Are children's rights prioritised at a time of budget cuts? Assessing the adequacy of the 2013/14 social development budgets for funding of Children's Act services

Debbie Budlender and Paula Proudlock

August 2013

SUMMARY

For the detailed paper please see www.ci.org.za under the Children's Act link or contact debbie.budlender@gmail.com or paula.proudlock@uct.ac.za

Introduction

The Children's Act No. 38 of 2005 is South Africa's primary law for realising children's constitutional rights to care, protection and social services. It does this by obliging the provincial MECs for Social Development to provide, fund and regulate a range of social welfare services for children and their families. These services include:

- Partial care and early childhood development programmes
- Drop-in centres
- Prevention and early intervention programmes
- Protection services
- Foster care placement and supervision
- Adoption placement
- Child and youth care centres.

One way of assessing government's progress in implementing the Act is to monitor the budget that is allocated for the services listed above. This study analyses the ***budget sub-programmes*** within the provincial social development budgets that most closely match the services listed in the Children's Act, namely *child care and protection*, *HIV/AIDS*, and *family care and support*. Table 1 below indicates what type of Children's Act services are most likely to be funded under these budget sub-programmes.

Table 1 Location of Children's Act services within budget sub-programmes

Budget sub-programme	**Services that are likely to be funded under this sub-programme**
Child care and protection	Partial care, early childhood development (ECD), protection services, some prevention and early intervention services, foster care placement and supervision, adoption, temporary safe care, child and youth care centres.
HIV/AIDS	Some prevention and early intervention services such as home and community based care and other types of support programmes for orphans and vulnerable children (OVC), and drop-in centres.
Family care and support	Some prevention and early intervention programmes especially child and family counseling, family mediation services, family preservation and parenting skills programmes.

We also examine the sub-programme *professional and administrative support*. Four of the provinces (Eastern Cape, Free State, Gauteng and North West) appear to locate most of the relevant staff salaries within the separate service delivery sub-programmes listed in table 1 above, while five (KwaZulu-Natal, Limpopo, Mpumalanga Northern Cape, Western Cape) appear to locate most of their social welfare services staff salaries in the *professional and administrative support* sub-programme.

On an annual basis each province receives a portion (called the provincial equitable share) of the revenue collected at a national level by the South African Revenue Service (SARS). This money accounts for more than nine-tenths of the province's revenue. In theory, the provincial legislatures make the final decision over how this money is allocated between the provincial departments. However, in practice the decisions are made by the provincial executives.

National government can influence how the provinces allocate the budget between their departments by passing national laws such as the South African Schools Act, National Health Act and the Children's Act which place mandates on the provinces to provide and fund education, health and social welfare services respectively. National government can also influence the level of funding by prescribing norms and standards which specify the quality and quantity of the services that must be provided.

Provinces can also receive revenue in the form of conditional grants. This money is channelled through national departments and can only be used for the purpose for which it is given. For example, in 2013/14 some provinces receive a conditional grant for social sector expanded public works (EPWP).

National government can also provide additional funds within the equitable share for specific sector priorities. These sector priorities are negotiated and agreed upon between the Minister of Finance, the national Minister for Social Development and provincial MECs for Social Development in co-operative government forums such as MINMEC, the Budget Council and Budget Forum. Because this additional money is part of the provincial equitable share, provinces can decide how they will spend it. However, there is an expectation that provinces will use the money for the agreed purposes due to the constitutional and statutory principles of co-operative governance.

In this year's analysis we pay special attention to these additional allocations. They include:

- R650 million in 2013/14 and R700 million in 2014/15 for **Isibindi and ECD**;
- R938 million over the three years of the medium term expenditure framework (MTEF) of 2013/14 to 2015/16 for the employment of **social work graduates**; and
- R600 million over the three years of the MTEF of 2013/14 to 2015/ for **non-profit organisations (NPOs).**

The detailed longer paper (available on www.ci.org.za) is divided into four sections:

(1) The first part explains what the Children's Act says in terms of services that government is required to provide and its obligations in terms of funding. It also describes the methodology used for our analysis.

(2) The second section analyses the budget sub-programmes of the provincial departments of social development that are most relevant for implementation of the Children's Act. It includes a comparison of the total allocations for these sub-programmes with the estimates produced in the costing exercise of the Children's Bill. It also includes discussion of under spending. Further, it includes an assessment of the extent to which the provincial departments are allocating all the available (including "additional") funds provided this year for children's services.

(3) The third section discusses five special focus areas, namely government personnel, NPO transfers, Isibindi, ECD, and reform schools and schools of industry.

(4) The final section provides the key conclusions based on the analysis.

The summary that follows highlights some key points from the longer paper.

Key points for noting in this year's paper

This is our seventh annual analysis of the budget available for implementing the Children's Act. Key points that stand out as noteworthy in this year's analysis include the following:

Constrained fiscal environment requires cuts to budget "baselines"

The provincial budgets tabled in 2013 must be understood against the background of a constrained fiscal environment. The budget guidelines provided to provinces in August 2012 outlined a series of expectations as to how national and provincial agencies should plan their budgets for the 2013/14 MTEF to help cope with the global economic and financial crisis. All agencies were told to reduce their budget "baselines" – i.e. the estimates for these years reflected in the 2012 budget books – by 1% for 2013/14, 2% for 2014/15, and 3% for 2015/16. The intention was that government would then use the amounts "saved" to fund infrastructure projects as well as the higher-than-expected increases in government salaries agreed to in the 2012 salary negotiations, without requiring an increase in the size of the overall budget.

Additional allocations for sector priorities enable average *real* growth for children's services

The first four numeric columns of Table 2 show the amounts allocated in each province for the three relevant sub-programmes and relevant staff for 2012/13 and the three years of the MTEF. The final four shaded columns show the real increase for each year of the MTEF and averaged over the three years.

Table 2 Total allocations for Children's Act services (R000)

	Budget allocations				Annual real % increase			
	2012/13 Adjusted	2013/14	2014/15	2015/16	2013/-14	2014/-15	2015/-16	3-yr average
Eastern Cape	454 971	750 416	784 324	850 646	56%	-1%	3%	17%
Free State	384 742	413 932	425 927	433 630	2%	-2%	-3%	-1%
Gauteng	1 327 428	1 604 447	2 012 305	2 334 488	14%	19%	11%	15%
KwaZulu-Natal	739 075	890 794	948 170	1 025 415	14%	1%	3%	6%
Limpopo	457 758	496 673	526 944	559 752	2%	1%	1%	1%
Mpumalanga	285 148	413 428	478 871	516 350	37%	10%	3%	16%
Northern Cape	141 346	196 907	207 749	220 946	32%	0%	1%	10%
North West	316 022	342 284	365 709	392 910	2%	1%	2%	2%
Western Cape	524 729	605 088	668 680	720 201	9%	5%	3%	5%
Total	**4 631 220**	**5 713 967**	**6 418 679**	**7 054 338**	**17%**	**7%**	**5%**	**9%**

Despite the general requirement for budget reductions, when looking at all the provinces' budgets combined, the allocation to children's welfare services has not been reduced. Instead the combined figure shows substantial *real* budget growth i.e. the combined total is bigger even after adjusting for inflation. The last column in table 2 below shows that for all provinces combined the allocations for Children's Act services increase by a real annual average of 9% over the three years of the MTEF. This annual average reflects a cross-province average increase of 17% between 2012/13 and 2013/14, followed by lower real increases of 7% and 5% respectively for the outer two years of the MTEF. The increases are mainly due to the additional allocations for the agreed priority areas.

However there is great variation across the provinces. Eastern Cape, Mpumalanga, Gauteng and Northern Cape all reflect double-digit real average annual increases over the MTEF period. In contrast, Free State records an average real decrease of -1%, Limpopo has a real average increase of only 1% and in North West the average increase is only 2%. These three provinces show little evidence of intention to improve services for children. It is difficult to understand how they decided on these low allocations given all the additional allocations for Children's Act-related services.

ECD, Isibindi, NPOs and social work graduates prioritised for additional allocations

Table 3 shows the extra amount that would have been allocated by the Division of Revenue Act 2013 to each province for each of the agreed priorities.

Table 3 Provincial amounts of additional equitable share allocations for 2013/14 (R000)

Province	ECD & Isibindi	NPOs	Social work graduates	Victim empowerment	Total
Eastern Cape	96 850	14 900	17 880	5 364	134 994
Free State	38 350	5 900	7 080	2 124	53 454
Gauteng	118 300	18 200	21 840	6 552	164 892
KwaZulu-Natal	141 050	21 700	26 040	7 812	196 602
Limpopo	79 950	12 300	14 760	4 428	111 438
Mpumalanga	52 650	8 100	9 720	2 916	73 386
Northern Cape	17 550	2 700	3 240	972	24 462
North West	43 550	6 700	8 040	2 412	60 702
Western Cape	61 750	9 500	11 400	3 420	86 070
Total	**R650 000**	**R100 000**	**R120 000**	**R36 000**	**R786 000**

Five provinces are not using all their available funding for Children's Act services

In the longer paper we compare the actual allocations for Children's Act services for 2013/14 with the funds available. Funds available include the normal provincial equitable share allocation plus the additional allocations.

While there are clear increases in all the targeted areas when all provinces are combined and when the allocations are compared with the allocations for these areas predicted in the 2012 budget books, our assessment suggests that provinces are not always using the full available and additional allocations. Limpopo is the worst performer on this measure allocating only 85% of the funds available, and North West (88%), Free State (91%), KwaZulu-Natal (92%) and Western Cape (95%) also appear to be under-utilising the available and additional funds. The Free State's under-usage of R41 million of its available funding is particularly concerning given the provincial department's argument in the NAWONGO court case that it does not have sufficient budget to adequately fund NPOs. In contrast, some provinces have topped up the additional allocations from own funds.

Overall, for the nine provinces combined, the combined allocations suggest that the difference between the available money and actual allocations was less than 1%, with the actual allocations less than the available money. The fact that allocations were less than the available money is cause for concern in a context where substantial growth in budgets and services is required to address the large gap between the number of vulnerable children currently reached and the number in need of services. (See page 42 of the longer paper for more details on each province's use of available and additional funds)

Child care and protection sub-programme grows by 30%

The earmarked additional allocations to the provincial equitable share for ECD and Isibindi, NPOs and social work graduates helped ensure that the main budget sub-programme housing Children's Act services – *child care and protection* – was able to grow at a cross-provincial real average of 30% between 2012/13 and 2013/14. Overall, the average annual increase over the three years of the MTEF is 14%. This is double the average annual increase recorded for the 2012 MTEF. However, the 2013/14 average growth masks **substantial variation between the provinces** with Limpopo and Free State showing a -5% decrease and a low 1% growth respectively versus Eastern Cape's high 171% and Northern Cape's 62%.

Two more provinces shift staff salaries into service delivery sub-programmes

The large increase for Eastern Cape mentioned above is mainly due to the shifting of government staff salaries from the *professional and administrative* sub-programme to the *child care and protection* sub-programme. North West confirms that their high increase is also partly explained by the shifting of staff from the *professional and administrative support* sub-programme. Eastern Cape and North West have now joined the Free State and Gauteng in housing most of their government personnel salaries under the service delivery sub-programmes instead of in the *professional and administrative support* sub-programme. For the North West it appears as if the shift started in mid-2012/13 while for the Eastern Cape it started at the beginning of 2013/14. Housing the relevant staff salaries in the service delivery sub-programmes, instead of clustering them all together in one administrative sub-programme, makes it clear how much government is spending on salaries for a particular service. The five remaining provinces still have to make this shift.

Which services are being prioritised within the child care and protection sub-programme?

The allocations for child and youth care centres account for a relatively small proportion of the child care and protection sub-programme's budget despite the fact that they are a "must provide" service. For example, in North West the allocation for children's homes amounts to 19% of the NPO transfers in this sub-programme, in Free State for 9% of the NPO transfers and in Northern Cape for 7%. This can be compared to the allocations for transfers to NPOs for ECD in these same provinces which account for 55%, 72% and 72% respectively. Given that the cost per child is much lower for ECD than for child and youth care centres, this comparison gives a clear indication that government is prioritising ECD.

However, while ECD has been prioritised when compared to other services, and is targeted through an additional allocation, this year's analysis shows that ECD does somewhat less well than last year in some provinces. For example, several of the provinces will still not have reached the amount of R15 per child per day by 2013/14. Further, not all provinces will be increasing the number of children reached by ECD services. It is also not clear from the narratives whether all will be funding the norm of 264 days per year. (See page 56 of the longer paper for more details on ECD.)

Gauteng has allocated its additional funds for employment of social work graduates to its child care and protection sub-programme to assist in reducing the foster care backlog**.** The province acknowledges that while foster care placements are the "first choice" for alternative care for children in need, the court process is lengthy and the requirement for continuous monitoring by social workers is onerous. Despite increasing staff to address the foster care backlog in 2013/14, Gauteng's plans to make fewer foster care placements in 2013/14 than achieved in 2012/13. In contrast, KwaZulu-Natal plans 22 462 foster care placements for 2013/14. This represents four times as many placements in 2013/14 as in 2012/13 (for which they report 5 827 placements). Either there is a mistake in KwaZulu-Natal's projections or they are planning a massive foster care placement drive using a new approach. (See page 22 of the longer paper for more details on foster care.)

Ups and downs for OVC support programmes

The *HIV and AIDS* sub-programme does not fare well. It shows a low cross-provincial real increase of only 1% for 2013/14 and a -1% average annual decrease across the MTEF. Services that fall under this sub-programme are likely to include some prevention and early intervention services and, in particular, home- and community-based care and other support programmes for OVC. The decreases are especially worrying at a time when funding from the US Presidents Emergency Fund for AIDS Relief (PEPFAR) has been drastically decreased and the number of orphans is increasing each year.

There are substantial variations across the provinces in the trends for allocations to the HIV and AIDS sub-programme. At the extremes, Mpumalanga shows a 47% increase versus North West's -14% decrease. The unusually large increase in Mpumalanga is explained by the province housing the Isibindi allocations in this programme.

In 2012 government announced that it would embark on a five-year programme in which 10 000 community-based workers would be employed so as to provide prevention, early intervention and protection services to approximately two million orphaned and vulnerable children across the nine provinces. This would be done through capacity building of 400 or more NPO partners who would implement NACCW's Isibindi model. The increased additional funding for the Isibindi rollout in the 2013 and 2014 budgets kick starts this planned Isibindi rollout. However the exact amount of the additional allocations is not identifiable in the budgets as the additional allocations for Isibindi and ECD were combined.

Comparisons across provinces are also difficult because provinces have housed Isibindi in two different sub-programmes. The majority have housed it in *child care and protection* while some, including KwaZulu-Natal and Mpumalanga, have located it in *HIV/AIDS*. It is therefore not possible to assess whether sufficient budget has been allocated to Isibindi to enable the targets to be met.

Rollout of Isibindi is a very welcome move as it is a quality and cost-effective programme. However, it is important to guard against provinces using the additional allocations for Isibindi to justify cutting back of funding for other well-functioning community-based initiatives that support OVC. This is of especial concern given the cut-backs in funding from PEPFAR to these projects and the fact that not all provinces receive and use the EPWP social sector incentive conditional grant for funding of home- and community-based services.

What is happening with funding for family support?

The *care and support to families* sub-programme shows a real increase of 8% in 2013/14 when analysed across all nine provinces. Further smaller real increases are recorded for the following two years, giving an average annual real increase of 4%. This sub-programme includes allocations for some of the programmes listed as prevention and early intervention services in the Children's Act, in particular child and family counselling, parenting skills programmes and family preservation services.

At first glance, this is a positive picture for a sub-programme that has always been relatively neglected. However, as with the other service delivery sub-programmes the cross-provincial average masks substantial variation across the provinces. While -19% and -10% decreases are planned for Eastern Cape and Western Cape respectively, Northern Cape and Mpumalanga plan increases of 173% and 95% respectively in 2013/14. For Mpumalanga, the annual real increase is 67%. However, in absolute terms, this reflects an increase from a budget of R2 million in 2012/13 to only R11 million in 2015/16. This example illustrates the historically low funding base for sub-programme and puts these seemingly large increases into perspective.

Funding the public sector wage bill and absorbing social work graduates

The 2012 public sector wage agreement provided for a 7% increase in salaries (as against the 5,9% inflation rate at that time) for 2012, and an annual increase equivalent to the average projected consumer price inflation plus 1% for each of the next two years. The agreement also provided for an increase in the housing allowance from R800 to R900 per month, and increases in other benefits such as those relating to long service, night shift work, improved qualifications and others. These above-inflation increases explain why provinces were advised by National Treasury to use higher inflation rates for personnel than for other cost areas.

Only five provinces provide information on numbers of personnel in the social welfare programme that houses the Children's Act-related sub-programmes. Of the five provinces, all but Northern Cape have substantially larger social welfare staff numbers for 2013/14 in this year's budget book than they had predicted for 2013/14 in the 2012 budget book. In addition, all five of the provinces record an average annual increase in staff numbers over the MTEF period. In Western Cape the average increase is 9%. In Limpopo it is a massive 17%. The increases presumably reflect, at least in part, the additional allocations for employment of social work graduates.

For 2013/14 the national department of social development has allocated R250 million for **social work bursaries**. This is R6 million less, in nominal terms, than allocated in 2012/13. With increases in student fees, this will thus provide for fewer students than previously. In 2012/13 a total of 6 337 social work students were sponsored. By 2015/16 the number will have dropped to 4 248. The social work qualification spans four years and there are therefore fewer graduates per year than the total sponsored students per year. The bursary allocations will result in an annual average of 1 760 new social work graduates over the next four years.

Last year we noted that while the bursary allocations provided for full cost bursaries, no budget was allocated for employment of the social workers after they graduate despite the fact that one of the conditions of the bursaries was that graduates work for government for a period after qualifying. The Minister of Finance announced in the 2013 budget speech that additional funds would be allocated through the equitable share for employment of graduates. The amounts concerned amount to R120 million in 2013/14, R305 million 2014/15 and R513 million in 2015/16. Many provinces comment on this new funding and how it will be used to "absorb" graduates. Most intend to employ all the graduates themselves under the public service, while some intend to fund NPOs to absorb some of the graduates on lower salaries than required within the public service. (See page 45 of the longer paper for more information on each provinces plans for absorbing the graduates.)

Money meant for NPOs diverted to cover government wage bills

Several of the provinces intend to use some or all of the additional money provided for NPOs on their internal systems for "monitoring and support" to NPOs rather than for monetary transfers to the NPOs. For example, the Eastern Cape intends to use the additional money meant for NPOs to train NPOs on reporting, governance, administration and financial management. Northern Cape also intends to use the funds for improved reporting by and monitoring of NPOs. This was not the intention behind the additional allocation for NPOs which can be gauged from the clear wording in the national budget documents stating that the "additional funding" for NPOs is "to offset reductions in donor funding".

The situation in respect of NPO funding is one of the areas of most serious concern. Increases in these transfers are much smaller than one would have expected given that most of the additions to the equitable share should have translated into increases in NPO funding. KwaZulu-Natal is explicit about using NPO transfers as a cushion to absorb the budget cuts required by the budget guidelines. Eastern Cape also has a large cut in NPO transfers.

Table 4 shows that the overall percentage of the social welfare budget allocated for transfers to NPOs increases from 47% in 2012/13 to 49% in 2013/14. Despite the additional money that will be available in the outer years of the MTEF, the percentage drops to 48,7% in 2015/16. Further, even the 2013/14 percentage is less than that for all the years prior to 2012/13. These patterns are especially perturbing in a situation of constrained budgets because NPOs are widely acknowledged to provide services at a much lower cost than government.

Table 4 NPO transfers as a percentage of social welfare programme budget (R000)

	2009/10	2010/11	2011/12	2012/13 adjusted	2013/14	2014/15	2015/16
Eastern Cape	48.4%	43.3%	37.5%	35.0%	36.8%	34.8%	33.3%
Free State	60.3%	62.4%	59.6%	58.3%	56.0%	55.7%	54.9%
Gauteng	57.1%	62.0%	60.6%	60.7%	65.1%	60.4%	60.1%
KwaZulu-Natal	42.9%	45.7%	51.6%	35.7%	37.0%	36.6%	35.0%
Limpopo	45.2%	44.3%	48.4%	43.5%	47.4%	47.0%	46.8%
Mpumalanga	54.9%	57.6%	56.9%	45.3%	50.7%	55.5%	56.4%
Northern Cape	32.2%	34.5%	37.3%	37.3%	38.0%	37.4%	37.4%
North West	31.5%	30.5%	26.7%	25.4%	30.4%	30.5%	31.7%
Western Cape	66.1%	63.4%	64.2%	63.5%	62.9%	63.6%	64.1%
Total	**51.3%**	**51.8%**	**51.5%**	**47.0%**	**49.3%**	**48.9%**	**48.7%**

The positive average increase masks provincial variations. Two of the provinces show decreases while seven show increases in 2013/14. Free State continues to record a downward trend in the percentage of the budget allocated for NPOs, despite the on-going High Court case in which three judgments have found the province's policy to be unconstitutional in its underfunding of NPOs that deliver services on behalf of government.

Comparing the budget to the costing estimates reveals a large gap

As in previous years, we compare the budget allocations with the estimates of the costing of the Children's Bill done in 2005, which provided estimates of what is needed to implement the Children's Act over a six-year period. In making this comparison, we take 2009 as the first year in recognition of the fact that it took several years for the legislation to be enacted.

The actual allocation is calculated by adding up the three service delivery sub-programmes that contain Children's Act services plus 25% of the professional and administrative support sub-programme for the provinces that house all their staff in this sub-programme.

Table 5 Comparison of actual allocations with costing estimates for 2013/14

Actual budget allocation 2013/14	**Amount the costing report estimated would be needed in 2013/14**	
	IP low scenario	***FC high scenario***
R5,7 billion	R12,9 billion	R85,8 billion

The comparison reveals a large gap between what should be allocated versus what is being allocated. The allocations for 2013/14 are less than half, at 44%, of the estimated "implementation plan" (IP) amount. Yet the IP estimates take as their base the very inadequate levels of service available in 2005 and provide for lower quality services. If the comparison is done with the "full cost" (FC) costing estimate which provides for estimated objective needs and higher quality services, the 2013/14 allocations amount for a tiny 7% of the estimated cost.

Conclusion

The costing report revealed that in 2005 government was funding only 25% of the cost of implementing the old Child Care Act. Historically social welfare services for children have therefore been grossly under-funded in South Africa. This under-funding needs to be juxtaposed against the context of South Africa's high rates of child abuse, abandonment and orphaning. In 2010, the Children's Act ushered in a new era by recognising government's constitutional obligations to realise children's rights to care, protection and social services and by making it clear that government is primarily responsible for providing and funding the comprehensive range of social welfare services for children. Given the historically low funding base for this area of services, if we are to achieve the objectives of the Children's Act we need to see continuous above average real budget growth in the sub-programmes that house children's welfare services.

In the context on an on-going economic crisis and on-going high levels of unemployment, families are under material and psychological stress to make ends meet. Under these conditions children are at even greater risk of vulnerability, under-development, abandonment, neglect and abuse. Growing the budget allocations for programmes and services that strengthen and support vulnerable families will lessen this risk and keep children safe.