

# FUNDING OF SERVICES REQUIRED BY THE CHILDREN'S ACT

*This digest summarises a research report entitled Funding of Children's Act-related services (Budlender D, Williams L, Saal Q, Sineke T and Proudlock P. 2011).*

## INTRODUCTION

The Children's Act No. 38 of 2005 is the result of many years of work by advocates for children's rights in government and civil society. The act aims to give effect to a range of constitutional rights for children – particularly the rights to family care or alternative care, social services and protection from abuse and neglect. The act makes government responsible for ensuring that a comprehensive range of social services is provided for children.

The challenge facing the country now is to see that the act is fully implemented and to ensure that all children – particularly the poorest and most vulnerable – receive the services that they need. Alongside other necessary enabling factors, this requires money to pay for the services.

The Children's Act places the primary responsibility on government to ensure that the services are delivered, and the Department of Social Development has the greatest share. Provincial

Departments of Social Development are responsible for more than 80 percent of the cost of implementing the act, with the national Department of Social Development responsible for less than 1 percent.

As summarised in Table 1, the act's provisioning clauses for prevention and early intervention services, protection services, and child and youth care centres say that the Member of the Executive Council (the provincial "minister") "must, from money appropriated by the relevant provincial legislature, provide and fund" these services. For partial care, early childhood development, and drop-in centres, the provisioning

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TABLE 1. PROVISIONING CLAUSES IN THE CHILDREN'S ACT

Clause	Type of service	Examples
<b>“must provide and fund”</b>		
105	Child protection services	Reporting of abuse, removal of children at risk of harm and placement in alternative care (foster care, adoption and child and youth care centres), mentorship for child-headed households.
146	Prevention and early intervention programmes	Parenting skills programmes, counselling for children who have suffered trauma, programmes providing information on how to access grants and services.
193	Child and youth care centres	Places of safety, centres for street children, children's homes, secure care centres, schools of industry, and reform schools.
<b>“may provide and fund”</b>		
78	Partial care	Crèches and after-school supervision and care services.
93	Early childhood development programmes	Centres and home-visiting early childhood development programmes for young children.
215	Drop-in centres	Centres where vulnerable children can access food, school support, and personal hygiene services.

clauses say that the Member of the Executive Council “may, from money appropriated by the relevant provincial legislature, provide and fund these services.” This means that the provincial governments can decide not to provide these services at all or to fund them only partially. The act also states that for these service areas, priority must be given to funding of services in communities where families lack the means of providing proper shelter, food and other basic necessities to their children, and to ensure that services are accessible to children with disabilities.

The provincial Departments of Social Development allocate substantial funds for services covered by the Children's Act. Three of the provincial budget sub-programmes cover most of the Children's Act-related services,

namely child care and protection services, care and support to families, and HIV/AIDS. Across the nine provinces, the total allocation for these three budget sub-programmes was R3.4 billion for the 2010/11 budget year (Budlender & Proudlock, 2010). This includes funds spent by government as well as transfers to non-governmental organisations (NGOs) for delivery of Children's Act services. Government transfers to NGOs for delivery of services to vulnerable groups, including children, account for just over 50 percent of the provincial departments' social welfare budgets.

Although the NGOs are delivering services mandated by the act, the money paid to them does not cover the full cost of providing these services. Instead, the NGOs need to find donors

to make up the shortfall. However, even when combining the funds from government and donors, it is not enough to fund all the services required by the act, and to reach all the children who need these services.

To focus attention on the need to grow government budgets, each year since 2007, the Children's Institute and the Centre for Actuarial Research at the University of Cape Town have analysed the allocations for Children's Act services within the budgets of the nine provincial Departments of Social Development (Budlender and Proudlock 2010 – see [www.ci.org.za](http://www.ci.org.za) for this research).

In late 2009, recognising the need for more information about donor funding, the Community Agency for Social Enquiry, in partnership with the Children's Institute, conducted surveys of 48 funders and 30 NGOs delivering children's services. The immediate aim of the research was to find out more about the shortfall, and about the experiences of those involved.

The ultimate aim was to contribute to increased funding for Children's Act services. This digest combines the most important information from these surveys together with the findings from the Children's Institute and Centre for Actuarial Research annual research on the provincial social development budgets.

## HOW MUCH MONEY IS NEEDED TO IMPLEMENT THE ACT?

In 2005, the Department of Social Development commissioned Cornerstone Economic Research to estimate the cost of implementing what was then the Children's Bill (subsequently the Children's Act). This costing exercise provides the most objective basis available to assess the adequacy of current funding. It provides estimates over a period of six years to

## WHO PARTICIPATED IN THE SURVEY?

The 48 donors were grouped into six categories:

1. Official development assistance (ODA) from foreign governments. This can be sub-divided into bilateral (from a single government, for example, the United States Agency for International Development) and multilateral (from multiple governments, for example, the United Nations agencies).
2. International NGOs (for example, Save the Children).
3. International foundations, whether private or corporate (for example, ELMA Foundation and Coca Cola).
4. National private business donors (such as Mondi).
5. National foundations, trusts or NGOs (for example, DG Murray Trust).
6. The National Development Agency and the National Lottery Distribution Trust Fund, which are referred to as "government-related donors" here.

Some of the money from these donors was provided to national, provincial and local government. The bulk was given directly to NGOs that delivered services, while some was channelled through conduit NGOs to smaller organisations that delivered services.

Of the 30 NGOs in the survey sample, 11 were classified as larger NGOs, nine as child and youth care centres and 10 as smaller, grassroots-level NGOs or community-based organisations.

allow for phasing in and expansion of services over time. For the comparisons presented here, these estimates were adjusted for inflation to account for the years between when the costing was done (2005) and when the act was implemented (2009/10).

**TABLE 2. IP AND FC COSTING SCENARIOS FOR PROVINCIAL DEPARTMENTS OF SOCIAL DEVELOPMENT**

Implementation plan (IP)		Full cost (FC)	
Based on 2005 levels of actual service delivery, scaled up in a phased manner each year.		Based on evidence of the numbers of children who need the services, scaled up in a phased manner each year.	
<b>IP low</b>	<b>IP high</b>	<b>FC low</b>	<b>FC high</b>
Good practice norms and standards for priority services; lower norms and standards for other services.	Good practice norms and standards for all services.	Good practice norms and standards for priority services; lower norms and standards for other services.	Good practice norms and standards for all services.
<b>Cost for Departments of Social Development for 2010/11</b>			
<b>R7.5 billion</b>	<b>R10.8 billion</b>	<b>R30.0 billion</b>	<b>R59.2 billion</b>

The comparison of available funds with the costing estimates is complicated by several factors, including that the costing exercise considered four different scenarios – the implementation plan (IP) low and high scenarios and the full cost (FC) low and high scenarios.

The IP and FC scenarios use different estimates of demand or need for services. For the IP scenarios, the costing team asked each provincial department to describe current (at that stage, 2005) levels of delivery for each service and how they planned to increase delivery in line with the Children’s Bill. For the FC scenarios, the costing team used other evidence to estimate how many children actually need services. For example, the team used the demographic and HIV/AIDS

model of the Actuarial Society of South Africa to find the likely number of orphans, as this model is used widely by government and donors.

The IP and FC scenarios are not without their problems. The actual service delivery levels on which the IP scenarios are based are far below the level of what is needed. The costing team’s research revealed that the 2005 government budgets covered only 25 percent of the services set out in the Child Care Act of 1983 (the Children’s Act has replaced and expanded on this act). The challenge with the FC scenarios is that the levels appear unattainable. This again is due to the large gap between actual services being delivered to vulnerable children and the real need for services.

The high and low scenarios reflect different levels of quality of service delivery. The high scenario costs “good practice” standards for all services, while the low scenario uses “good practice” standards for services classified by the costing team as high priority, but lower standards for lesser-priority services.

Table 2 summarises the norms and standards of the four scenarios and gives the total estimate of costs across the nine provincial Departments of Social Development for the 2010/11 budget year.

The costing exercise focused on the cost to government and identified two types of services. For services for children who are “wards of the state”, the costing exercise assumed that government had an obligation to provide such services itself, or to pay another agency (usually an NGO) the full cost of providing these services according to the prescribed norms and standards for all children needing this service. For other services, such as early childhood development, the costing assumed that government was obliged to register and monitor the service providers, and that the full cost of performing these functions should be included in the costing. However, it assumed that the state was obliged to subsidise only a certain percentage of early childhood development learners.

Overall, the estimates from the costing provide a relatively good measure of a lower bound of what is needed by both government and NGOs together to deliver the necessary services. It is a lower bound because it does not cover the full cost of the services that the costing team identified as non-mandatory, namely early childhood development, partial care, prevention and early intervention programmes,

and drop-in centres. In particular, the costing provides an under-estimate for prevention and early intervention services because at the time of the costing, the prevention chapter of the Children’s Bill specified that government “may” provide these services. Subsequently, Parliament changed this to “must” provide, with section 144(1) of the act specifying the mandatory prevention and early intervention services and section 144(2) specifying the discretionary services (see Table 1).

In this digest, we focus on the costing exercise’s estimates for the provincial Departments of Social Development because the provinces are responsible for the majority of the services.

According to the costing, in the second year of implementing the act (2010/11), the provincial Departments of Social Development would be responsible for 99 percent of the costs that needed to be incurred by the national and provincial Departments of Social Development combined.

The challenge with the Full Cost scenarios is that the levels appear unattainable. This again is due to the large gap between actual services being delivered to vulnerable children and the real need for services.

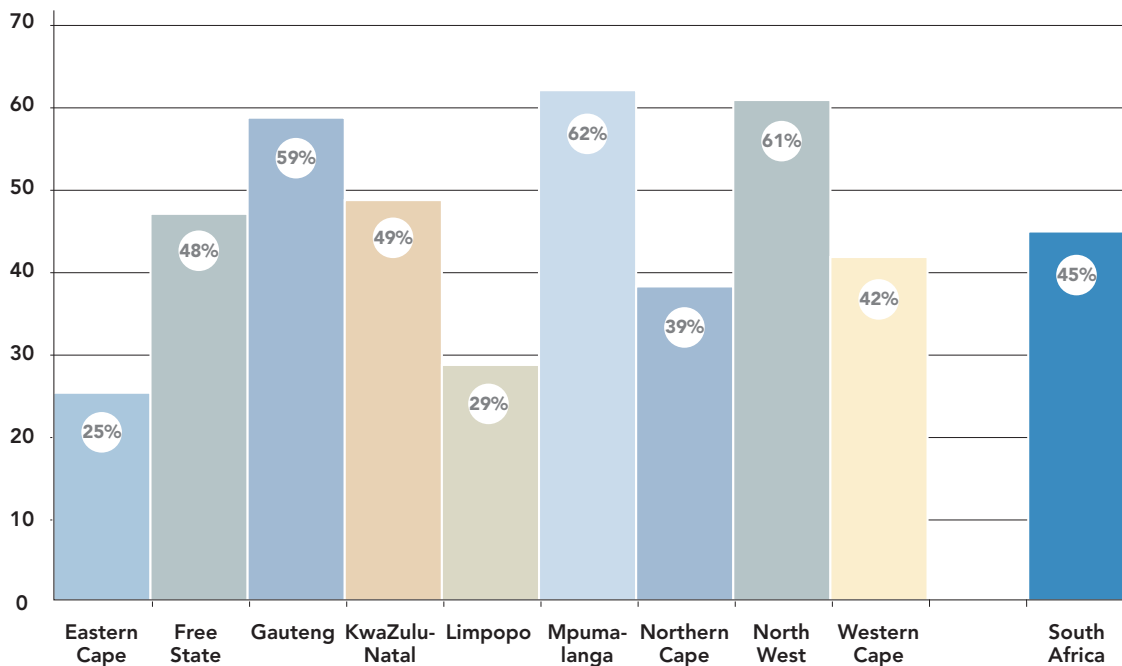
## HOW DO AVAILABLE FUNDS COMPARE WITH WHAT IS NEEDED?

The R3.4 billion allocated by the provincial Departments of Social Development for 2010/11 is equivalent to about 45 percent of the IP low cost estimate for that year and about 5 percent of the FC high cost estimate. Eastern Cape was the worst performer – money allocated by

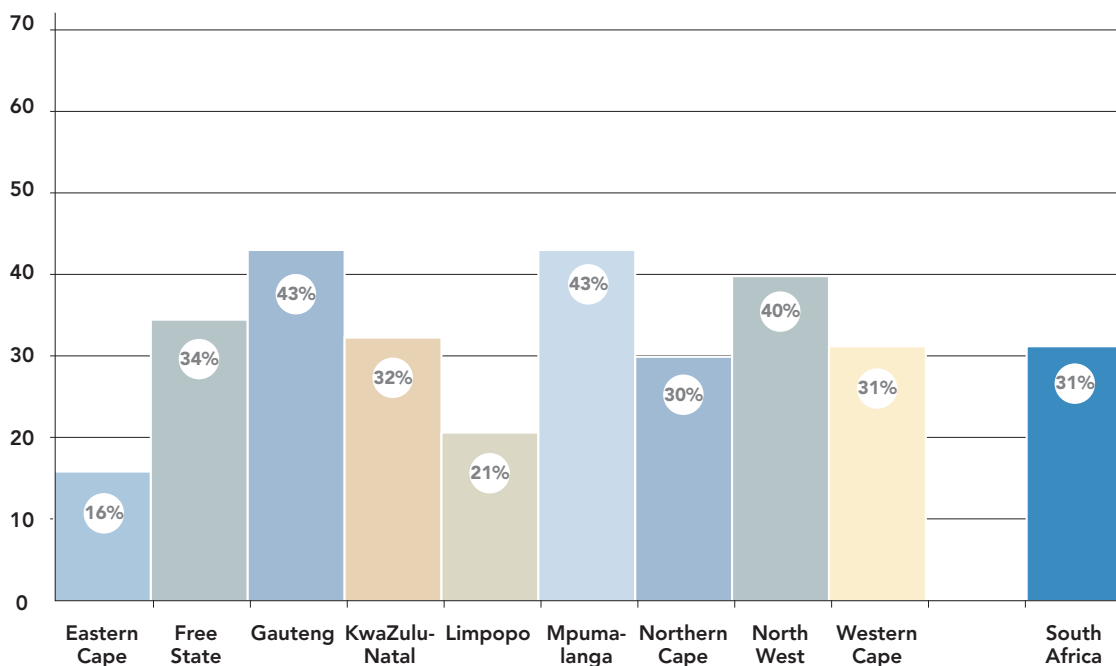
this province for 2010/11 covered only 25 percent of the IP low estimate, and just 3 percent of the FC high estimate. Mpumalanga was the best performer in 2010/11 on the IP low estimate, with an allocation equivalent to 62 percent of the amount required for that year. Northern Cape was the best performer on the FC high comparison, but at only 13 percent of the needed amount for 2010/11.

The following graphs compare the 2010/11 budget allocations with the four costing estimates.

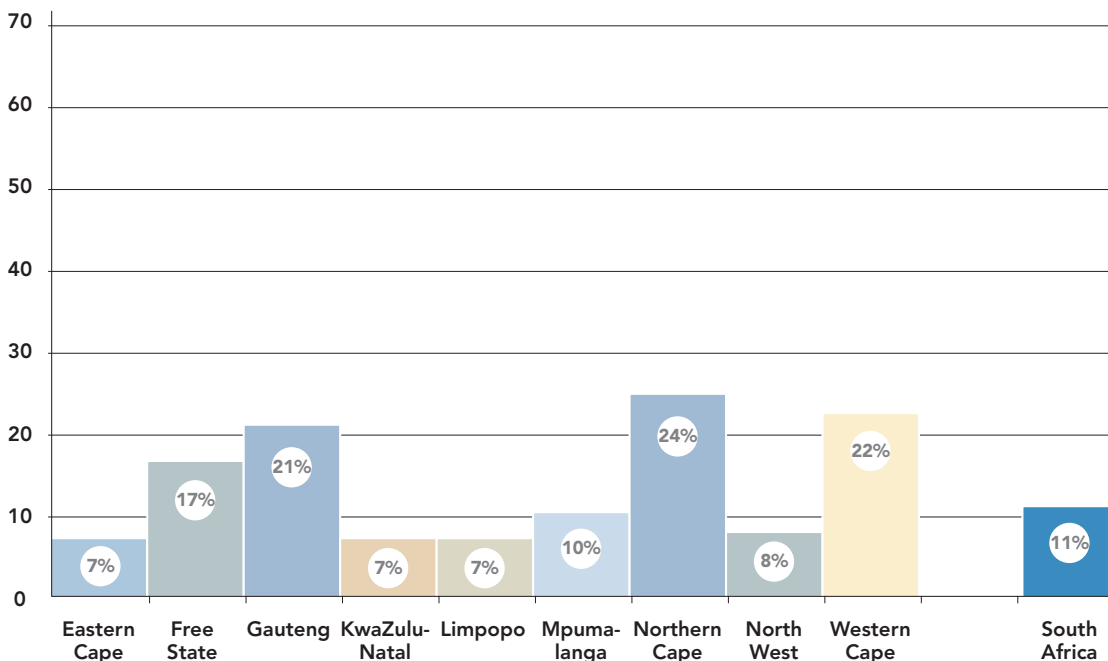
### PROVINCIAL FUNDING COMPARED TO IP LOW COSTING ESTIMATE



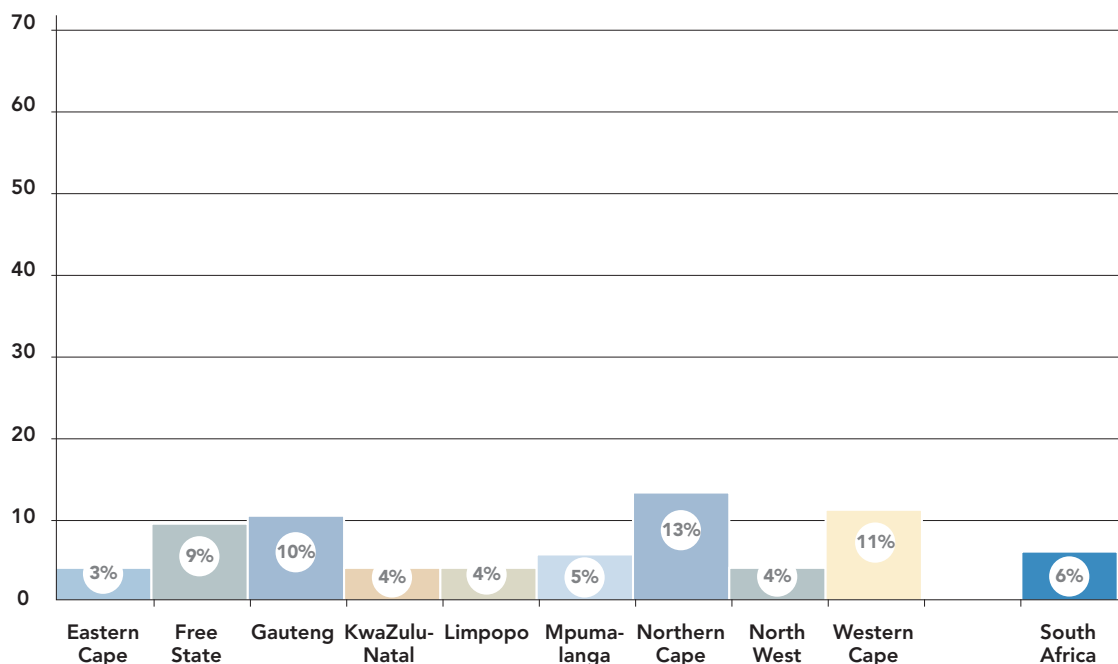
### PROVINCIAL FUNDING COMPARED TO IP HIGH COSTING ESTIMATE



### PROVINCIAL FUNDING COMPARED TO FC LOW COSTING ESTIMATE



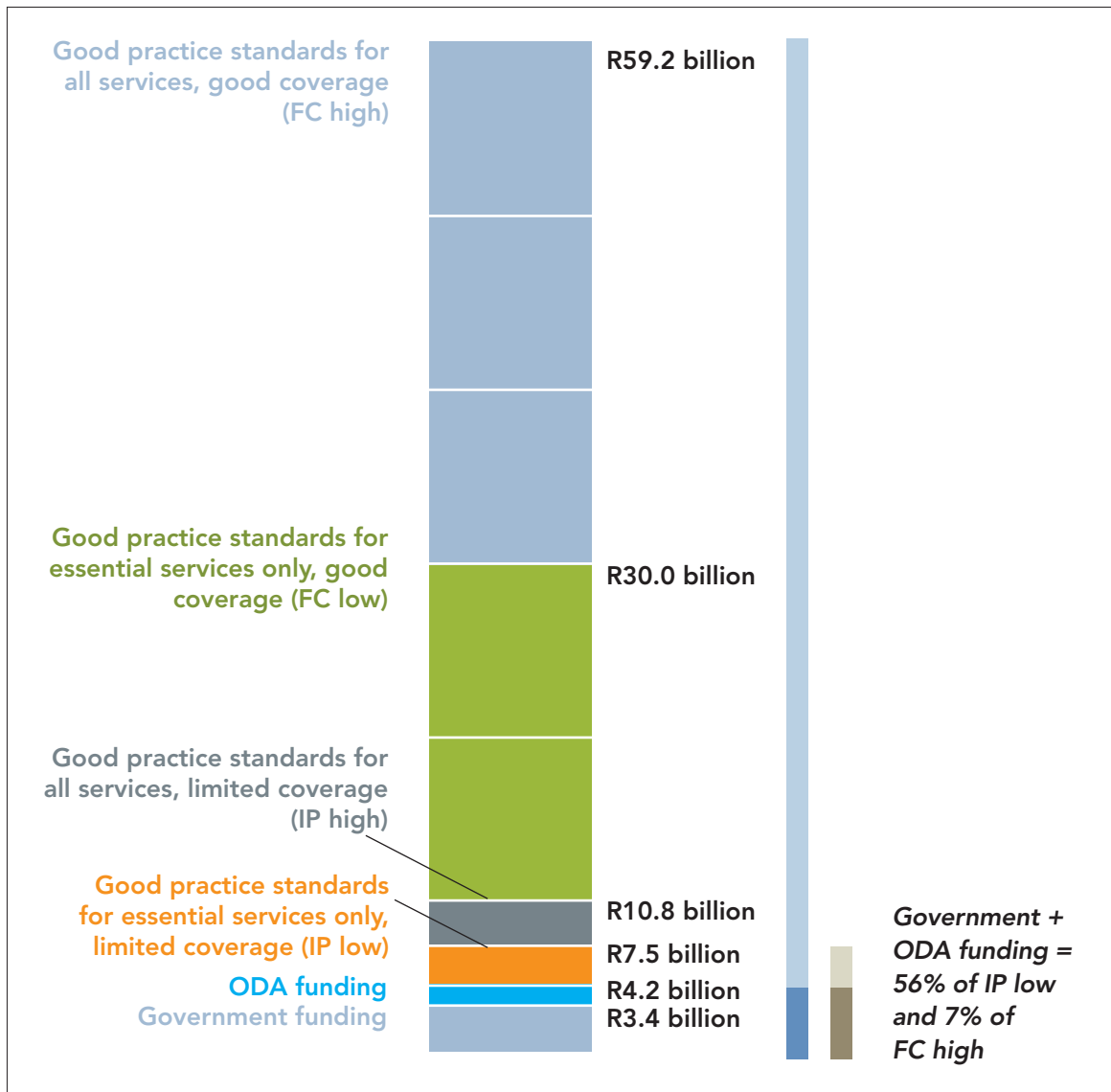
### PROVINCIAL FUNDING COMPARED TO FC HIGH COSTING ESTIMATE



The above comparison is based only on funds allocated by government for Children’s Act services. There is a slight improvement when the money provided by donors is added. In the survey, 33 donors provided estimates of child-related funding for the current year (2010), reporting a total of R0.9 billion. If we extrapolate to the

full 48 donors using the geometric mean for those providing information, the total would be R1.0 billion. Adding the R3.4 billion from government to the R1.0 billion from donors, the total is R4.4 billion. This is equivalent to 59 percent of the IP low scenario for 2010/11, and 8 percent of the FC high scenario.

## COMPARISON OF AVAILABLE FUNDING AND FOUR COSTING SCENARIOS



This comparison includes both government and all donors. An alternative comparison includes government, the two government-related development donors, and ODA donors, but excludes others because the Children’s Act costing exercise in 2005 was intended to estimate the amount that needed to be allocated by government. ODA donors are included because this money is from other governments – although they are governments from outside South Africa.

The extrapolated total for the government-related development

donors and bi- and multilateral donors is R0.8 billion. Adding this to the Department of Social Development provincial allocations (R3.4 billion), the available funding is R4.2 billion. This new “all government” total is equivalent to only 56 percent of the IP low estimate for 2010/11 and 7 percent of the FC high estimate.

In summary, combined funds available from government and donors for Children’s Act-related services do not come close to meeting the costs of the required services. This worrying picture is exacerbated by indications



that donor funding could decrease over time. Indeed, the survey revealed there are clear indications of such plans from at least one of the large bilateral donors.

### WHAT ARE THE LARGEST FUNDING SOURCES?

About three-quarters of the NGOs interviewed received at least part of their child-related funding from government. Five said that 100 percent of their child-related funding came from the South African government. Another five NGOs – three large and two small – received 60 percent or more of their child-related budget from ODA donors, i.e. from foreign governments.

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Provincial departments accounted for about three-quarters of the government agencies named as a source of funding by the NGOs, while national and provincial Departments of Social Development together accounted for more than four-fifths. Government also emerged as the most frequent large funder, with half of all interviewed NGOs reporting government as one of their three top funders. The second most frequently named big funder was the National Lottery Distribution Trust Fund, but it was named by only five NGOs.

NGO respondents discussed the advantages and challenges associated with the various funding sources. The most common complaints

about government were delayed and/or insufficient funding. ODA is the next most significant source of funds for NGOs after government, and six NGO participants described bi- and multilaterals as “prescriptive” or “dictatorial”.

### WHAT ARE THE CONSIDERATIONS BEYOND THE SUM OF MONEY?

In addition to comparing the total money available, there are further questions about the nature of the available funding.

#### Effectiveness

The quality of funding can be assessed by considering its effectiveness. For the Children’s Act, we can consider the type of services funded and type of costs covered.

Following the service categories of the Children’s Act, the donor survey asked about funding for:

- Child protection services (including foster care and adoption investigations and placements)
- Child and youth care centres
- Home- and community-based care and support for orphans and vulnerable children
- Child and/or family counselling and family preservation services
- Diversion for children in conflict with the law
- Programmes that provide families with information on how to access government and non-profit organisation services
- Programmes that help families to obtain basic necessities
- Early childhood development.

The survey also covered funding of formal primary and secondary education services, funding of policy development, research and monitoring and evaluation regarding children, and funding of other “miscellaneous” child-

related activities. However, these areas were not considered to be Children's Act-related funding as they are not within the main scope of the act.

More than half of the donors funded home- and community-based care and support for orphans and vulnerable children, child and youth care centres, programmes assisting families to be self-sufficient, programmes assisting families to access information, and early childhood development services. Policy development was least likely to be funded, followed by diversion services for children in conflict with the law.

Donors allocated the largest amounts of Children's Act-related funding to service areas that are non-mandatory for government, such as programmes that assist families to become self-sufficient, early childhood development, and programmes that provide families with information on government services. The areas that received the least donor funding – diversion services for children in conflict with the law and child and youth care centres – are both mandatory areas for government, although currently government does not cover the full cost of these services.

### **Efficiency**

Efficiency is another key aspect of the quality of funding. The proportion of funds spent on service delivery versus the amounts spent on management and administration can serve as a measure. However, the measure must be interpreted with caution – a disproportionate amount of an organisation's funds should not be spent on management and administration, but an organisation without solid management and administration is unlikely to be sustainable, and is also unlikely to deliver good quality services.

About a quarter of the donors interviewed expected NGOs to find the money for management and administration from other sources. Equally worrying, more than a fifth of donors do not fund staff, volunteers, and goods and services such as transport, water and electricity. All of these are essential costs of service delivery. Just over half of the donors covered monitoring and evaluation costs, yet virtually all donors would expect NGOs to have monitoring and evaluation systems and to report on their "outputs" and "outcomes".

Time and other resources spent on fundraising is another indicator of efficiency, as the resources so spent are not available for service delivery. All except one NGO devoted some staff time to fundraising. In most cases it was high-level ("expensive") staff, such as managers and directors who spent time on fundraising.

The amount of time devoted to fundraising tends to increase when contracts are short term, as these contracts require more frequent applications to donors. About half of all the donors interviewed noted 12 months as the typical period covered by a funding agreement, while only about a fifth entered into agreements for as long as 36 months. Provincial Departments of Social Development generally have 12-month agreements with NGOs. In the few cases where the agreement is for a longer period, the amount of funding is specified for only one year.

Several of the NGOs commented that repeated changes in reporting requirements of both government and donors, and differences in donor reporting formats and requirements added to the time that had to be spent on non-service delivery tasks.

## Planning

Effective, efficient and equitable service delivery depends on good planning. However, there are several factors that seriously hamper planning that could ensure that funds are used in the best way possible.

NGOs are restricted in their planning because funding amounts are specified for a limited period by almost all types of funders, including government. As noted above, government contracts and contracts with the majority of donors are almost always for only one year.

NGOs cannot assume that funding will remain constant. This uncertainty is destabilising.

Many donors could not provide estimates of current and future funding of child-related services, which mirrors their inability to assure continued funding for beneficiary organisations in the future. Where amounts were specified by donors, there was often substantial variation from year to year, which means that NGOs cannot assume that funding will remain constant. This uncertainty is destabilising for the NGOs and frustrates attempts to plan sustainable service delivery.

Planning is also crucial because the costing report shows that the funds for implementing the Children's Act need to increase by more than inflation each year as new services are phased in and services are expanded. This implies that the amount of money necessary to fund government and NGO delivery will increase by more than inflation. The increase could be reflected in both increased monetary needs of existing NGOs and additional organisations

needing funds to expand services and reach.

In line with the above, more than half the NGOs interviewed expected their costs for child-related services to increase in the future. Smaller NGOs and community-based organisations were much more likely than child and youth care centres or large NGOs to say that their expenditure would increase. However, the answers to the open-ended questions that followed suggest that some of those who expected their expenses to increase were not sure that they would secure the necessary additional funds to cover these expenses.

All of the four NGOs expecting a decrease in their Children's Act-related budgets by 2015 were adjusting their budgets in line with expected withdrawal of funding rather than reduced need for services. One of the four NGOs attributed the expected decrease to the withdrawal of a major bilateral donor, while another said that their funding from an international NGO would stop in December 2010. Similarly, a third referred to a decrease in donations and the fact that their contracts with international donors were coming to an end.

About half of the donors planned to continue with a constant amount of funding for child-related funding over the next five years, 11 expected an increased level, and seven expected a decreased level. The seven who expected a decrease included three donors that expected to stop funding child-related services completely. Among the four donors that reported the largest amounts of funding for child-related services for the current year, one planned to stop funding child-related services in the next five years, another planned to decrease

funding for this area, one was planning a constant level of funding, and one was planning an increase.

### Collaboration

Collaboration would improve coordination and planning. However, the research suggests that there are weaknesses in this area, despite the existence of a range of different forums.

ODA funders and national trusts, foundations and NGOs were more likely than representatives of national private business donors to be members of donor forums. Only four of the 11 ODA donors were members of government-led forums.

Collaboration would improve coordination and planning. However, the research suggests that there are weaknesses in this area.

All 11 ODA donors would like to collaborate more closely with government, as would all but two of the non-ODA donors. Thirteen donors, in response to an open-ended question about their concerns, said that government was not providing sufficient leadership in respect of funding the children's sector. Some noted that lack of government direction or leadership resulted in an incoherent response to funding of the sector, which might ultimately result in duplicated funding of certain services, geographic areas or beneficiaries, alongside insufficient funding for others. Several donors recommended improved collaboration and planning, especially between government and civil society organisations that delivered child-related services.

## CONCLUSION

The full details of the research are in the report *Funding of Children's Act-related services*, which is available at [www.ci.org.za](http://www.ci.org.za) and [www.case.org.za](http://www.case.org.za). The research was undertaken out of concern within government, among donors, NGO service providers and children's advocates more generally about the inadequacy of funds available for implementing the Children's Act. The hope is that this research will contribute to improved funding for Children's Act services by motivating the various parties to address the current situation, which will contribute to improved well-being and happiness for the children of South Africa.

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