



## EXECUTIVE SUMMARY

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### **Analysis of the 2009/10 budgets of the nine provincial departments of Social Development: Are the budgets adequate to implement the Children's Act?**

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#### **Introduction**

This is the third year in which we have undertaken analysis of the annual budgets of the provincial Departments of Social Development so as to assess the extent to which money has been allocated to implement the Children's Act. The first part of the Children's Act [No 38 of 2005] was passed by parliament in 2005. This part of the Act dealt primarily with national government functions. The Children's Amendment Act [No 41 of 2007], passed in 2007, provided a wide range of further provisions, most of which related to provincial government functions.

As we write this paper, in the first half of 2009, the Children's Act has not come into full effect. Thus at this point the child care and protection system is still governed by the Child Care Act [No 74 of 1983]. However the founding clauses of the Children's Act are also in effect which means that the Child Care Act needs to be implemented taking into account these provisions of the new Children's Act. For the purpose of budget allocation, section 4 of the Children's Act, which is already in effect, is particularly pertinent. Section 4(2) obliges all spheres and departments of government to 'take reasonable measures to the

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maximum extent of their available resources to achieve the realisation of the objects of this Act'. Therefore even though the Children's Act is not yet in full effect, government is obliged to have already started allocating resources to enable the full implementation of the Act.

A further factor to take into consideration in the budget analysis is that even though the new Children's Act is not in full effect, the majority of the services in the new Act are already required under the Child Care Act of 1983, which is in full effect. The Costing Report on the Children's Bill that was done in 2006 showed that government was only funding 25% of the services that it was obliged to fund under the Child Care Act of 1983 (Barberton, 2006). Therefore even under the Child Care Act there is an existing statutory obligation on government to prioritise rapid budget and service delivery growth for child care and protection services.

This paper seeks to analyse the extent to which funds have been allocated and utilised to implement the services required by the Child Care Act and the Children's Act.

### **The provincial departments of social development bear over 83% of the cost of implementing the Children's Act**

The Children's Act clearly places the obligation on the state to provide and fund a comprehensive range of social services. These include:

- partial care facilities (crèches) and early childhood development (ECD) programmes
- prevention and early intervention services
- drop-in centres
- protection services (including a support scheme for child-headed households)
- foster care and cluster foster care
- adoption, including inter-country adoption
- child and youth care centres.

The Act says that the provincial Members of the Executive Council (MECs) with responsibility for social development are responsible for providing and funding all these services with the budgets allocated to them by the provincial legislatures. The provincial departments of social development are responsible for funding and delivering more than 83% of the services in the Children's Act. Analysing their budget allocations and expenditure therefore provides a good indication of government's progress in giving effect to its obligations under the Children's Act.

### **Analysis of the 2009/10 budgets**

This paper analyses the sub-programmes within the social development budgets that cover the majority of Children's Act related services. The three sub-programmes which we have chosen to include in our calculations are the ones that most closely match the services listed in the Children's Act, namely child care and protection, HIV/AIDS, and family care and support. Child care and protection accounts for a total of R2 163m across the nine provinces in 2009/10, while HIV and AIDS accounts for R599m and family care and support for R161m. The sub-programmes account for 35%, 10% and 3% respectively of the allocations for social welfare programmes across the nine provinces. These percentages are very similar to those found for 2008/09. We provide a separate analysis of the sub-

programme called crime prevention and support as some of the funding in this programme is related to the Children's Act but not all. This sub-programme has been allocated R569m across the nine provinces in 2009/10, equal to 9% of the total social welfare programme allocations. Percentage-wise the allocation is smaller than in 2008/09, when it accounted for 10% of the total.

For the **child care and protection sub-programme** the picture looks promising, in that the average annual increase across the nine provinces stands at 20%/ The increases are, however, noticeably lower than for the MTEF tabled in 2008/09, when the provincial average was 29%. Over the three current MTEF years, this sub-programme accounts for 34,9%, 36,8% and 40,0% respectively of the total social welfare programme allocation. This growth suggests that the sub-programme will receive relatively greater attention over the years. However, Limpopo, KwaZulu-Natal, and Eastern Cape, three provinces with high rates of poverty and large numbers of children, all record per capita allocations lower than the national average.

For the **care and support to families sub-programme** overall, the average annual increase is 4% in nominal terms over the MTEF period. This will not keep pace with inflation and therefore represents a real decrease. What is also worrying is that the decreases are concentrated in the first year (2009). Overall, the increase for 2009/10 is negative, even in nominal terms for the provinces combined, at -1%. Limpopo, Mpumalanga, Free State and North West show high average annual increases over the MTEF period. Limpopo's exceptionally high increase of 500% for 2009/10 is explained by the very small allocation in 2008/09. Northern Cape shows a small annual average decrease even in nominal terms, while for Eastern Cape the nominal average annual decrease is a huge 21%. The sub-programme accounts for 2.6% of the social welfare programme budget in 2009/10, but this percentage is set to decrease to 2.3% by 2011/12. These decreases are worrying because this sub-programme should contain many of the family support programmes that are listed in the Prevention Chapter of the Children's Act. In reality however it appears as if many of the prevention and early intervention programmes fall into other sub-programmes. Prevention and Early intervention programmes are required by the Children's Act and the budget figures, narratives and indicators therefore need to indicate to what extent the programmes expressly listed in the Act are being provided. The way the budgets are currently structured and recorded does not enable an analysis of whether these programmes are being provided and to what extent.

For the **HIV and Aids sub-programme**, overall, the provinces have an average annual increase in nominal terms of 14%, which should mean a real increase. For each of the three MTEF years the allocation for HIV and AIDS amounts to between 9,6% and 10,0% of the total allocation for the social welfare programme. Looking at the different provinces and taking into account HIV/AIDS prevalence rates, we flag the Free State, Eastern Cape and KwaZulu-Natal as provinces that need improvements. Both the Free State and Eastern Cape show a decrease in their allocations to this sub-programme despite having the second and sixth highest HIV/AIDS prevalence rates respectively. KwaZulu-Natal shows severe under-spending in 2008/09 despite being the province with the highest HIV and AIDS prevalence rate.

For the MTEF period, the **crime prevention and support sub-programme** accounts for between 8,9% and 9,2% of the social welfare programme budget. The average annual increase over the MTEF is 8%, which is likely to just keep pace with inflation. KwaZulu-Natal, Eastern Cape and Free State perform well on this sub-programme with 47%, 11%

and 10% average annual increases respectively. We flag Gauteng, Northern Cape and North West as the provinces most in need of attention with regards to this sub-programme. All three have average annual increases of 2% or less, which means that they have effectively allocated less in real terms for these three years than previously. This will inevitably result in a decrease in services to children in conflict with the law.

Last year's examination of the 2008 budget books suggested that **national earmarking** had influenced the allocations of many of the provinces. This was seen, in particular, in increased allocations for ECD, HCBC and facilities for children in conflict with the law. Last year's earmarking related to the full MTEF period, and we can therefore expect resultant increases in respect of 2009/10 and 2010/11, which were then the outer budget years, to have influenced this year's budget even without further earmarking. For example, virtually all provinces report on construction or expansion of secure care centres which was one of the priorities earmarked in 2008.

In this year's budget process there was further earmarking however it was confined to ECD, and only for one of the outer years of the MTEF period, i.e. 2011/12. Presumably as a result, earmarking is mentioned somewhat less often in this year's budgets books. One also wonders whether some of the decreases reported in this paper in the comparisons between the 2008 and 2009 budget books might have occurred as a result of provinces feeling that the absence of further earmarking meant these activities were less of a priority. Mpumalanga, Eastern Cape and KwaZulu-Natal show decreases in more than one of the Children's Act related sub-programmes. Further, three of the provinces that show significant decreases are also the provinces that fail to mention the national earmarked priorities in their narratives, i.e. Eastern Cape, Mpumalanga, and Free State.

One of the major challenges preventing rapid budget growth and service delivery expansion in Children's Act service areas is the lack of sufficient **social service practitioners**. These practitioners include social workers and auxiliaries, child and youth care workers, early childhood development practitioners, community development workers and home based carers. These practitioners are employed by both government and by NPOs.

Gauteng, Limpopo, KwaZulu-Natal, North West, Northern Cape and Mpumalanga show clear intentions to increase numbers of **government personnel** over the MTEF years. In other provinces staff numbers are more or less static despite the greatly increased need for services, many of which are very labour-intensive. Some of the provinces report that they expect the OSD to assist them in further recruitment drives over the next three years. However, the OSD has yet to be finalised.

The relative silence across the provinces on **child and youth care workers** is concerning. There are approximately 6 000 of these workers who staff all the child and youth care centres as well as provide a range of community based services including home and community based care for vulnerable children. With the establishment of new secure care facilities in many provinces, and the targets under the National Strategic Plan for HIV/AIDS with regards to services for orphaned and vulnerable children, there will be an increased need for these workers. Furthermore, the Children's Act provides for child and youth care workers and other social service professionals to perform a range of services that would previously have been reserved for social workers only. Provincial departments therefore need to turn their attention to holistic human resource strategies that encompass

plans for the development of all the practitioners needed for the implementation of the Act.

The most problematic issue in relation to human resources is that the improvements in government salaries are not being matched by concurrent improvements in **NPO salaries**. The government recruitment drive is therefore resulting in social workers moving from the NPOs to government and does not therefore represent an overall increase in human resources available to provide services to children but instead reflects movement within the existing pool of social workers.

All provinces rely heavily on the services of NPOs to deliver services and pay **subsidies to NPOs** to deliver these services on government's behalf. The average percentage of the total social welfare programme budget that is transferred to NPOs for 2009/10 is 53%. This is an indicator, in monetary terms, of the heavy reliance on NPOs. The percentage for 2009/10 (53%) is lower than that for 2008/09 (55%). Overall the percentage has declined from 61% in 2005/06 to 53% in 2009/10. It is expected to rise again to 57% in 2011/12.

We flag the Eastern Cape, KwaZulu-Natal and Northern Cape as provinces in need of attention in respect of NPOs. For 2009/10, Eastern Cape reports that they have shifted funds from transfers and subsidies (i.e. from NPOs) to fund filling of vacant government posts. Thus in programme 2, compensation of employees increases by 33,4% while transfers and subsidies to NPOs decreases by 13%. The penalising of transfers and subsidies seems counter-productive given that the department relies on NPOs to provide many services and that NPOs often have more capacity and flexibility to expand their services to reach more children. KwaZulu-Natal notes that the 5% increase in transfers to NPOs is intended "to strengthen compliance with the applicable mandates". At present rates of inflation, however, 5% would mean a decrease in the real value of the allocations. It will probably also mean that many NPO staff will get salary increases below inflation, and below those given to government staff doing similar jobs. In the Northern Cape the increase in the allocation to NPOs between 2008/09 and 2009/10 stands at only 1%, i.e. well under inflation.

In North West, in contrast, there is a 26% increase in transfers to NPOs. This includes a large increase for NPOs under programme 3 (research and development) in respect of the war on poverty (see below), but there is also a substantial increase for NPOs in the social welfare services programme.

In 2008 several provinces reported that they planned to increase or standardise subsidies to NPOs in respect of ECD. These stipends would be included in the transfers to NPOs as most ECD centres and programmes are run by NPOs. In 2009, provinces report on what has been achieved in this respect. While increases in the subsidy must be welcomed, the reports show continuing disparities across provinces without any apparent reason for the differences. The continued emphasis on per capita subsidy funding also ignores the need for greater recognition and support of non-centre-based ECD programmes that have the potential to reach many more vulnerable children.

## **Under-spending**

This paper focuses primarily on government's allocations, i.e. government plans at the beginning of the year rather than what government actually spends. In previous years, when presenting our analysis, we have sometimes been told that the reason for less than adequate

allocations for implementation of the Children's Act is that the provincial governments are not able to spend the money that they currently receive. We analysed the under-spending patterns across the provinces and found that under-spending is generally not a major problem in the sub-programmes that cover Children's Act services. Further, the situation has been improving over time. Spending performance could however be improved further in that 92-3% expenditure implies that about one month's allocation remains unspent.

Some provinces however did show under-spending and this needs attention. For the child care and protection sub-programme all provinces except North West were likely to spend 95% or more of the original appropriation. Gauteng was likely to spend 12% more than the original appropriation. For the small care and support to families sub-programme, there was substantial overspending when all provinces are combined (115%), and only three provinces were likely to under-spend their budgets (Mpumalanga, KwaZulu-Natal and Western Cape). For Mpumalanga there is relatively serious under-spending (23% of the original 2008 appropriation was not spent), but other provinces were all forecasting that they would spend 94% or more of their budgets.

KwaZulu-Natal is exposed as a serious under-performer in respect of the HIV and AIDS sub-programme (49% of the original 2008 appropriation was not spent). This is especially worrying as this province has the highest HIV prevalence rate. Northern Cape also looked likely to spend only just over three-quarters of its allocation (76%). For all other provinces, the forecast was for 97% or more of the original allocation to be spent.

However, a worrying picture emerges for the crime prevention and support sub-programme, in that four of the provinces expected to spend 83% or less of the original allocations. Again, KwaZulu-Natal emerges as the worst performer, expecting to spend only 62% of the original allocation. The Northern Cape on the other hand was expecting to spend 141% of the original allocation.

## **Performance indicators**

Alongside the financial amounts, South Africa's budget books provide "output" estimates that serve as indicators of physical delivery. These output indicators provide key accountability information in terms of what is done with the money. They also allow parliamentarians and members of civil society to compare numbers reached with estimates of need. For the 2008/09 budget a list of indicators was developed by national government and each province was expected to submit the full list as an annex in their budget submissions. Only Western Cape included the full list of indicators in the published document. This year some of the other provinces have also included the full list. The fact that other provinces are moving towards reporting on the full standard set is pleasing as it allow for a better comparative picture across provinces of trends in service delivery. Eastern Cape and Limpopo stand out as provinces in need of improvement as they are lagging way behind the other provinces.

## **Funding Children's Act services can contribute to fighting the war on poverty**

A new feature in the budget documents are references to the War on Poverty and activities related to poverty "war rooms". These expenditures do not fall under social welfare services, but are considered here because they might compete for funds with Children's Act services. The budget documents are for the most part not very clear on the actual activities

involved in the war on poverty. One worries that the “war” could involve a new round of development of policies and plans and databases, all of which will require additional salaries but might make little difference on the ground. Western Cape’s budget statement is somewhat reassuring on this point in that they seem to see the war on poverty as requiring strengthening of existing programmes rather than the introduction of new ones. For some of the other provinces, the signs are less reassuring. It is important to guard against money being diverted into poverty war rooms at the expense of adequately budgeting for the legislative obligations set out in the Children’s Act. Many of the programmes required by the Children’s Act will also impact on poverty, especially those contained in the ECD, Prevention and Early Intervention Services, and Drop in Centres chapters. These programmes can therefore be flagged as programmes that will also contribute to the War on Poverty. If provinces can show greater allocations to these Children’s Act programmes, they can also report these activities as part of their activities under the War on Poverty rather than spend time and money on inventing new programmes.

### **Comparing the 2009 budget to the costing report: Comparing what has been allocated to what is actually needed**

The costing of the Children’s Bill allows us to compare what is needed to implement the Children’s Act with what has been allocated. This comparison shows that, overall, the nine provinces’ allocations cover only 48% of the IP (Implementation Plan) low cost estimates for Year 1 and an even lower 45% for Year 3. The decrease between 2009/10 and 2011/12 shows that the budget will not be growing at the pace that is needed to show a year on year gradual reduction of the gap between services provided and the numbers of children in need of services. Eastern Cape performs worst, with only 28% of the Year 1 estimate covered in 2009/10 and an even lower percentage in the next two years. North West performs best, covering 85% of the IP low cost estimate for Year 1 but decreasing sharply to 60% by Year 3.

These figures show that if we want to decrease the gap (or at least stop it from becoming larger) between the number of vulnerable children in need of Children’s Act services and the actual services being provided, we need to see improvements in the percentage growth of the provincial budgets in next year’s MTEF. All provinces also need to step up the pace of service delivery and expenditure. Ways to step up the pace include increasing the transfers to NPOs to cover the full costs of the services they are providing so as to enable them to expand to reach more children. A focus on promoting a multi-disciplinary team approach to service delivery will also help spread the load of work across the different categories of social service practitioners currently available to deliver Children’s Act services.

Please read the full paper for more details (available on [www.ci.org.za](http://www.ci.org.za)).