted over the MTEF period.
- A definite moderate progression of child welfare at an aggregate level is observable against total government expenditure, social development expenditure and total welfare services expenditure for the period considered. The growth, however, is more muted over the MTEF period (2012/2013–2014/2015), largely because of the contraction in the growth of government expenditure and the knock-on effect on social development expenditure.
- With government expenditure growth slowing down and impacting on the flow of funds to social development, the fiscal space for child services is limited at a macro level, with little manoeuvrability, unless the state reallocates between sectors. Given the existing situation, the social development strategy suggests one of internally reprioritizing to achieve the output objectives of the Children’s Act. This phenomenon is reflected by the increase in the proportion of child welfare in relation to welfare services over the MTEF period. Further micro analysis will expand on this strategy.

4.3 Micro prioritization of child welfare services

Child services, as defined by our analysis, comprise the Child Care and Protection and Crime Prevention sub-programmes. The funds employed by these two sub-programmes are almost exclusively for the purposes of child services. Pockets of funding from other welfare services are also directed towards children, but the budget books do not disaggregate the amounts allocated to children services. We therefore deal with these subprogrammes in a general way (See section 4.8.1).

Child Care and Crime Prevention are mandatory services in terms of the Children’s Act. Therefore, all provincial Departments of Social Development are expected to fund these services either by providing the services internally to the community or through implementing agents such as NGOs and CBOs.

Table 12: Disaggregation of child welfare services expenditure and estimates in South Africa

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>National DSD Child Exp</td>
<td>15 669</td>
<td>29 160</td>
<td>30 109</td>
<td>31 935</td>
<td>39 382</td>
<td>69 725</td>
<td>62 529</td>
<td>48 621</td>
</tr>
<tr>
<td>Child Care &amp; Protection</td>
<td>15 669</td>
<td>29 160</td>
<td>30 109</td>
<td>31 935</td>
<td>39 382</td>
<td>69 725</td>
<td>62 529</td>
<td>48 621</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Provincial DSD Child Exp</td>
<td>1 605 648</td>
<td>2 316 313</td>
<td>2 630 490</td>
<td>2 862 564</td>
<td>3 354 410</td>
<td>3 551 580</td>
<td>4 346 160</td>
<td>4 655 357</td>
</tr>
<tr>
<td>Child Care &amp; Protection</td>
<td>1 223 145</td>
<td>1 790 991</td>
<td>2 130 072</td>
<td>2 322 391</td>
<td>2 772 475</td>
<td>2 897 045</td>
<td>3 693 474</td>
<td>3 964 312</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>382 503</td>
<td>525 322</td>
<td>500 418</td>
<td>540 173</td>
<td>581 935</td>
<td>654 535</td>
<td>652 686</td>
<td>691 045</td>
</tr>
<tr>
<td>TOTAL EXP. ON CHILD SERVICES</td>
<td>1 621 317</td>
<td>2 345 473</td>
<td>2 660 599</td>
<td>2 894 499</td>
<td>3 393 792</td>
<td>3 621 302</td>
<td>4 408 689</td>
<td>4 703 978</td>
</tr>
<tr>
<td>Real Annual Percentage Change</td>
<td>74.80%</td>
<td>-3.45%</td>
<td>1.96%</td>
<td>18.62%</td>
<td>71.85%</td>
<td>-15.92%</td>
<td>-28.64%</td>
<td>-28.64%</td>
</tr>
</tbody>
</table>

Source: Budget Statements (2012).
Overall expenditure on child welfare services leaped by 33% in 2008/2009, rising from R1.62 billion in 2007/2008 to R2.35 billion in 2008/2009. Provincial Departments are the main implementers of child welfare services, comprising on average 99% of total child welfare expenditure compared with 1% by the NDSD over the period considered. This sharp rise in child welfare services is from increases observed at both provincial and national spheres, although the rise is more pronounced for the NDSD (74.8%). The MTEF estimates for the NDSD also reveal a similar dramatic rise in expenditure in 2012/2013 of 71.8%, but then national growth significantly drops in the two outer years, with negative annual growth forecasted in 2013/2014 (-15.9%) and 2014/2015 (-28.6%). A positive real annual growth in child welfare expenditure for provincial Departments of Social Development is observed throughout the period considered, although with the exception of 2008/2009, annual increases are relatively moderate. In 2011/2012 there was a 12.5% rise in child welfare expenditure, and a 16.77% increase is planned for 2013/2014. These two sharp increases are counterbalanced by belt-tightening in 2012/2013 and 2013/2014, with less than 1% increase in real growth anticipated in these two financial years respectively.

With regard to the Children’s Act, the NDSD is mainly responsible for adoption, parenting, courts and children’s rights, whereas the bulk of the other child services such as child protection services, child and youth care centres (CYCCs) and early intervention programmes inter alia, are the domain of the provincial sphere and must be funded by the provincial Departments of Social Development.

It should be noted that crime prevention services are also largely the domain of the provincial sphere, with no budgeted allocations reflected against the NDSD. The services are rendered in terms of the Child Justice Act (2008) to promote the constitutional rights of children to be cared for and to receive protection from neglect and abuse.

The table below illustrates the breakdown of expenditure figures and estimates for child welfare services by province from 2007/2008 to 2014/2015.

Table 13: Expenditure and estimates of child services by province

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</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>182 262</td>
<td>281 477</td>
<td>291 420</td>
<td>309 414</td>
<td>296 439</td>
<td>360 115</td>
<td>437 327</td>
<td>470 193</td>
</tr>
<tr>
<td>Western Cape</td>
<td>315 729</td>
<td>393 162</td>
<td>438 514</td>
<td>466 812</td>
<td>484 896</td>
<td>540 735</td>
<td>620 713</td>
<td>664 908</td>
</tr>
<tr>
<td>Gauteng</td>
<td>389 017</td>
<td>651 300</td>
<td>797 722</td>
<td>878 165</td>
<td>1 082 661</td>
<td>1 114 076</td>
<td>1 355 396</td>
<td>1 434 503</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>106 117</td>
<td>132 797</td>
<td>136 451</td>
<td>144 440</td>
<td>168 786</td>
<td>149 252</td>
<td>175 262</td>
<td>186 654</td>
</tr>
<tr>
<td>Limpopo</td>
<td>81 341</td>
<td>126 963</td>
<td>154 101</td>
<td>175 672</td>
<td>222 774</td>
<td>276 385</td>
<td>294 649</td>
<td>309 167</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>205 017</td>
<td>233 120</td>
<td>227 735</td>
<td>254 321</td>
<td>320 246</td>
<td>344 840</td>
<td>473 353</td>
<td>513 851</td>
</tr>
<tr>
<td>Free State</td>
<td>136 101</td>
<td>216 503</td>
<td>277 654</td>
<td>306 122</td>
<td>357 995</td>
<td>385 887</td>
<td>426 578</td>
<td>441 192</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>99 369</td>
<td>135 412</td>
<td>149 892</td>
<td>181 254</td>
<td>201 991</td>
<td>184 899</td>
<td>327 968</td>
<td>383 154</td>
</tr>
<tr>
<td>North West</td>
<td>90 695</td>
<td>145 579</td>
<td>157 001</td>
<td>146 364</td>
<td>218 622</td>
<td>195 391</td>
<td>234 974</td>
<td>251 735</td>
</tr>
<tr>
<td>NATIONAL GDP PER CAPITA</td>
<td>1605 648</td>
<td>2 316 313</td>
<td>2 630 490</td>
<td>2 862 564</td>
<td>3 354 410</td>
<td>3 551 580</td>
<td>4 346 160</td>
<td>4 655 357</td>
</tr>
</tbody>
</table>

Source: Budget Statements (2012).
In 2007/2008, Gauteng (R389 million), the Western Cape (R315.7 million) and KwaZulu-Natal (R205 million) accounted for over 55% of total child welfare expenditure in South Africa. The relative spending of provinces remained fairly constant over the period, as indicated by the fact that the same three provinces were expected to be the largest spenders on child welfare services in 2014/2015. However, the Gauteng share of total child welfare expenditure increased from 24% in 2007/2008 to 31% in 2014/2015, while the Western Cape share reduced from 19% in 2007/2008 to 14% in 2014/2015. Notably, almost all provincial Departments of Social Development considerably expanded allocations to child welfare services over the period considered. Funding of child welfare services in the Eastern Cape more than doubled, increasing from R182 million in 2007/2008 to R470 million in 2014/2015. For Mpumalanga, North West and Limpopo, coming off a very low base in 2007/2008, funding of child welfare services also increased by over 200% between 2007/2008 and 2014/2015. It is clear that child welfare services have received greater priority in these provinces, although the question of sufficiency of funds may still be a challenge. The budget books for these Departments show that the significant increases to the budgets of these Departments are due to the absorption of social work students into the Department, occupational service dispensation (OSD), and the expansion of ECD services to children in the 0-4 age cohort.

The Northern Cape is the only other province where dramatic increases from 2007/2008 onwards did not materialize. For the Northern Cape, child expenditure increased from R106 million in 2007/2008 to R186.6 million in 2014/2015. The moderate increase may be as a result of a smaller child population in the Northern Cape relative to other provinces, hence fewer resources may be needed there compared with other provinces.

Despite the healthy increase in the funding of child welfare services over the period considered, the Eastern Cape ranks as only the fourth-largest spender on child services, although it has the largest child population in the country. The Eastern Cape also has the largest number of orphans and single-parent children, hence the relative spending on child welfare services in the Eastern Cape compared with other provinces may be significantly below acceptable standards.

Child care and protection and crime prevention are part of the Welfare Services Programme. Thus an important consideration in the assessment of micro prioritization is whether provincial Departments are reprioritizing child services favourably within welfare services. The graph below maps the relative weight assigned to child welfare services compared with other welfare services for the period 2007/2008–2014/2015.
Expenditure and estimates of child welfare services constitute nearly half the welfare services programme allocation, implying that the child sector is the most dominant sector within welfare services from a budgetary point of view. Child welfare services as a proportion of total welfare services increased from 40% in 2007/2008 to 45% in 2014/2015. The general trend suggests moderate internal reprioritization in favour of child welfare services. Noticeable though, are three distinct phases in this trend. From 2007/2008 to 2008/2009, child welfare services, as a proportion of total welfare services, increased by 3%, but the figure then drops gradually to reach 41% in 2012/2013. The increase observed in 2008/2009 suggests that provinces reprioritized from other welfare services to fund mandatory child services after the Children’s Act was officially passed in 2008, although it should be noted that the full implementation of the Act only became mandatory from 2010 onwards. There is a high likelihood that the service delivery of other welfare services (e.g. elderly, disabled, etc.) was negatively impacted by this internal reprioritization, especially with limited funds being spread over a wide coverage of recipients. Possibly, the budgetary pressures from other welfare sectors may have resulted in the readjustment observed between 2008/2009 and 2012/2013 as the proportion of child welfare services within welfare services gradually declined over the next five years. The decline may also suggest that the initial reprioritization was a short-term measure to offset the additional resources needed to fund the priority child services required by the Children’s Act (2007 as amended). A further reason could be the impact of the economic recession and the need to find resources internally to maintain all welfare services adequately.

Interestingly, after a period of decline, child services as a proportion of welfare services again increased over the MTEF, going from 41% in 2012/2013 to 45% in 2014/2015. This is quite significant and suggests that the squeeze being placed on the overall provincial Department of Social Development budgets over the MTEF period is being made up through internal reprioritization in favour of child welfare services. This internal reprioritization may either suggest that inefficiency
in resource utilization is being addressed, with some resources being redirected to higher-priority areas, or that there is a serious problem of underfunding and provincial Departments of Social Development are trying to address this through cutting back from other essential social sectors and ploughing the resources into child welfare services. A progressive child rights approach advocates a balanced growth while maintaining equilibrium in other sectors. The erratic nature of the trend in the graph above suggests that provincial Departments budgeting for child services are swaying to an extreme and then needing to compensate by moving back the other way. This again suggests that there is no underlying coherent approach to budgeting for child services by provincial Departments of Social Development. The budget books indicate earmarked allocations to upscale ECD services significantly in most provinces, which could explain why the proportion of child services has seen a significant increase over the MTEF period. Currently, ECD subsidies to centres differ across provinces. The additional funding is intended to standardize the subsidy at R15 per child for 264 days per year¹².

The graph below compares real growth in the funding of all welfare services sectors to child services over the period considered¹³.

Figure 5: Real annual change in expenditure of child services v. welfare services

<table>
<thead>
<tr>
<th>Year</th>
<th>Child Services</th>
<th>Welfare Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/’09</td>
<td>33%</td>
<td>15%</td>
</tr>
<tr>
<td>2009/’10</td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td>2010/’11</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>2011/’12</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>2012/’13</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>2013/’14</td>
<td>1%</td>
<td>-2%</td>
</tr>
<tr>
<td>2014/’15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Provincial Budget Statements (2012).

The graph above examines the overall growth of child services compared with welfare services. Growth of these sectors could stem from internal reprioritization between child services and the other welfare services or from expansion of the allocation from the central provincial fiscus. Markedly, child welfare services grew on average by 11% per annum compared with 7% per annum for other welfare services between 2007/2008 and 2014/2015. Interestingly, the difference of 4% is reasonably moderate or even on the low side, yet does suggest that child services

¹² The ECD subsidy is intended for nutrition (50%), subsidization of salaries (31%) and for administration and learning materials (19%) (Budlender and Proudlock, 2011b).

¹³ The welfare services expenditure and estimates exclude the two children sub-programmes.
are receiving the higher priority. The enactment of the Children’s Act (2007 as amended) plus the
high-profile nature of children’s services in general compared with other welfare services may be
the main impetus for this situation.

It should, however, be noted that between 2009/2010 and 2012/2013, other welfare services
grew faster than child services. This reflects the internal reprioritization in favour of other welfare
services that also occurred during the period. For both child welfare services and other welfare
sectors, budgets are going to be extremely tight over the MTEF, especially in the case of other
welfare services where 2%, 1% and -2% changes in real growth are recorded respectively over
the MTEF period.

At an aggregate level, the overall average of child welfare services as a proportion of total welfare
services was 42%, marginally higher than the 41% at the start of the period. Nonetheless, when
the composition is disaggregated by province, as illustrated in the table below, a varied picture
emerges. Despite this variation the overall cycle, with the exception of a few provinces, moved in
the same direction, but by different magnitudes, mirroring the general trend depicted in figure 5
above.

Notably, in only four provinces (Western Cape, Gauteng, Free State and Mpumalanga) did the ratio
of child welfare services as a proportion of total welfare services increase for the period con-
sidered. In the case of Gauteng, child welfare services increased from 42% in 2007/08 to 62% in
2014/15, reflecting a 20% expansion. The proportion of child services decreased in three instances
(Northern Cape, Limpopo and KwaZulu-Natal). Of the three, the reduction is the largest for the
Northern Cape, decreasing from 56% in 2007/08 to 46% in 2014/15, perhaps suggesting that
the Northern Cape is already budgeting quite high for child welfare services compared with other
welfare sectors and is now reprioritizing to support other sectors in need of additional funds. On
the other hand, KwaZulu-Natal drops from 31% to 27%, clearly signalling a major danger that child
welfare services are not being given sufficient priority by the province. In two instances (Eastern
Cape and North West), the proportion remained the same.

Table 14: Budget allocation of child services as proportion of welfare services by province

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</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>33%</td>
<td>35%</td>
<td>34%</td>
<td>33%</td>
<td>27%</td>
<td>31%</td>
<td>32%</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>47%</td>
<td>46%</td>
<td>48%</td>
<td>47%</td>
<td>45%</td>
<td>46%</td>
<td>48%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>42%</td>
<td>54%</td>
<td>56%</td>
<td>58%</td>
<td>57%</td>
<td>58%</td>
<td>62%</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>56%</td>
<td>58%</td>
<td>52%</td>
<td>50%</td>
<td>50%</td>
<td>44%</td>
<td>46%</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>38%</td>
<td>37%</td>
<td>36%</td>
<td>33%</td>
<td>32%</td>
<td>38%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>31%</td>
<td>28%</td>
<td>25%</td>
<td>26%</td>
<td>25%</td>
<td>23%</td>
<td>28%</td>
<td>28%</td>
<td>27%</td>
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<tr>
<td>Free State</td>
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<td>65%</td>
<td>67%</td>
<td>67%</td>
<td>64%</td>
</tr>
<tr>
<td>Mpumalanga</td>
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<td>35%</td>
<td>34%</td>
<td>35%</td>
<td>36%</td>
<td>31%</td>
<td>45%</td>
<td>49%</td>
<td>38%</td>
</tr>
<tr>
<td>North West</td>
<td>33%</td>
<td>37%</td>
<td>33%</td>
<td>27%</td>
<td>35%</td>
<td>29%</td>
<td>33%</td>
<td>33%</td>
<td>32%</td>
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</table>

Source: Budget Statements (2012).
The internal prioritization of child services and the emphasis it is given relative to other welfare services differs markedly by province. The lowest average proportion of child welfare services is 27% in KwaZulu-Natal, and the highest is in the Free State with an average of 64%. Four of the nine provinces (Eastern Cape, Limpopo, Mpumalanga and North West) have average proportions between 30% and 39%, one province (Western Cape) has an average between 40% and 49%, and three provinces (Gauteng, Northern Cape and Free State) have averages of 50% and above.

Although there is no benchmark to show if adequate funds are allocated to child welfare services relative to the pool of available funds for all welfare services, in some instances (e.g. KwaZulu-Natal, Eastern Cape and North West) it is clear that provincial Departments of Social Development are not funding child welfare services adequately. This is a sensitive point as proponents may argue that this implies other welfare services are being over-prioritized. Internal prioritization is not an exact science, but certain rules of thumb can reflect if under-spending exist.

In this instance, the proportionate size of the child population in a particular region would be a good indicator to use as a benchmark. At an aggregate level, there is a close correlation between the average child population (38% between 2007/2008 and 2010/2011) and expenditure on child welfare services (42% average between 2007/2008 and 2010/2011) as a proportion of welfare services. The child population estimates of a region can therefore be employed as a crude guide for internal prioritization exercises, with a margin of error to account for province-specific circumstances. This should, of necessity, be in the context of legislative considerations to address backlogs in child welfare services and demand for these services.

4.3.1 Summary
- The provincial social development sphere accounts for 99% of total expenditure on child services compared with 1% by the NDSD.
- The funding of child services grew in real terms throughout the period considered, with significant gains in 2008/2009 (33%) and again in 2011/2012 (12.55%). Despite the poor economic forecast, funding of child services is expected to expand over the MTEF, especially in 2013/2014 (16.4%), but this steep rise is cushioned by small real growth in 2012/2013 (1.5%) and 2014/2015 (0.3%).
- Funding of child services more than doubled in almost all provincial Departments of Social Development (except the Northern Cape) between 2007/2008 and 2014/2015. Gauteng, the Western Cape and KwaZulu-Natal comprise just over half of the total expenditure on child services.
- The demographic data reveal that the Eastern Cape has the third highest child population, orphan population and number of single-parent households compared with other provinces, yet funding of child services is only fourth largest, suggesting that the Eastern Cape may be underfunded compared with other provinces.
- On aggregate, services to children constitute nearly half the funding of the welfare services programme, emphasizing the significance of the children sector over other welfare sectors in South Africa. The funding of child services has also increased on average by 11% per annum compared with 7% for other welfare services over the period considered.
- Nonetheless, at a departmental level, provinces vary in the extent to which they prioritize child services relative to other welfare services. Child services costs as a proportion of welfare services reveal that four of the nine provinces (Eastern Cape, Limpopo, Mpumalanga
and North West) have average proportions between 30% and 39%, one province (Western Cape) has an average between 40% and 49%, and three provinces (Gauteng, Northern Cape and Free State) have averages of 50% and above.

- Internal reprioritization by provincial Departments in favour of child services is noticeable in 2008/2009 when the Children’s Act was passed, and forecasts suggest that the prioritizing of child services relative to other welfare services will increase over the MTEF period (2012/2013—2014/2015), although budgetary pressures from other welfare services and the need to balance service delivery in other sectors will moderate its impact.

- The results from the internal prioritization exercise show that some provincial Departments are not giving sufficient consideration to child services (e.g. KwaZulu-Natal, the Eastern Cape and North West), especially when viewed in the context of demographic data and per capita child expenditure for these regions.

### 4.4 Measuring the progression of child welfare budgets

By its nature, a child rights approach is progressive. The attainment of these rights is realized over time. The objective of a state prescribing to a child rights approach is to strive for an expansion of child services and improvement in the quality of existing child services. This principle is also contained in Section 4 (2) of the Children’s Act. Evidence of a child-sensitive budget is reflected by a steady increase in resources targeting child services in the state budget while also balancing other government priorities. This is an important point to note. Further, retrogressive spending or insufficient growth of child budgets indicates that the state is not prescribing to a child rights approach and that it is also falling short of meeting the requirements of section 4(2) of the Children’s Act.

In the South African context, a steady progression of macro expenditure trends in child expenditure is apparent; however the economic downturn has impacted on this growth through a contraction in overall government spending. The table below illustrates annual growth figures for child expenditure by province.

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</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>43%</td>
<td>-3%</td>
<td>2%</td>
<td>-9%</td>
<td>16%</td>
<td>16%</td>
<td>1%</td>
<td>8%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Western Cape</td>
<td>13%</td>
<td>5%</td>
<td>2%</td>
<td>-1%</td>
<td>6%</td>
<td>9%</td>
<td>1%</td>
<td>5%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td>56%</td>
<td>16%</td>
<td>6%</td>
<td>19%</td>
<td>-2%</td>
<td>16%</td>
<td>1%</td>
<td>24%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Northern Cape</td>
<td>14%</td>
<td>-4%</td>
<td>2%</td>
<td>12%</td>
<td>-17%</td>
<td>12%</td>
<td>0%</td>
<td>6%</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>Limpopo</td>
<td>45%</td>
<td>15%</td>
<td>10%</td>
<td>22%</td>
<td>19%</td>
<td>1%</td>
<td>-1%</td>
<td>23%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>2%</td>
<td>-9%</td>
<td>8%</td>
<td>21%</td>
<td>2%</td>
<td>32%</td>
<td>2%</td>
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<tr>
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<tr>
<td>Mpumalanga</td>
<td>25%</td>
<td>4%</td>
<td>17%</td>
<td>7%</td>
<td>-14%</td>
<td>72%</td>
<td>10%</td>
<td>13%</td>
<td>23%</td>
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</tr>
<tr>
<td>North West</td>
<td>49%</td>
<td>1%</td>
<td>-11%</td>
<td>45%</td>
<td>-16%</td>
<td>15%</td>
<td>1%</td>
<td>21%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Provincial Avge</td>
<td>33%</td>
<td>7%</td>
<td>5%</td>
<td>12%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>14%</td>
<td>6%</td>
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</tr>
</tbody>
</table>

Source: Budget Statements (2012).

14 Section 4(2) of the Children’s Act also speaks about the state and says that all spheres of government “must take reasonable measures to the maximum extent of their available resources to achieve the realization of the objectives of the Act.”
The trend in the real growth of child expenditure differs markedly by province. Nonetheless, for all provinces, the growth of child expenditure over time is irregular. All provinces experienced a reduction in real expenditure or estimates in at least one year, intermingled with fluctuating real growth from year to year. This irregular trend suggests the non-existence of coherent long-term expenditure plans to guide budget allocation of child services in provinces.

The general macroeconomic trends are strongly reflected in the provincial data. For example, there was a significant increase in spending for most provinces in 2008/2009 and then again to a lesser extent in 2010/2011. MTEF estimates for 2013/2014 also show a significant increase for many Social Development Departments.

When the Children’s Act was amended in 2007, 44 of the founding clauses came into effect, with the full implementation of the Act becoming compulsory from 1 April 2010. Yet there is clear evidence to suggest that most provinces took the initiative to expand expenditure on child services in 2008 in anticipation of its complete mandatory enforcement. Even so, the 5% growth in 2010/2011 when the Act became fully enforceable is much smaller than anticipated. Only Mpumalanga (17% growth) and to a lesser extent Limpopo (10% growth) suggest any major adjustment to child expenditure in 2010/2011. Perhaps the budget process was at an advanced stage and reprioritizing to give effect to the provisions of the Children’s Act (2010) was too late. This could explain why the growth rate more than doubled in 2011/2012, with an average 12% increase for all provinces. What is astonishing though is the 11% negative growth for North West in 2010/2011. Resources to child services are therefore being cut in North West whereas the full implementation of the Act in 2010 was meant to expand these vital services. Although this reduction in child expenditure was counterbalanced by a 45% rise in 2011/2012, the benefits of this increase will not be fully realized as a 16% negative growth is again planned for in 2012/2013. This inconsistent budgeting does not bode well for the delivery of child services in North West. It is clear that the province is struggling to budget consistently for an expansion in child services, a symptom that may indicate a far wider problem than resource allocation alone.

When the historical expenditure data on child services are compared with the MTEF estimates, a more nuanced picture emerges. Five of the nine provinces are budgeting for lower growth over the MTEF period (2012/2013–2014/2015) compared with its baseline (2007/2008–2011/2012). Significantly, four of these five provinces had an average annual growth of over 20% during the baseline period (2007/2008–2011/2012). The lower MTEF estimates may be a sign that the previous expansion of expenditure in child services is changing to more reasonable levels that are sustainable.

Three of the nine provinces are budgeting for a higher growth in child expenditure over the MTEF period compared with the baseline period (Eastern Cape, KwaZulu-Natal and Mpumalanga). Interestingly, the Eastern Cape (8%) and KwaZulu-Natal (6%) are coming off a relatively low growth base, with the Eastern Cape showing only a marginal 3% increase over the MTEF. The growth rate in KwaZulu-Natal doubles, compensating for its low growth over its baseline period. Of the nine provinces, only Mpumalanga is budgeting for a major adjustment in child expenditure, increasing from 13% in its baseline to 23% average annual growth over the MTEF. Reform schools and
schools of industry were transferred from the provincial Departments of Education to provincial Departments of Social Development by 31 March 2012. On average only a 1% increase is observed for 2012/2013, which is much lower than one would have expected. The Western Cape, Mpumalanga and KwaZulu-Natal have three or more of these institutions and a significant increase in the allocations for these provinces from 2012/2013 onwards would have been expected (Budlender and Proudlock, 2011b).

The initial assessment of growth trends for the Western Cape and Northern Cape are, at first, quite troubling. Average growth for the Northern Cape is reduced from 6% in its baseline two -2% over the MTEF, while the Western Cape remains constant with 5% average growth in both periods. However both provinces may have budgeted far higher for child services historically than other provinces. Hence their previous budgets may have covered a large share of the mandatory services that must be provided for in the Children’s Act. Nevertheless, the regressive spending estimates by the Northern Cape can only imply a cutback in funding for children, something that is worrying in the context of the overall wellbeing of children. The Western Cape stated that it is increasing internal service delivery while keeping funding constant to NPOs. The costs of internal services provided by the Western Cape are captured under the professional and administrative support sub-programme, and are therefore not reflected in the changes to the child care sub-programme. With the occupational specific dispensation (OSD) and internal service delivery being fully funded, the Western Cape has effectively opted for a more expensive implementation model. More beneficiaries would be reached if funds were instead transferred to NPOs.

The table below presents child expenditure per capita by province from 2007/2008 to 2011/2012.

Demand for child services may vary from province to province, although these demand differences are separate from the measure of child expenditure per capita. Nonetheless, per capita expenditure on child services is a good indicator of the quantum of resources being spent on child services in respect of the total child population in that region.

The expenditure per capita by province points strongly to the existence of a two-tiered system of delivering child services in South Africa. The Western Cape, Gauteng, Northern Cape and Free State are classed in tier one, with spending on child services per capita of these Social Development Departments ranging from R277 to R412 in 2011/2012. The Eastern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and North West are classed in the second tier. The second-tier provinces spent between R81 and R178 per capita on child services in 2011/2012. Provincial Departments in tier one are referred to as ‘high spenders’ and those in tier two as ‘low spenders’. The high spenders have a larger urban concentration whereas the low spenders have a much bigger rural and semi-rural population. The high spenders on average spend almost three times more per child than the low spenders. This suggests that high spenders are offering a bigger basket of services at better quality than low spenders. Importantly, high spenders may still not have reached

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15 For the 2011/12 financial year, per capita child expenditure was estimated using the StatsSA 2011 midyear estimates and 2011 census data. Using the 2011 census data as a point of reference, the results show a 5% differential for most provinces, suggesting the margin of error in the 2011 midyear estimate are in general, within reasonable limits. The 2011 census data for the 2011/12 financial year is applied in our study.

16 Census data 2011 used for financial year 2011/12.

17 Census data 2011 used for financial year 2011/12.

18 Estimated as the difference between the means of the two tiers.
desirable spending levels of child services even though they spend significantly more than low spenders. The contrast between the high spenders and low spenders points to the disjuncture in the levels of services being offered to children in South Africa. In a typical case, if an orphan stays in Gauteng (high-spender province), there is a strong possibility that s/he may receive a far higher level of care and protection from the state than if the orphan resided in KwaZulu-Natal (low-spender province) for instance.

Table 16: Per capita expenditure on child services and real growth by province

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<td>260</td>
<td>286</td>
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<td>124</td>
<td>141</td>
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<td>70</td>
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<td>123</td>
<td>115</td>
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<tr>
<td>Average</td>
<td>109.20</td>
<td>148.96</td>
<td>168.76</td>
<td>182.48</td>
<td>216.62</td>
<td>220.17</td>
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<tbody>
<tr>
<td>Eastern Cape</td>
<td>54%</td>
<td>-3%</td>
<td>5%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>-2%</td>
<td>6%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
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<tr>
<td>Gauteng</td>
<td>29%</td>
<td>23%</td>
<td>4%</td>
<td>19%</td>
<td>15%</td>
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<tr>
<td>Northern Cape</td>
<td>16%</td>
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<td>3%</td>
<td>4%</td>
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<tr>
<td>Limpopo</td>
<td>52%</td>
<td>19%</td>
<td>13%</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>0%</td>
<td>-13%</td>
<td>8%</td>
<td>-2%</td>
<td>-2%</td>
</tr>
<tr>
<td>Free State</td>
<td>61%</td>
<td>19%</td>
<td>6%</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>21%</td>
<td>7%</td>
<td>18%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>North West</td>
<td>50%</td>
<td>2%</td>
<td>-11%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Average</td>
<td>31%</td>
<td>6%</td>
<td>5%</td>
<td>14%</td>
<td>9%</td>
</tr>
</tbody>
</table>


In both tiers, there is a real growth per capita, with low spenders on average increasing per capita spending by 16% per annum compared with 14% of high spenders. Most of the low spenders, especially KwaZulu-Natal, are not growing by a sufficiently faster rate than high spenders for the gap in child service delivery between these two tiers to narrow in the foreseeable future. It is also important to point out that, at least from a resource point of view, no significant attempts are being made to bring the services of most of the low spenders on par with those offered by high spenders. With low spenders consisting mostly of provinces with large rural populations, the per capita spending may also imply that maintaining a child in a rural setting is much cheaper than in an urban setting. However this conclusion would need to be corroborated by further research. The results reflected in the table above is largely due to historical reasons (E.g. welfare services in the previous homeland areas were minimal) and lack of prioritization by some provinces.
4.4.1 Summary

- The provincial Social Development Departments all experienced irregular and inconsistent real growth in expenditure or estimates for child services over the period considered, with Departments having at least one year negative growth in real expenditure.

- The allocation to child services for most provinces increased significantly in 2008/2009, and again to a lesser extent in 2011/2012. These increases correspond with when the Children’s Act was first passed and then again after the Act became fully enforceable. There is a substantial increase in child funding planned for 2013/2014, despite the fact that five of the nine provinces only show an average annual growth forecast of 5% or lower over the MTEF period for child services.

- On the whole, departments where child budgets expanded quite rapidly between 2007/2008 and 2011/2012 are budgeting for lower growth over the MTEF. In contrast, Departments with lower growth figures between 2007/2008 and 2011/2012, are budgeting for higher growth estimates over the MTEF period.

- The Western Cape and North West showed the lowest increase in child expenditure over the period considered, with the Western Cape averaging 5% per annum in both the baseline period (2007/2008–2011/2012) and over the MTEF, while North West declined from 6% in the baseline period to -2% over the MTEF. For North West, the impact of a cutback in expenditure could well have a detrimental effect on overall child wellbeing in the province.

- The data reveal a distinctive two-tiered system of delivering child services in South Africa. Social Development Departments classified in tier one (Western Cape, Gauteng, Northern Cape and Free State) spent between R277 and R412 per capita on child services in 2011/2012 compared with between R81 and R178 per capita for tier two Departments (Eastern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and North West).

- Tier one (high spenders) spent on average nearly three times more than tier two (low spenders) in 2011/2012. The implication of this suggests that it will take a considerable effort for tier two Departments (low spenders) to catch up with the current level of per capita spending by tier one department (high spenders). The current expansion of child budgets of most of tier two departments is not growing fast enough to close the existing gap in spending between the two tiers.

4.5 Budget spending

Following a balanced budget norm is usually an indicator of good fiscal discipline. One of the goals of the PFMA (1999) is to promote sound financial management. The PFMA requires that budgets be spent in line with the amounts that are appropriated by the legislature. Unauthorised spending and under-spending beyond a 2% threshold are prohibited. The following table shows the progress with budget execution from 2007/2008 to 2011/2012.
The red cells reflect instances of under-spending by provincial Social Development Departments beyond the 2% threshold. Notably, all provincial Social Development Departments (with the exception of the Western Cape) have at some point over the first four years (i.e. from 2007/2008 – 2010/2011) underspent by more than 2%. The highest frequency was in 2008/2009 when five of the nine provincial Departments underspent, although average performance by Departments was more severe in 2010/2011, with three of the nine Departments (Gauteng, Limpopo and KwaZulu-Natal) under-spending by more than 10%. KwaZulu-Natal returns the worst under-expenditure over the four-year period of 14% in 2010/2011. Interestingly, KwaZulu-Natal also has the lowest GDP per capita expenditure on child services (R60 per capita in 2010/2011), suggesting that the low per capita spending on child services could be higher if the province spent its available funds. North West is the only province to underspend during three consecutive years between 2007/2008 and 2009/2010, even though the ratio declined over the period going from 0.89 in 2007/2008 to 0.96 in 2009/2010, possibly due to steps taken to enhance resource utilization to beneficiaries.

In most instances, Departments that underspent did not demonstrate any discernable improvement in spending their budgets between 2007/08 and 2010/11, although in 2011/12, no instances of underspending were recorded. A link between the real budgetary growth of Departments and the level of under-expenditure is possible in some cases. For example, in 2008/2009, the child budget for the Eastern Cape and Limpopo grew by 47% and 63%, while under-spending by these two Departments were 6% and 3% respectively. Again, in 2010/2011, while the child budget for Limpopo increased by 47%, under-spending in the same year was 12%. Thus significant real increases in departmental budgets could have caused some Departments to underspend. Other factors have clearly also played a part. When Gauteng Social Development underspent in 2009/2010 and 2010/2011, the Department’s child budget increased by a mere 5% and 8% respectively. This suggests that the poor spending by Departments is a result of a combination of factors. Underlying all of this is possibly a serious management problem, with management lacking the ability to budget appropriately and to fully utilize resources allocated for critical social services.

Total unspent funds over the five-year period amounted to R1.2 billion, with unspent funds in the 2010/2011 financial year alone accounting for over half of this amount (R690 million). Gauteng

### Table 17: Ratio of actual v. planned social development expenditure by province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>1.00</td>
<td>0.94</td>
<td>0.99</td>
<td>1.00</td>
<td>0.99</td>
</tr>
<tr>
<td>Western Cape</td>
<td>1.00</td>
<td>0.98</td>
<td>0.99</td>
<td>0.99</td>
<td>0.99</td>
</tr>
<tr>
<td>Gauteng</td>
<td>0.99</td>
<td>1.00</td>
<td>0.97</td>
<td>0.88</td>
<td>1.01</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0.98</td>
<td>0.97</td>
<td>0.98</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1.00</td>
<td>0.97</td>
<td>0.99</td>
<td>0.88</td>
<td>No data</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>0.95</td>
<td>1.01</td>
<td>1.00</td>
<td>0.86</td>
<td>0.99</td>
</tr>
<tr>
<td>Free State</td>
<td>0.92</td>
<td>0.97</td>
<td>0.99</td>
<td>1.00</td>
<td>0.99</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1.00</td>
<td>0.94</td>
<td>0.96</td>
<td>0.96</td>
<td>1.00</td>
</tr>
<tr>
<td>North West</td>
<td>0.89</td>
<td>0.94</td>
<td>0.96</td>
<td>1.00</td>
<td>0.98</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td>0.96</td>
<td>0.98</td>
<td>0.98</td>
<td>0.95</td>
<td>0.99</td>
</tr>
</tbody>
</table>

Source: MTBPS (2008 – 12)
and KwaZulu-Natal had the largest share of unspent funds, totalling R352 million and R265 million over the five-year period respectively. These unspent funds suggest that Departments have a degree of internal fiscal space to boost services in areas that are under-resourced. In 2011/2012, departments overspent by R88 million on average, with Gauteng overspending by R170 million. The change in the aggregate spending could be the first signs of the impact of fiscal consolidation on the department’s overall budget.

The 2010/2011 and 2011/12 annual reports of Social Development Departments are reviewed and the expenditure performance of child care and protection and crime prevention sub-programmes are tracked to assess the fiscal performance of Departments. The graph below shows the progress of budget execution for child care and protection by provincial Social Development Departments between 2009/2010 and 2011/2012.

The graph below shows the progress in the execution of the crime prevention sub-programme by provincial Social Development Departments for 2009/2010 to 2011/2012.

Table 18: Ratio of actual v. planned child care and protection expenditure by province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>1.00</td>
<td>0.99</td>
<td>1.00</td>
</tr>
<tr>
<td>Western Cape</td>
<td>0.97</td>
<td>0.99</td>
<td>1.00</td>
</tr>
<tr>
<td>Gauteng</td>
<td>0.97</td>
<td>0.96</td>
<td>1.00</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1.00</td>
<td>1.00</td>
<td>No data</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>0.81</td>
<td>0.68</td>
<td>1.00</td>
</tr>
<tr>
<td>Free State</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1.00</td>
<td>1.00</td>
<td>0.99</td>
</tr>
<tr>
<td>North West</td>
<td>0.93</td>
<td>0.99</td>
<td>0.85</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>0.96</td>
<td>0.96</td>
<td>0.98</td>
</tr>
</tbody>
</table>

Source: MTBPS (2008 – 12)

Four of the nine Departments underspent (Western Cape, Gauteng, KwaZulu-Natal and North West) on their child care sub-programme in 2009/2010 compared with only two in 2010/2011 (Gauteng and KwaZulu-Natal) and one in 2011/12 (North West). Gauteng and KwaZulu-Natal were also the only two provinces that underspent in first two financial years, with spending performance also deteriorating in both, with Gauteng going from 0.97 in 2009/2010 to 0.96 in 2010/2011 and KwaZulu-Natal falling from 0.81 in 2009/2010 to 0.68 in 2010/2011. KwaZulu-Natal was therefore the poorest performer in 2009/10 and 2010/11, with only 81% and 68% of its total child care and protection budget spent respectively. Nevertheless, these departments improved significantly in 2011/12, especially KwaZulu-Natal, who spent their full budget allocated.
Despite concerns regarding North West, and to a lesser extent KwaZulu-Natal in previous years, the figures suggest that by and large child care and protection sub-programme budgets are being spent adequately by provincial Social Development Departments. There are also no instances of overspending, suggesting that Departments are budgeting prudently to contain spending within the approved budget. In 2010/2011, KwaZulu-Natal’s child care and protection services budget increased by 50%. This could possibly explain the high under-expenditure in 2010/2011 compared with the previous year and suggests the inability of the Department to develop effective implementation plans that could process the spending of available funds.

The graph below shows the progress in the execution of the crime prevention sub-programme by provincial Social Development Departments for 2009/2010 to 2011/2012.

Table 19: Ratio of actual v. planned crime prevention expenditure by province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>1.00</td>
<td>0.99</td>
<td>1.01</td>
</tr>
<tr>
<td>Western Cape</td>
<td>1.00</td>
<td>1.00</td>
<td>1.02</td>
</tr>
<tr>
<td>Gauteng</td>
<td>1.02</td>
<td>1.24</td>
<td>1.24</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1.01</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1.00</td>
<td>1.01</td>
<td>No Data</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>1.80</td>
<td>2.09</td>
<td>1.01</td>
</tr>
<tr>
<td>Free State</td>
<td>1.03</td>
<td>1.01</td>
<td>1.01</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1.00</td>
<td>0.99</td>
<td>1.06</td>
</tr>
<tr>
<td>North West</td>
<td>1.18</td>
<td>1.25</td>
<td>1.02</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>1.12</strong></td>
<td><strong>1.17</strong></td>
<td><strong>1.05</strong></td>
</tr>
</tbody>
</table>

Source: Provincial Annual Reports (2010/11 and 2011/12)

It is clear that containing expenditure on the crime prevention sub-programme is a major challenge facing Social Development Departments. Five of the nine provincial Departments overspent their budgets in 2009/10 and 2010/11 years, with this rising to seven out of nine departments in 2011/12. Also, in four instances, the same Departments overspent in over the three year period (Gauteng, KwaZulu-Natal, Free State and North West). On aggregate, although the situation seems to be improving as the ratio of actual to planned spending went from 1.12 in 2009/2010 to 1.05 in 2011/2012, the figures in the previous years, more departments are in fact overspending, implying the problem is getting worse.

Departments that overspent, by and large deviated within 2–3% of the overall budget. Gauteng, KwaZulu-Natal and North West were the exceptions, with KwaZulu-Natal overrunning its budget by the largest margins in 2009/10 and 2010/11 years but improved spending in 2011/12. The graph shows that the overspending ratio for KwaZulu-Natal went from 1.8 in 2009/2010 to 2.09 in 2010/2011, implying that funds were overspent by more than double the budget allocated in 2010/2011. The overspending ratio for North West was also significant but not nearly as over-
whelming as for KwaZulu-Natal, with the ratio increasing from 1.12 in 2009/2010 to 1.18 in 2010/2011, but subsequently improving to 1.02 in 2011/12.

These figures suggest provincial social development departments are finding it challenging to balance their service delivery obligations for crime prevention on the one hand with the available funds they have to implement their activities on the other. Interestingly, Gauteng (22%), KwaZulu-Natal (50%) and North West (16%) recorded the largest budgetary increases for crime prevention in 2010/2011, yet these provincial Departments also overspent by the largest margins. This could imply that the demand for crime prevention services in these provinces is immense, outstripping budgetary increases, or that these Departments are not managing their budgetary allocations properly, despite realistic demand pressures, which all provincial Departments may be experiencing.

4.5.1 Summary

- Total unspent funds by Social Development Departments over the five-year period (2007/2008–2011/2012) amounted to R1.2 billion, with unspent funds in 2010/2011 accounting for more than half this amount (R690 million).
- Social Development Departments overspent on aggregate by R88 million in 2011/12, which was largely driven by the R170 million overspending by Gauteng.
- KwaZulu-Natal (R283 million), Gauteng (R182 million) and Limpopo (R176 million), had the largest share of unspent funds over the five-year period respectively;
- Where significant annual budgetary increases occurred, under-spending arose, but only in limited cases. Therefore other possible reasons for departmental under-spending should be explored.
- Social Development Departments by and large utilized their child care and protection budgets fully, with no instances of overspending recorded between 2009/10 to 2011/12.
- KwaZulu-Natal recorded the poorest spending performance on child care and protection in 2009/2010 and 2010/2011, with the spending dropping alarmingly from 81% of the budget in 2009/2010 to only 68% in 2010/2011, but improved significantly by spending their full allocated budget in 2011/12.
- On aggregate, the actual to planned spending ratio on crime prevention by Departments improved on aggregate from 1.12 in 2009/2010 to 1.05 in 2011/2012, but the number of provinces overspending increased from five to seven departments, suggesting that Departments are unable to manage available resources with the existing service delivery demands.
- Most Departments deviated within 2–3% of the overall crime prevention budget, with the biggest overrun recorded by KwaZulu-Natal of 80% in 2009/10 and 109% in 2010/11 whilst Gauteng overspent by the largest share in 2011/12.

4.6 Transfers

Provincial Social Development Departments are assisted by NGOs and CBOs in providing essential social services mandated by legislation to targeted beneficiaries and vulnerable groups. Sometimes, given the specialized nature of these services, the state may prefer to play a coordinating and funding role rather than being directly involved in administering and providing the

19 Free State is the exception, with a budgetary increase for the crime and prevention sub-programme of 22% in the 2010/2011 financial year.
stipulated services. The funding of CBOs and NGOs is therefore one of the main ways in which the state ensures that critical social services reach targeted beneficiaries.

Departments therefore fund welfare organizations from the grants and subsidies line item on the sector-specific sub-programme budgets. For child services, the state will therefore fund compliant welfare organizations from the child care and crime prevention sub-programme budgets. These organizations are expected to provide child services consistent with the Children’s Act (2008) and the Child Justice Act (2008) if they are to qualify for the necessary funding.

The budget documents of most provinces only record transfer payments at a programme level\(^2\). Some disaggregation is apparent for all welfare services, but the categorization is not standardized and allocations over the MTEF are questionable. Further, it is not clear whether certain categories may in fact receive allocations from more than one sub-programme area, suggesting that there would be no clear way to link these categories with specific sub-programmes. Records of transfer spending by sub-programme area are reported on in the annual reports of Departments, although only for the year in which the report was compiled and the previous year. The analysis that follows is from transfer information published in the 2010/2011 annual reports of Departments.

The table below illustrates the extent of transfers to welfare organizations as a proportion of the overall child care and crime prevention budgets in 2009/2010 and 2010/2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Child Care (%)</th>
<th>Crime Prevention (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/2010</td>
<td>72%</td>
<td>13%</td>
</tr>
<tr>
<td>2010/2011</td>
<td>76%</td>
<td>18%</td>
</tr>
<tr>
<td>2011/2012</td>
<td>79%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Provincial Annual Reports (2010/11 and 2011/12)

Transfers and subsidies to welfare organizations comprise a significant share of the child care sub-programme budget, but surprisingly this is not the case for crime prevention. Seven Social Development Departments allocated more than 50% of their child care budget to grants and subsidies in 2011/12. In the case of crime prevention, there are no instances of provincial Depart-

\(^2\) Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape are the only provinces that published transfers by sub-programme areas in their budget documents.
ments budgeting more than 50% of their crime prevention budget for grants and subsidies for any of the three years. The difference between the two sub-programmes are striking and may suggest the state’s heavy reliance on welfare organizations to implement child care and protection services under the Children’s Act, compared with crime prevention where most services are likely to be performed internally by Departments.

Nevertheless, the funding of welfare organizations relative to internal implementation varies between provinces, with 100% of the total child care budget for the Western Cape being fully allocated for grants and subsidies across all three years compared with Gauteng where 42% in 2009/2010, 46% in 2010/2011 and 49% in 2011/2012 went to grants and subsidies. Grants and subsidies as a proportion of the total child care budget were relatively stable over the three years for almost all departments, with KwaZulu-Natal increasing its allocation from 66% in 2010/11 to 85% in 2011/12. For Gauteng, Limpopo, North West and to some extent, Free State, flexibility to increase the grant proportion relative to the overall child care sub-programme budget may still be possible as a result of current moderate levels, but this would depend on re-looking at existing internal allocations and freeing up resources from non-value-adding activities. The professional and administrative support sub-programme forms part of the welfare service programme in provincial Social Development Departments. A possible reason for the big variance in allocations by provinces is that in some cases provinces record their service delivery staff as part of the child services sub-programmes, whereas in other instances all service delivery staff are recorded under the professional and administrative support sub-programme. The Western Cape is an example where all implementation staff are recorded under the professional and administrative support line item for child care, hence the full amount reflected for child care and protection is essentially transfers to NPOs.

The table below present total transfer amounts for child services by province and the proportion of the transfer relative to the total amount for all provinces between 2009/2010 and 2011/2012.

Table 20: Total transfers for child services by province and proportion of total

<table>
<thead>
<tr>
<th>Province</th>
<th>2009/2010 (’000)</th>
<th>% of Total</th>
<th>2010/2011 (’000)</th>
<th>% of Total</th>
<th>2011/2012 (’000)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>217 238</td>
<td>13%</td>
<td>227 778</td>
<td>12%</td>
<td>231 369</td>
<td>11%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>337 586</td>
<td>21%</td>
<td>353 431</td>
<td>18%</td>
<td>358 074</td>
<td>17%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>343 002</td>
<td>21%</td>
<td>426 689</td>
<td>22%</td>
<td>523 511</td>
<td>24%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>50 522</td>
<td>3%</td>
<td>59 637</td>
<td>3%</td>
<td>75 406</td>
<td>4%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>101 522</td>
<td>6%</td>
<td>118 286</td>
<td>6%</td>
<td>No Data</td>
<td>No Value</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>213 986</td>
<td>13%</td>
<td>309 766</td>
<td>16%</td>
<td>458 511</td>
<td>21%</td>
</tr>
<tr>
<td>Free State</td>
<td>188 075</td>
<td>12%</td>
<td>214 566</td>
<td>11%</td>
<td>234 740</td>
<td>11%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>127 012</td>
<td>8%</td>
<td>165 263</td>
<td>9%</td>
<td>192 096</td>
<td>9%</td>
</tr>
<tr>
<td>North West</td>
<td>54 436</td>
<td>3%</td>
<td>66 088</td>
<td>3%</td>
<td>74 938</td>
<td>3%</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>1 633 379</strong></td>
<td><strong>100%</strong></td>
<td><strong>1 941 504</strong></td>
<td><strong>100%</strong></td>
<td><strong>2 148 645</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Provincial Annual Reports (2010/11 and 2011/12)
Transfers for child services increased from R1.63 billion in 2009/2010 to R2.15 billion in 2011/2012, representing an overall real increase of 12.75%. The Western Cape (17%), Gauteng (24%) and KwaZulu Natal (21%) constitute nearly two thirds of all transfers to NPOs in 20011/2012. North West (3%), Northern Cape (4%) and Mpumalanga (9%) had the smallest transfer budgets over the three years. Departmental transfers of child services as a proportion of all the provinces remained fairly constant for most departments. Although in KwaZulu-Natal, proportion of total transfers have steadily increased from 13% in 2009/10 to 21% in 2011/12 whilst the Western Cape decreased its share by 4% over this period, signalling the largest shifts either way. Only departmental transfers from the Departmental annual reports are presented here as most provincial Departments do not show the breakdown of allocated grants and subsidies in their budget statements. One cannot, therefore, get a sense of how transfers on child services to NPOs are increasing or declining over the MTEF period.

The table below demonstrates how transfer budgets to welfare organizations grew in real terms for child care and crime prevention sub-programmes in between 2009/2010 and 2011/12.

Table 21: Real budgetary growth of transfers for the child care and crime prevention sub-programmes by province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Child Care</td>
<td>Crime Prevention</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>-5%</td>
<td>37%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>1%</td>
<td>-18%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>13%</td>
<td>40%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>12%</td>
<td>No transfers</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>49%</td>
<td>-54%</td>
</tr>
<tr>
<td>Free State</td>
<td>10%</td>
<td>33%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>North West</td>
<td>8%</td>
<td>151%</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>15%</strong></td>
<td><strong>15%</strong></td>
</tr>
</tbody>
</table>

Source: Provincial Annual Reports (2010/11 – 2011/12)

On average, real budgetary increase in transfers for child care and protection to NPOs declined from 15% in 2010/11 to 7% in 2011/12. With the exception of the Eastern Cape in 2010/11 and Western Cape in 2011/12, all provincial Social Development Departments increased their allocations on childcare to NPOs. Of the departments that increased their allocations, six showed a growth of 10% or more to NPOs in both periods. The Social Development Departments in KwaZulu-Natal, Gauteng and Mpumalanga and Gauteng had the largest average increase in childcare transfers to NPOs.

On average, the increase in crime prevention transfers to NPOs (18%) was marginally higher than child care (15%) in 2010/2011 but dropped off significantly with average real increase -8% in 2011/12. The Eastern Cape (-57%) and North West (-48%) contributed significantly to this drop in 2011/12. The drop in crime prevention transfers by these provincial Departments is extremely
concerning, especially in the case of Eastern Cape where funding to NPOs declined by more than half in 2011/2012. Nevertheless, six of the nine Social Development Departments increased crime prevention transfers to NPOs, with Kwazulu-Natal (119%), Northern Cape (17%) and Gauteng (10%) expanding transfers to NPOs by the biggest margins. Limpopo is the only province with no transfers to NPOs on crime prevention whilst in 2011/12 the Department did not submit any financial statements.

Transfers to NPOs for child-related services have grown significantly for most provincial Departments. Quite concerning though, is the situation in the Western Cape as it remains the only province where funding to NPOs for both sub-programmes has not increased by much. In fact, in real terms funding has fallen on aggregate. If NPOs are unable to bridge this funding gap through other income sources, NGO organizations may be seriously weakened and their ability to provide child services sustainably could be critically undermined. The Western Cape has stated in its budget documents that it is planning to keep funding to NPOs constant, while increasing the service delivery of the Department. The funding for all departmental implementation staff is captured under the professional and administrative support sub-programme. By choosing to increase departmental implementation, the Western Cape has effectively chosen a more expensive implementation model. Internal services must be fully funded whereas the recently finalized policy on financial awards, including the Free State court judgement, all speak of partial funding to NPOs. Further, NPOs are not impacted by the occupational specific dispensation (OSD) that government Departments, including Social Development Departments, must implement. Fewer beneficiaries would therefore be reachable with the same resources than if the funds were transferred to NPOs. The table below presents the execution of transfer spending for the childcare sub-programme between 2009/2010 and 2011/2012. Under-spending by more than 2% is not allowed. The 2% norm is therefore used as a rule of thumb as a measure of where under-spending occurred.

Table 22: Planned v. actual transfer spending on child care and support sub-programme by province

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>100%</td>
<td>96%</td>
<td>100%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>97%</td>
<td>99%</td>
<td>100%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>93%</td>
<td>103%</td>
<td>92%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>100%</td>
<td>100%</td>
<td>No data</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>109%</td>
<td>78%</td>
<td>100%</td>
</tr>
<tr>
<td>Free State</td>
<td>99%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>102%</td>
<td>101%</td>
<td>99%</td>
</tr>
<tr>
<td>North West</td>
<td>110%</td>
<td>106%</td>
<td>96%</td>
</tr>
<tr>
<td>AVERAGE</td>
<td>96%</td>
<td>93%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: Departmental Annual Reports (2010/11 and 2011/12).
The cells in red are instances where provincial Departments underspent on childcare transfers by more than the 2% norm. The table shows that two Social Development Departments underspent in each of the three years respectively. In 2009/2010, the Western Cape (97%) and Gauteng (93%) underspent, with an improvement the following year by the Western Cape (99%), while Gauteng had a 3% overrun in 2010/11 and underspent again (93%) in 2011/12 on its transfer budget. In 2010/2011, KwaZulu-Natal underspent by 22% on childcare transfers to NPOs, with the Eastern Cape less severe at 4% but spent its entire budget in 2011/12. On aggregate, under-spending on child care transfers has improved over the three-year period, going from 96% of the budget spent on transfers in 2009/2010 to 98% in 2011/2012. North West have continually overspent over the three years, implying that that the Department is possibly unable to meet the child care funding needs of NPOs in the province adequately.

The table below depicts the execution of transfer spending to NPOs for the crime prevention sub-programme between 2009/2010 and 2011/2012.

**Table 23: Planned v. actual transfer spending on crime prevention sub-programme by province**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>100%</td>
<td>83%</td>
<td>95%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>100%</td>
<td>108%</td>
<td>89%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>No transfers</td>
<td>No transfers</td>
<td>No data</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>81%</td>
<td>223%</td>
<td>99%</td>
</tr>
<tr>
<td>Free State</td>
<td>77%</td>
<td>93%</td>
<td>100%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>128%</td>
<td>97%</td>
<td>85%</td>
</tr>
<tr>
<td>North West</td>
<td>82%</td>
<td>97%</td>
<td>93%</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>97%</strong></td>
<td><strong>106%</strong></td>
<td><strong>92%</strong></td>
</tr>
</tbody>
</table>


On aggregate, spending on crime prevention transfers to NPOs went from 97% in 2009/2010 to 92% in 2011/2012. The number of provincial Departments that underspent increased from three in 2009/2010 to four in 2011/2012. The Eastern Cape fully disburses all transfer monies in 2009/2010, but under-spent by 17% in 2010/2011 and 5% in 2011/12. Free State and North West underspent in both financial years, although spending performance by Free State has improved considerably, with all funds disbursed in 2011/12, whilst North West improved to 97% in 2010/11 but declined to 93% in 2011/12.

Provincial Social Development Departments also overspent on transfers to NPOs. In 2009/2010, Mpumalanga for example overspent its budget by 28%, the only instance of over-expenditure in 2009/2010 compared with two instances in 2010/2011 (Gauteng and KwaZulu-Natal). However,
KwaZulu-Natal registered the highest overspending on crime prevention transfers by overshooting its allocated budget in 2010/2011 by more than double the amount. In 2011/12 however, departments all spent within its available resource allocations.

The table below shows unspent funds on transfers to NPOs for child services for 2009/2010 to 2011/2012.

Table 24: Unspent funds on transfers to NPOs for child services

<table>
<thead>
<tr>
<th>Province (Rand)</th>
<th>2009/2010</th>
<th>2010/2011</th>
<th>2011/2012</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>-</td>
<td>14 728</td>
<td>1 163</td>
<td>15 891</td>
</tr>
<tr>
<td>Western Cape</td>
<td>10 089</td>
<td>2 865</td>
<td>1</td>
<td>12 955</td>
</tr>
<tr>
<td>Gauteng</td>
<td>19 864</td>
<td>-14 369</td>
<td>43 756</td>
<td>49 251</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Limpopo</td>
<td>350</td>
<td>2</td>
<td>-</td>
<td>352</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>-14 246</td>
<td>54 606</td>
<td>2 078</td>
<td>42 438</td>
</tr>
<tr>
<td>Free State</td>
<td>1 891</td>
<td>931</td>
<td>419</td>
<td>3 241</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>-2 999</td>
<td>-813</td>
<td>1 760</td>
<td>-2 052</td>
</tr>
<tr>
<td>North West</td>
<td>-4 731</td>
<td>-3 106</td>
<td>3 058</td>
<td>-4 779</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>10 218</strong></td>
<td><strong>54 844</strong></td>
<td><strong>52 237</strong></td>
<td><strong>117 299</strong></td>
</tr>
</tbody>
</table>


Unspent transfer funds for child services increased over the period from R10.2 million to R52.2 million, with total unspent funds over the three years amounting to R117 million. This implies that over the two years, NPOs have been unable to deliver child services to the value of R117 million. The underspending is driven by the R42 million underspending by KwaZulu-Natal and R49 million in Gauteng in 2011/12. The Eastern Cape (R14.7 million) and Western Cape (R12.94 million) also underspent significantly. Mpumalanga (-R2 million) and North West (-R4.8 million) were the only two provinces that overspent on transfers for child services.

Unspent transfer funds from the child care sub-programme amounted to R110.9 million compared with R6 million for crime prevention. This suggests strongly that whilst NPOs are struggling with funding, departments are failing in their responsibility to channel the funds available to the respective NPOs.

4.6.1 Summary

- Seven provincial Departments allocated more than 50% of their child care budget to transfers in 2011/2012, while for crime prevention there are no such instances. NPOs have a bigger footprint as a key partner in offering child care and protection services on behalf of government than they do in offering crime prevention services.
- Total child transfers to NPOs increased from R1.63 billion in 2009/2010 to R2.15 billion in 2011/2012, which signals an average 10.4% real increase. The Western Cape, Gauteng and KwaZulu-Natal accounted for nearly two thirds of all child transfers to NPOs.
- For both child sub-programmes, a positive real growth in transfers is observed, with crime prevention at 5% compared to child care at 10%. Total under-spending on transfers by the
child care and crime protection sub-programmes were almost the same in 2009/2010 at 4% and 3% respectively, however in 2010/2011 the situation was considerably different, with total under-spending on transfers for child care amounting to 7%, compared with 6% over-spending for crime prevention whilst child care underspent by 2% compared to 8% for crime prevention.

- Unspent transfer funds from the child care sub-programme amounted to R110.9 million compared with R6 million for crime prevention. This suggests strongly that whilst NPOs are struggling with funding, departments are failing in their responsibility to channel the funds available to the respective NPOs. Conditional grants

Child welfare services at provincial level are almost entirely funded from the provincial equitable share allocation. Departments therefore have discretion on how they would like to use these funds, while taking provincial and national priorities into consideration. The 2012 provincial budget statements indicate that between 2008/2009 and 2012/2013 total conditional grants received by Social Development Departments amounted to R112.5 million. The major conditional grant that Departments received was the Expanded Public Works Programme (EPWP) incentive grant.

Table 25: Conditional grants allocated to Social Development Departments

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EPWP conditional grants</td>
<td>-</td>
<td>-</td>
<td>16 905</td>
<td>39 851</td>
<td>32 744</td>
<td>-</td>
<td>-</td>
<td>89 500</td>
</tr>
<tr>
<td>Other conditional grants</td>
<td>5 000</td>
<td>-</td>
<td>96</td>
<td>3 382</td>
<td>14 558</td>
<td>-</td>
<td>-</td>
<td>23 036</td>
</tr>
<tr>
<td>TOTAL CONDITIONAL GRANTS</td>
<td>5 000</td>
<td>-</td>
<td>17 001</td>
<td>43 233</td>
<td>47 302</td>
<td>-</td>
<td>-</td>
<td>112 536</td>
</tr>
</tbody>
</table>

Source: 2012 Provincial Budget Statements.

The EPWP incentive grant is a national government initiative aimed at drawing a significant number of unemployed South Africans into productive work, thereby developing their skills and capacity to earn an income once they exit the programme. The Uptake of the EPWP grant amounted to R89.5 million from 2010/2011 to 2012/2013. In some Social Development Departments, the grant was used to subsidize NPOs working in the Home Community-Based Care (HCBC) programmes to ensure that volunteers who do not get stipends get a minimum form of remuneration\(^{21}\). A total of R217 million in 2012/2013, R258 million in 2013/2014 and R273 million in 2014/2015 is being put aside for this grant over the MTEF period (National Treasury, 2012c). To receive the grant, social sector Departments must report on its previous performance by April of each year and submit an implementation plan to the Department of Public Works. Hence, funding for 2013/2014 will depend on Departments’ performance in meeting the minimum EPWP targets for 2011/2012. The uptake by Social Development Departments in 2012/2013 amounted to R32.7 million out of R217 million earmarked for this grant. Further, only six of the nine Social Development Departments received EPWP funding in 2012/2013, suggesting that previous performance by some Social Development Departments did not qualify them for further funding. Other social sector Departments are also able to access this grant.

\(^{21}\) The average minimum stipend was set through a ministerial determination at R63.18 per day.
4.7 Transfers to municipalities

Transfer payments by Social Development Departments to municipalities to deliver services on their behalf are nearly non-existent. The total amount of transfers from 2008/2009 to 2014/2015 amounted to only R35.77 million. Of this amount, R6.2 million is for motor vehicle licenses, which are classified under transfers to municipalities under the new Standard Chart of Accounts (SCOA) classification and will not actually be transferred to municipalities.

Table 26: Total transfers to municipalities from provincial Social Development Departments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle Licenses</td>
<td>-</td>
<td>755</td>
<td>785</td>
<td>800</td>
<td>850</td>
<td>1 500</td>
<td>1 583</td>
<td>6 273</td>
</tr>
<tr>
<td>Other</td>
<td>18</td>
<td>8 000</td>
<td>20 625</td>
<td>850</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29 493</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18</strong></td>
<td><strong>8 755</strong></td>
<td><strong>21 410</strong></td>
<td><strong>1 650</strong></td>
<td><strong>850</strong></td>
<td><strong>1 500</strong></td>
<td><strong>1 583</strong></td>
<td><strong>35 766</strong></td>
</tr>
</tbody>
</table>

Source: 2012 Provincial Budget Statements.

In fact, from 2011/2012 to 2014/2015, no Social Development Department besides KwaZulu-Natal reflected any transfer payments to municipalities in their budget statements. In the 2012 Division of Revenue Bill (DORB) no specific social sector conditional grants are available that municipalities can access for social development programmes. The EPWP grant can, however, be accessed to expand “social capital”, although no mention is made of social sector programmes in DORB (2012).

4.8 Response to a questionnaire administered to Departments of Social Development

Currently, provincial budget documents only report on budget allocations to the level of sub-programmes. Child welfare services listed in the Children’s Act and Child Justice Act are all concentrated within these sub-programmes and there is no evident way of separating out these individual services. Even the annual reports do not reveal the specific amounts allocated to these services and the actual amounts spent despite the fact that the performance information in the annual reports must report against the achievement of these service targets.

A fieldwork exercise was therefore undertaken to collect supplementary expenditure data on actual child welfare services for the nine South African provinces. The information requested is important as it would enhance the review of the provision and funding of child welfare services in South Africa. It would also allow mapping trends of respective welfare services and assess whether the state is meeting its obligations with regard to progressively realizing children’s right to respective services. As such, all nine provinces were contacted through their Head of Department’s (HOD’s) office.

A survey pack comprising an introductory letter, reference letter from the FFC and survey template were emailed to the HOD’s office for each of the provincial Departments of Social Development.

\[\text{Refer to Annexure 2 for a detailed list of child welfare services contained in the Children's Act (1997 as amended)}\]
The response rate from the provincial Departments of Social Development was lower than anticipated. Reasons for this have to do with failure on the part of the provincial Departments’ HOD offices to forward the template to the provincial coordinators in good time. Even after the template was submitted to the relevant provincial coordinators, independent follow-ups were not possible as we had to wait for the HOD officers to respond. Another reason was the failure by the Departments to prioritize information requests from external organizations. The significant delay by the HOD offices in relaying the template to provincial coordinators in good time provides evidence for this conclusion and is intuitive since the performance of a directorate is measured in terms of how it attains set objectives. It appears that the information-handling system in the provincial Departments of Social Development is not designed to increase information access by external organizations.

Only four of the nine provinces responded to the questionnaire and only one province completed both sections of the questionnaire. The low response rate and poor quality of information submitted by provinces had a negative impact on the data collection. This was worsened by the fact that a majority of the provinces did not have functioning or updated websites, making the collection of reliable data from these sites almost impossible.

4.8.1 Other Subprogrammes

Within the HIV/AIDS and families subprogrammes, pockets of child-related services are also provided. Currently, the budget books combine all allocations for beneficiaries within these subprogrammes. Stripping out expenditures and budgets related to children services is therefore not possible at this stage.

Home and community based care and support programmes for orphans and vulnerable children are some of the children services delivered under the HIV/AIDS programme. In real terms, funding to the HIV/AIDS subprogramme will decline on average by -1% in real terms between 2013/14 and 2015/16. Reasons provided for the decline is correction to the baseline, the halting of the PEPFAR funding and Isibindi funding by some provinces under this subprogramme, reallocated to the child care and protection subprogramme (Budlender and Proudlock, 2013).

In real terms, allocations to the families subprogramme increases on average by 4% per annum over the 2013/14 MTEF. Counselling and reunification services are some of the children services provided under this subprogramme. The positive increase in allocations may be as a result of the additional funding allocated to NPOs. New funding may also have been made available to support the implementation of the recently approved White Paper on the Families.

Notably, a new budget structure is being introduced that will elevate children services to a programme level. Children services delivered within the subprogrammes of welfare services will be consolidated under the new programme for children. This will improve transparency and allow for better tracking of expenditure allocations in terms of the Children’s Act and Child Justice Act.
4.9 Effectiveness/ performance information

Provincial Departments are expected to report on programme performance information and achievement thereof in their annual reports. Programme performance information provides an indication of how well Social Development Departments are performing against their aims and objectives, and also assists in determining budget allocations for child services. This process also facilitates accountability, thereby enabling legislatures, members of the public and other interested parties to track progress of child services, identify the scope for improvement, and better understand the nature of the service delivery issues involved. The South African system represents a movement away from input-based budgeting of child services to an output-based results-oriented system that links the use of resources (inputs) to objectives (outputs and outcomes) and performance. Managers of child services are furthermore expected to demonstrate how the information gained through monitoring and evaluation is utilized to improve strategies, programmes, projects and other child-related activities.

A review of performance indicators in the 2010/2011 annual reports of provincial Social Development Departments reveals that most indicators are poorly conceptualized and developed. Some indicators are not indicators, but rather statistics on child care (e.g. number of children arrested) and therefore should not be included in the performance section of the annual report. Many departmental activities are inter-sectoral and depend on the collaboration of one of the sector Departments such as the Department of Justice and Constitutional Development or the NDSD inter alia. Many indicators contained in the annual reports are therefore not directly under the control of provincial Social Development Departments (e.g. number of children assessed – this indicator depends on the number of children arrested), and therefore holding these Departments responsible for achieving the indicator targets may be unreasonable. Further, the phrasing of some indicators is ambiguous and recognizing if the indicators are funded is sometimes difficult to establish (e.g. number of children participating in ECD programmes, or number of children’s homes). Some Departments have also described services in a way not consistent with the new Children’s Act, especially regarding community youth care centres (CYCCs). Under the new Act, homes, shelters, places of safety, etc. all fall under the rubric of CYCCs. Yet some Departments defined outputs related to children’s homes, shelters, etc. separately from CYCCs.

The set of activities under the child care and protection and crime prevention sub-programmes are largely governed by legislative requirements applicable to all provincial Departments. Hence, indicator definitions ought to be standardized across provincial Departments, with only minor differences expected or non-reporting of performance indicators by Departments in instances where services are not rendered. Yet the coverage of performance indicators as identified in the table on page 94 shows remarkable variation.
When the size of sub-programme budgets is compared with the number of output indicators, the number of output indicators does not increase with the size of the budget (except for Gauteng) as one would have expected. A review of the full set of output indicators suggests that some Departments did not report on some of their funded activities. In certain instances performance indicators were also combined into one consolidated indicator, whereas other Departments reported them separately. For example, performance indicators for activities of government-run institutions were delinked from NPO-managed CYCCs in some cases, whereas other Departments collapsed the two into one. Finding the right level of aggregation to formulate indicators is important for purposes of accountability. A selection of high-quality indicators is therefore important to maintain focus on the key performance areas without detracting from sufficient detail or over-burdening Departments in their data collection process.

The graph below shows the achievement of performance indicators by provincial Social Development Departments for the child care and protection sub-programme in 210/2011.

The main activities reported on under this sub-programme are: children admitted and being cared for in CYCCs, children participating in ECD programmes, children newly admitted to foster care and cluster foster care homes, adoptions, training and prevention and early intervention initiatives. All Departments accounted for instances of exceeding some of their performance targets, with the Western Cape and North West doing so for more than 50% of their indicators. The main reason cited by Departments was an increase in demand for services, with numbers of children fluctuating and admittance into CYCCs being unpredictable. Another reason mentioned was a change in the definition of certain services (e.g. “orphan”), with an expanded definition adopted, which increased demand. In another instance, a Department acknowledged an inaccurate baseline resulting in projected estimates of targets being unrealistic. On average, Departments partially achieved 32% of all indicator targets, with a very small variation between the lowest (KwaZulu-Natal with 22%) and the highest (Limpopo with 40%) scores for this category. Departments mentioned several reasons for partially achieving targets such as: non-compliance in meeting departmental norms and standards and municipal by-laws on the part of CYCCs; centres being closed down and merging with others; insufficient ECD sites registered, hence departmental funding withheld; and the achievement of some output indicators conditional on an external agency (e.g. court placement of children in children’s homes). In instances where Departments did not achieve their targets, reasons stated were: achievement of performance indicator dependent on external agencies such as court placements; request for training from the Department of Education, etc.; Partial care service constituting a new requirement only commencing in the new financial year; sites not meeting the standards required; capacity challenges; an increase in funding for prevention and early intervention; and funding channelled for statutory services reduced.

The graph below shows the percentage achievement of crime prevention indicators by province.

![Figure 8: Percentage achievement of crime prevention indicators by province (2010/2011)](image)


23 A target is defined as partially achieved if the actual target is within 9–50% of the planned target.

24 The category “did not achieve target” is realized when the actual target is less than 50% of the planned target.
The main activities reported on under this sub-programme are: children participating in crime prevention and diversion programmes; and children in conflict with the law who are placed at the court’s discretion in secure care facilities, residential facilities or home-based supervision. The full list of activities reported on by each provincial Social Development Department is included in Annexure 2. Many of these activities are contingent on court orders or placements. The courts also have the discretion to disallow placement of children in diversion programmes that are not properly registered and accredited. However, the multi-sectoral nature of crime prevention should not detract from the activities that Departments of Social Development are responsible for, which should be contained in the set of indicators reported on in the annual reports. Although the point has already been made, good indicators are usually ones that Departments have control over. Currently, many of the indicators for crime prevention do not meet this criterion. Hence, in many cases the reason offered by Departments where indicators “were not achieved” or only “partially achieved” was the inter-sectoral dimension referred to earlier.

Where targets were exceeded, the reasons stated were similar to those given for child care and protection, suggesting that the two sub-programmes operate under similar service delivery dynamics.

Only five of the nine Departments reported on key programmatic output indicators and MTEF targets in their 2012/2013 budget statements. A set of four main indicators was reported on for child care and protection and three indicators for crime prevention. Output indicators for the Eastern Cape child care and protection sub-programme did not correspond with those from other Departments and had to be excluded from the analysis.

In the 2012 budget statements, the main output indicators reported on for child care and protection were: children accessing ECD centres, children admitted to CYCCs, children newly admitted to foster care, and the number of CYCCs funded. Certain output indicators were broken down further by some Departments into children admitted to government institutions and NPO-managed institutions. The table on page 95 presents the projection of key child care and protection output indicator targets for the MTEF period.

Only Limpopo and KwaZulu-Natal had baseline output targets for the 2011/2012 financial year.
Table 28: Projection of child care and protection indicator targets over the MTEF

<table>
<thead>
<tr>
<th>Indicators (number)</th>
<th>GAUTENG</th>
<th>NORTHERN CAPE</th>
<th>LIMPOPO</th>
<th>KWAZULU-NATAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of children accessing ECD centres</td>
<td>78 194</td>
<td>86 013</td>
<td>94 615</td>
<td>79 783</td>
</tr>
<tr>
<td>No. of children placed in CYCC</td>
<td>6 564</td>
<td>6 351</td>
<td>6 985</td>
<td>6 408</td>
</tr>
<tr>
<td>No. of children placed in Foster Care</td>
<td>3 286</td>
<td>3 695</td>
<td>3 976</td>
<td>4 260</td>
</tr>
<tr>
<td>No. of CYCC funded</td>
<td>97</td>
<td>106</td>
<td>115</td>
<td>120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Change in Child Care and Protection Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children accessing ECD centres</td>
</tr>
<tr>
<td>Children in CYCC</td>
</tr>
<tr>
<td>Children in Foster Care</td>
</tr>
<tr>
<td>No. of CYCC</td>
</tr>
</tbody>
</table>

Source: Provincial budget Statements (2012).

Without this information, it is difficult to tell whether outputs have increased or not in the first year of the MTEF period (2012/2013). Baseline information and projection of targets over the MTEF must take the service delivery environment into consideration, be credible, and align with information contained in other departmental planning documents. It is therefore highly unlikely that indicator targets will be exactly the same for each year of the MTEF period, and therefore the performance targets for the Northern Cape should be treated with caution.

The table indicates that child services in general are expected to expand over the MTEF period, with ECD services (0–5 years) in particular, gearing up for an upscale. ECD sites in Limpopo are expected to increase by 80% and in KwaZulu-Natal by 23% in 2012/2013. Gauteng is also increasing ECD access for children by 10% in 2013/2014 and 2014/2015. Placing children in foster care is a new service under the Children’s Act, and given the legal requirements for registration and accreditation of new foster care sites, many Departments were unable to meet the initial rollout targets. But looking at the output targets for foster care over the MTEF suggests that Departments are expected to expand services significantly in this area by increasing the number of children newly admitted.

The setting of annual output indicator targets functions as a basis to estimate project and programme budgets, therefore any increase in output targets should be reflected in an increase in the allocated budget so that the additional outputs are fully funded. The KwaZulu-Natal child care and protection budget increased by only 1% in 2012/2013, yet the output targets suggest a major expansion of child care services, implying a clear disjuncture between planned outputs and the allocated budget. Further, the child care and protection budget for KwaZulu-Natal is expected
to increase by 34% in real terms in 2013/2014 and by 2% in 2014/2015. Yet output targets increase by only a modest amount in 2013/2014, significantly below what would seem reasonable for the substantial budgetary increase expected. The service delivery planning of the Department may omit the crucial step of taking financial forecasts into account. It also suggests that service delivery is pushed by demand pressures internally and by macro considerations, hence MTEF budgets are viewed as a package rather than taking cognisance of annual budgetary adjustments and realistic outputs that can be funded from it. In a few cases, better examples of alignment are apparent. For example, the child care and protection budget for Limpopo increased by 20% in 2012/2013, 2% in 2013/2014 and decreased by -2% in 2014/2015, suggesting a feasible match with output targets stated in the table above.

The main indicators reported on for crime prevention in the 2012 provincial budget statements were: children being assessed, children completing diversion programmes, and children admitted to secure child care facilities. The table below presents the key indicator targets and MTEF projections for Gauteng, the Northern Cape, Limpopo and KwaZulu-Natal.

Table 29: Projection of crime prevention indicator targets over the MTEF

<table>
<thead>
<tr>
<th>Indicators (numbers)</th>
<th>Gauteng 2011/12 to 2014/15</th>
<th>Northern Cape 2011/12 to 2014/15</th>
<th>Limpopo 2011/12 to 2014/15</th>
<th>KwaZulu-Natal 2011/12 to 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of children assessed</td>
<td>4,030 3,627 3,264</td>
<td>800 800 800</td>
<td>2,500</td>
<td>2,560 2,560 2,672 5,197 5,457 5,730</td>
</tr>
<tr>
<td>No. of children completed diversion programmes</td>
<td>1,860 2,156 2,372</td>
<td>160 160 160</td>
<td>2,350 2,350 2,350 560 570 600</td>
<td>551 1,519 1,595 1,675</td>
</tr>
<tr>
<td>No. of children in a secure care facilities</td>
<td>3,800 4,180 4,598</td>
<td>1,680 1,680 1,680</td>
<td>900 900 900 900</td>
<td>272 582 611 642</td>
</tr>
</tbody>
</table>

Annual Change in Crime Prevention Indicators

<table>
<thead>
<tr>
<th>Indicators (numbers)</th>
<th>Gauteng 2011/12 to 2014/15</th>
<th>Northern Cape 2011/12 to 2014/15</th>
<th>Limpopo 2011/12 to 2014/15</th>
<th>KwaZulu-Natal 2011/12 to 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of children assessed</td>
<td>-10% -10%</td>
<td>0% 0%</td>
<td>-9% 0% -2%</td>
<td>94% 5% 5%</td>
</tr>
<tr>
<td>No. of children completed diversion programmes</td>
<td>16% 10%</td>
<td>0% 0%</td>
<td>-76% 2% 5%</td>
<td>176% 5% 5%</td>
</tr>
<tr>
<td>No. of children in a secure care facilities</td>
<td>10% 10%</td>
<td>0% 0%</td>
<td>0% 0% 0%</td>
<td>114% 5% 5%</td>
</tr>
</tbody>
</table>


The targets for the Northern Cape are all the same over the MTEF period, yet real budgetary growth in 2013/2014 and 2014/2015 for crime prevention is -1%. These estimates may have a sense of realism, which is only thrown into doubt because the Department also reported the same output targets for the child care and protection sub-programme over the MTEF period. Further, all three indicator targets are tangibly influenced by the decisions taken by the courts.

The contingent nature of these indicators therefore makes it very difficult for Departments to estimate them accurately. If one were to disregard this point for the moment and compare the budgetary estimates with the projected targets for the other three provincial Departments, at best a tenuous linkage exists between these two parameters. The inconsistency of any clear pattern over the MTEF makes it even more difficult to infer that budgetary changes are impacting on the current target estimates for Departments. Two of the three output targets increased by
10% and one of the three (i.e. number of children being assessed) decreased by 10%, yet a -21% budgetary decline is estimated for Gauteng in 2013/2014. If these adjustments are compared with 2014/2015, where similar changes to output targets are expected, yet a 1% real increase in the budget is forecasted, it raises the question of the extent to which budgetary considerations are actually taken into account when setting output targets. Similarly, in the case of Limpopo, the budget increase forecasted for crime prevention in 2012/2013 is 14%, but output targets are all declining, in one instance by as much as -76%. With a -4% decline in 2013/2014 and -1% decline forecasted in 2014/2015 for Limpopo, estimated output targets for these years make more sense.

The Departments reporting on output indicators are too few to draw general conclusions on service delivery trends over the MTEF period. The budgetary allocations though, suggests significant expansion of crime prevention services in 2012/2013, but less moderate, perhaps even no increases in 2013/2014 and 2014/2015.25

4.9.1 Summary
• Output indicators in the annual reports of Social Development Departments are poorly conceptualized and developed, making it very difficult to track sub-programme performance.
• Many indicators reported on are not within the complete control of Departments (e.g. court placement of children in children’s homes, CYCC sites meeting departmental norms and standards, hence qualifying for grant disbursements), with the result that it would be unreasonable to hold Departments accountable for not meeting reported targets.
• Many Departments exceeded targets in the annual report, with six Departments exceeding targets for both child sub-programmes by as much as 30% or more. Reasons cited were: an increase in demand for services, inaccurate baseline targets, and additional funding obtained.
• Where targets were not achieved, the narrative included the following reasons: insufficient ECD sites registered, capacity challenges, and funds for mandatory services diverted for prevention and early intervention services.
• Only five of nine Social Development Departments included information on output indicators and MTEF targets in the 2012/2013 budget statements, with four of the five Departments reporting a similar set of key output indicators.
• Indicator targets for child care and protection over the MTEF suggest a significant expansion of child services, especially ECD sites for children and admitting children into foster care.
• Budgetary increases suggest significant expansion of crime prevention services in 2012/2013 but very little increase or no increase at all in 2013/2014 and 2014/2015.
• The change in output targets is poorly mapped to annual budgetary changes, suggesting a disjuncture between service delivery planning and financial forecasting.

4.10 Findings of the analysis of child welfare budgets
• Social sector spending: Departments of Health and to a lesser extent Social Development was negatively impacted by the slowdown of the economy in recent years, with forecasts suggesting that the poor budgetary outlook will remain at least until the 2014/2015 financial year.

25 The overall crime prevention budget for provincial Departments is expected to increase by 16% in 2012/2013, but decreases by 3% and 1% in real terms in 2013/2014 and 2014/2015 respectively.
• **Fiscal space:** With government expenditure growth slowing down and impacting on the flow of funds to the Department of Social Development, the fiscal space for child services is limited at a macro level, with little manoeuvrability, unless the state reallocates between the sectors and injects more money into child welfare services. This has already started with the R600 million announced by the Minister of Finance in his 2013 budget speech. This amount is not specifically for child welfare services. Given the existing tight fiscal space, the Department’s strategy suggests one of internally reprioritizing to achieve some of the output objectives of the Children’s Act. This phenomenon is reflected in the increase in the proportion of child services in relation to welfare services over the MTEF period.

• **Mandate:** The provincial sphere accounts for 99% of social spending on child services compared with 1% by the national sphere.

• **Funding trends:** Funding of child services more than doubled in almost all provincial Social Development Departments (except Northern Cape) between 2007/2008 and 2014/2015. Gauteng, the Western Cape and KwaZulu-Natal comprise just over half of the total expenditure on child services.

• **Under-funding:** The demographic data reveal that the Eastern Cape has the third highest child population, highest orphan population and number of single-parent households compared with other provinces, yet the funding of child services is the only fourth largest, suggesting that the Eastern Cape may be underfunded compared with other provinces.

• **Internal prioritization:** Results from the internal prioritization exercise reveal that some provincial Departments are not giving sufficient consideration to child services (e.g. KwaZulu-Natal, Eastern Cape and North West), especially when interpreted in the context of demographic data and per capita child expenditure for these regions.

• **Per capita spending:** A distinct two-tiered system of delivering child services is apparent-South Africa. Social Development Departments classified in tier one (Western Cape, Gauteng, Northern Cape and Free State) spent between R277 and R412 per capita on child services in 2011/2012 compared with between R81 and R177 per capita for tier two Departments (Eastern Cape, Limpopo, Mpumalanga, KwaZulu-Natal and North West).

• **Unspent funds:** Total unspent funds by Social Development Departments over the four-year period (2007/2008–2010/2011) amounted to R1.2 billion, with unspent funds in 2010/2011 accounting for more than half this amount (R690 million). Gauteng and KwaZulu-Natal had the largest share of unspent funds, totalling R352 million and R265 million over the four-year period respectively.

• **Spending on child care:** KwaZulu-Natal recorded the poorest spending performance on child care and protection in 2009/2010 and 2010/2011, with spending dropping alarmingly from 81% of the budget in 2009/2010 to only 68% in 2010/2011. The spending performance by other provinces was mostly within acceptable limits.

• **Spending on crime prevention:** Most Departments deviated within 2–3% of the overall crime prevention budget, with the biggest overrun recorded by KwaZulu-Natal in both years, with overspending escalating from 80% in 2009/2010 to 109% in 2010/2011.

• **NPOs and transfers:** While eight provincial Departments allocated more than 50% of their child care budget to transfers in 2010/2011, no instances were recorded for crime prevention. NPOs therefore have a bigger footprint as a key partner in offering child care and protection services on behalf of government compared with crime prevention, where services are largely delivered internally by Departments.
• **Transfers**: Total child transfers to NPOs increased from R1.63 billion in 2009/2010 to R1.94 billion in 2010/2011, representing a 14.8% real increase. The Western Cape, Gauteng and Eastern Cape accounted for more than half of all child transfers to NPOs.

• **Unspent transfers**: Total unspent transfer funds for child care over the three years (i.e. 2009/2010 – 2011/12) amounted to R110.9 million, compared with crime prevention which underspent by R6 million during the same period.

• **Quality of indicators**: Output indicators in the annual reports of Social Development Departments are poorly conceptualized and developed, making it very difficult to track sub-programme performance.

• **Accountability**: Many indicators reported on are not within the complete control of Departments (e.g. court placements of children in children’s homes, CYCC sites meeting departmental norms and standards, hence qualifying for grant disbursements), with the result that it would be difficult to hold Departments accountable for meeting stated targets.

• **Child services over MTEF**: Indicator targets reported on by provinces in the budget books for the child care and protection sub-programme suggest a significant expansion of child services over the MTEF, especially ECD sites for children and admitting children into foster care.

• **Crime prevention services over MTEF**: Budgetary increases suggest significant expansion of crime prevention services in 2012/2013 but very little increase or no increase at all in 2013/2014 and 2014/2015.

• **Alignment of budgets and output targets**: The change in output targets reported in provincial budget statements is poorly mapped to annual budgetary changes, suggesting a disjunction between service delivery planning and financial forecasting.
CHAPTER 5

Data Shortage

- Only four provincial Social Development Departments recorded grants and subsidies at sub-programme level. In some instances, disaggregated information is presented, but the data categories are not standardized and some amounts across the MTEF period are questionable. As such, transfers to NPOs providing child services are not captured in a coherent way, neither can one map the trend in these sector-specific transfer allocations for most Social Development Departments over the MTEF period.

- Provincial Departments vary on how they apportion their resources internally among welfare services and also on the degree of budgetary priority given to child services. Currently, provincial Social Development Departments have no benchmarks to guide internal prioritization of welfare services and specifically the adequacy of child services budgets. Setting benchmarks are always fraught with challenges, but in some provinces it was clear that there was a mismatch between the provincial demographic data on children and the budgetary allocation for child services by Social Development Departments.

- The quality and alignment of data between the different reporting and budgetary documents were not always consistent with each other. In the case of KwaZulu-Natal, historical expenditure figures in the Budget Statement (2012) were not the same as the audited figures in the Annual Report (2010/2011), suggesting a disjuncture in reporting between the budget units and the reporting and financial management units. This also points to poor vetting of data from the Department and adequate internal data-validation processes not being in place.

- Many provincial Social Development Departments did not report on key programmatic indicators and targets in their budget statements (2012), and when they did, the quality of the information was questionable (e.g. Limpopo). Consequently, it is difficult to tell how child service outputs are changing over time. Further, linking budgetary changes with changes to themain child outputs over the MTEF period is not possible in most instances.

- The provincial Departments’ annual reports (2010/2011) by and large do not contain a consistent set of indicators that measure the achievement of outputs for child care and protection and crime prevention. This is despite the standardized nature of these services across provinces. In some instances, Departments are reporting on indicators that are not within their control (e.g. number of children abused), while in other instances the phrasing of indicators is misleading and does not reflect what they should measure. Some services (e.g. cluster foster care and foster care) are newly created in terms of the Children’s Act and therefore, except in a limited way, reporting on these services in the 2010/2011 annual reports was omitted.

- Most Social Development Departments did not have their accountability documents, such as annual performance plans (APPs), strategic and performance plans (SPPs) and annual reports on the departmental website. Members of the public therefore have to go through the long and tedious process of writing to the Department and requesting the relevant document; with a motivation attached. This long-winded process defeats the whole purpose of accountability and transparency and makes it difficult for the public to scrutinize and interrogate these documents. Some departmental websites are also completely dysfunctional.
Budgetary documents do not disaggregate the sub-programme budgets into the main SCOA line items. Evidently, there is no demonstrative way to see what proportion of the budgeted resources is for administrative and management responsibilities compared with service delivery. The SCOA items at a sub-programme level can therefore only be picked up when Departments report on actual expenditure in their annual report. By its very nature, the annual report is backward looking and would not contain forecasted budget information on resource allocation.

In most instances, the budget documents do not state clearly whether service delivery staff are recorded as part of each welfare service sub-programme budget, or if the amount is fully allocated in the sub-programme called “professional and administrative support” that also forms part of the welfare services programme.
Recommendation 1: The funding for non-governmental agencies providing child welfare services (CWS) have declined markedly because international donor agencies are entering into bilateral agreements with government, government policy of partial funding of child welfare services, a decrease in lottery financing access, the donor community being less inclined to fund statutory services and lower private donations because of the economic slowdown. The FFC recommends:

Short-term
i. National and provincial spheres of government and NPOs should reach an agreement on the funding principles to improve transparency in the grant system. This is a short-term recommendation.

ii. Delays in the disbursement of financial awards which place pressure on non-profit organisations (NPO) cash flows should also be eliminated.

Long-term
iii. Other sources of funding for child welfare services should be identified to ease existing funding pressures.

Recommendation 2: Auditor-General (AG) findings for the 2010/2011 financial year for provincial Departments of Social Development point to maladministration, specifically in terms of management, monitoring and oversight of the work NPOs. Some NPOs have also not been able to account for the grants received as the AG requires and in some cases have used funds for inappropriate purposes. The FFC recommends:

Medium-term
i. The entire value chain in the transfer system should be audited to identify bottlenecks and inefficiencies so that administrative systems can be streamlined, simplified and standardized across provinces.

ii. Where best practices are implemented, this should also be shared with other provinces.

Recommendation 3: With limited funding for children services available, funding for non-statutory services like Early Childhood Development (ECD), may be diverted to fund statutory services which are justiciable. The FFC recommends:

Short-term
i. The national and provincial spheres should carefully balance the funding allocated to statutory and non-statutory services such as ECD, through its prioritization framework that recognizes the importance of both services to children’s wellbeing.

Recommendation 4: The results show significant service delivery disparities in child welfare services between various regions in the country due to historical reasons. This is exacerbated by a lack of adequate prioritization by some provinces. The FFC recommends:
Short-term
i. Appropriate standardisation of funding per child that is in line with the minimum norms and standards across all provinces to reduce existing funding disparities.

Recommendation 5: The Policy on Financial Awards does not adequately address some of the important funding issues that the sector is struggling with. For example, the affordability of norms and standards, the funding mix between various service levels (E.g. Early intervention and protection vis-a-vis mandatory services) and the extent to which these services should be funded. There is also a lack of clarity and agreement on the definition on transformation implied by the Policy (E.g. The balance between urban and rural access, the staff composition of NPOs, the beneficiaries being targeted, etc.). The FFC recommends:

Short-term
i. The Policy on Financial Awards should be reviewed to assess whether the following components have been adequately addressed: a prioritization framework for welfare services, a financing model based on agreed principles, minimum criteria to qualify for funding and a clear definition of transformation.

Recommendation 6: The Bill of Rights enshrines children’s rights to access welfare services and also that the state should prioritize these rights through putting in place adequate policies, laws and budgets to give effect to these rights. The FFC recommends:

Short-term
i. Provincial EXCOs need to ensure adequate prioritisation of child welfare funding.

Long-term
ii. Government should put in place a financing plan that moves towards full funding of minimum norms and standards for children services provided for in terms of the relevant Acts.
iii. Monitoring and evaluation systems be developed across the entire delivery value chain to ensure that services delivered to children meet minimum standards of access and quality across all provinces.

Recommendation 7: Provinces have not been able to implement a needs analysis for children services as required by the Children’s Act. This has led to a lack of information on backlogs and to a lesser extent, existing service provision needs, resulting in some children services not being adequately provided for. The FFC recommends:

Medium-term
i. Provinces should conduct an updated needs analysis of child welfare services to inform short and long-term service planning, budgeting and monitoring and evaluation.

Recommendation 8: There is lack of coordination in planning, budgeting and target setting of CWS between all the relevant stakeholders. NPOs often are the delivery vehicle, but do not participate in these processes at all, undermining the cooperative delivery. The FFC recommends:
Medium-term
i. A coordinated and integrated service delivery (planning, budgeting, consultation, communication) across national and provincial spheres and NPOs.
ii. An agreed upon set of value principles should guide the relationship between government and NPOs.

Recommendation 9: Key programmatic child welfare indicators and targets not reported on by provinces in a consistent way. Some Indicators are also of poor quality and are not specific, measurable, appropriate, realistic or time-bound. It is therefore difficult to monitor the implementation of child welfare services and to hold departments and NPOs accountable. The FFC recommends:

Short-term
i. The national sphere should standardize a limited number of indicators that the sector departments and NPOs must report on.
ii. The national sphere should build capacity within provincial departments to monitor, support and enhance the delivery capacity of NPOs, especially emerging ones.

Long-term
iii. One system for reporting and monitoring these indicators should be introduced that is simple to use and can be applied in all the provinces.


REFERENCES


Court cases


The ACPF framework’s contribution is its identification of four categories of budgets that are consistent with the four pillars of the United Nations Committee on the Rights of the Child (UNCRC) and African Charter on the Rights and Welfare of the Child (ACRWC). These are budgets for child development, healthcare, education and social protection. Another contribution is the point that it is easier to determine the scope and quantity of the above four categories of budgets, i.e. the direct or child-friendly budgets, than of indirectly related budgets (such as budgets for food security and infrastructure development). It begs the question where the focus in child budget analysis should lie: child-friendly or child-sensitive. The ACPF acknowledges the importance of political commitment to ensure pro-child legislative, macroeconomic, social and tax-related policies (Mekonen, 2010).

The ACPF’s Performance Index for Budgeting for Children is an extension of its child-sensitive budget analysis framework. In the Index, budgetary performance is measured using indicators of government expenditure for child-sensitive sectors (Tsegaye & Mekonen, 2010). Other considerations, such as the progressive realization of the rights and wellbeing of children, are assessed through trends in resource allocations. The Performance Index is a composite index that was constructed with a pro-child budget process in mind. The indicators used in the Performance Index are:

- Government expenditure on health as a percentage of total government expenditure
- Total public expenditure on education as a percentage of GDP
- Percentage of the budget for routine EPI [in full] vaccines financed by government
- Military expenditure as a percentage of GDP
- Percentage change in governments’ expenditure on health.

Upon examination of the analyses performed using the Performance Index for Budgeting for Children, the ACPF recommended inter alia that there is a need for political commitment in promulgating pro-child laws, macroeconomic, social and tax-related policies. This commitment must be followed up with “adequate and equitable budgetary allocations” (Tsegaye. & Mekonen, 2010). Other recommendations include the need for children to participate in the budget process, the setting of clear standards within a budgetary regulatory framework, and open and transparent budget documents that are also disaggregated to a sufficient level of detail to track expenditure on pro-child programmes.
Annexure 2: Child welfare services in the Children’s Act (2007, as amended)

Partial care and early childhood development: Chapters 5 and 6
- Crèches
- After-school supervision and partial care for children of all ages
- Early childhood development (ECD) centres
- ECD programmes provided in a centre
- ECD outreach programmes not provided in a centre.

Note that grade R (ECD provided to children in the reception year in primary school) is funded by the provincial Departments of Education and is not regulated under the Children’s Act.

Drop-in centres: Chapter 14
- Centres where vulnerable children can “drop in” during the day or night for, among other things, basic services including food, school attendance support, personal hygiene such as baths and showers, and laundry services.

Prevention and early intervention services: Chapter 8
- Family preservation services
- Parenting skills programmes/counselling
- Parenting skills programmes/counselling and support groups for parents of children with disabilities and chronic illnesses
- Parenting skills programmes and counselling to teach parents positive, non-violent forms of discipline
- Psychological, rehabilitation and therapeutic programmes/counselling for children who have suffered abuse, neglect, trauma, grief, loss or who have behaviour or substance-abuse problems
- Diverting children in trouble with the law away from the criminal justice system and into diversion programmes
- Programmes aimed at strengthening/supporting families to prevent children from having to be removed into child and youth care centres
- Programmes that support and assist families who have a member (child or adult) who is chronically or terminally ill (home- and community-based care)
- Programmes that provide families with information on how to access government services (water, electricity, housing, grants, education, police, courts, private maintenance, food parcels, protection services, health services)
- Programmes that assist and empower families to obtain the basic necessities of life for themselves (e.g. skills development projects, sustainable livelihoods programmes, sewing projects, expanded public works projects and stipends, food garden and farming projects).

Note that the provincial Departments of Health also provide and fund home-based care programmes. These programmes tend to focus on the health needs of households and not their social needs. For example, they assist families with adhering to HIV or TB treatment regimens and accessing child health services including immunisation and growth monitoring. These home- and
community-based care (HCBC) programmes run by the Department of Health are not legislated for under the Children’s Act but there is potential for synergy between the Departments of Social Development and Health to ensure that all HCBC programmes and workers can assist vulnerable families with both their health and social needs.

Protection services: Chapter 7

- Identification and voluntary reporting of children in need of care and protection, follow-up investigations by social workers, and possible children’s court inquiry
- Mandatory reporting and investigation of cases of physical and sexual abuse and deliberate neglect and follow-up court report or court inquiry
- Removal of children at risk of harm and placement in temporary safe care
- Placement of children in alternative care following finding that the child is in need of care and protection
- Child protection register records and tracks all mandatory reports, and lists persons who are unfit to work with children so as to exclude them from positions in which they would have access to children Mentorship schemes for child-headed households.

Note that the court personnel (magistrates, clerks, interpreters and legal aid attorneys) and courts are funded by the Department of Justice and Constitutional Development while police officials are funded by the South African Police Service. Note also that there appears to be lack of clarity as to whether DSD or the Department of Justice and Constitutional Development is responsible for payments to safe house parents in which children can be placed for relatively long “temporary” periods.

Foster care and cluster foster care: Chapter 12

- Recruiting, assessment, selection and training of foster parents
- Processing foster care applications through the children’s court
- Extending foster care court orders
- Monitoring foster care placements and supporting foster parents
- Managing cluster foster care schemes.

Note that the foster child grants are not paid from the provincial social development budgets but are instead funded from the national budget of the South African Social Security Agency (SASSA) in terms of the Social Assistance Act of 2004. SASSA is, in turn, funded by the budget of the national Department of Social Development. Court personnel and courts involved in the decision to place the child in foster care are funded by the national Department of Justice and Constitutional Development.

Adoption and inter-country adoption: Chapters 15 and 16

- Recruiting, assessing and selecting adoptive parents
- Processing adoption applications through the children’s court
- Monitoring new adoptions
- Counselling adoptees and their biological parents, adoptive parents or previous adoptive parents seeking access to the adoption record
Facilitating the implementation of post-adoption agreements.

Note that the court personnel and courts are funded by the Department of Justice and Constitutional Development.

**Child and youth care centres: Chapter 13**

“Child and youth care centre” is the umbrella term for the various forms of residential care including places of safety, children’s homes, shelters for children on the street, schools of industry, reform schools, and secure care centres. Child and youth care centres that qualify for funding include centres that run programmes for children:

- Needing temporary safe care to protect them from abuse or neglect or pending an assessment or final court order needing longer-term care because they cannot live with their families
- Awaiting trial
- Awaiting sentence
- With behavioural, psychological and emotional difficulties
- Living, working or begging on the streets
- With disabilities
- With chronic illnesses
- With alcohol or drug addictions
- With psychiatric conditions
- Who need assistance with the transition when leaving the centre at the age of 18 years

Note that the provincial Departments of Education currently provide and fund reform schools and schools of industry. According to the Children’s Act these centres must be transferred to the provincial Departments of Social Development within two years of the commencement of the Act, i.e. by 31 March 2012. After the transfer is effected the total costs for the provincial Departments of Education should be lower than they would have been without the transfer, while those of the provincial Departments of Social Development should increase. The Departments of Education remain responsible for providing and funding education for children in all the child and youth care centres.

Annexure 3: Performance indicators reported on

Performance indicators reported on by provincial Departments of Social Development

<table>
<thead>
<tr>
<th>Child Care and Protection</th>
<th>EC</th>
<th>WC</th>
<th>GAU</th>
<th>NC</th>
<th>LIM</th>
<th>KZN</th>
<th>FS</th>
<th>MPU</th>
<th>NW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children newly placed in Foster Care Programmes</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Foster Care</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Number of children’s homes.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Number of children placed in children’s homes.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Number of Departmental Places of Safety</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
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The green highlighted indicators are sector-specific and all Departments are expected to report on them.
Annexure 4: Public Hearing Stakeholder Report

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 tighter fiscal frameworks 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 fund-raising 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 up-front 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 R 600 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.

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. (Page 120)
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 R 600 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.
For an Equitable Sharing of National Revenue