

BUDGET

CHILDREN AND SOUTH AFRICA'S SOCIAL DEVELOPMENT BUDGET



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KEY MESSAGES

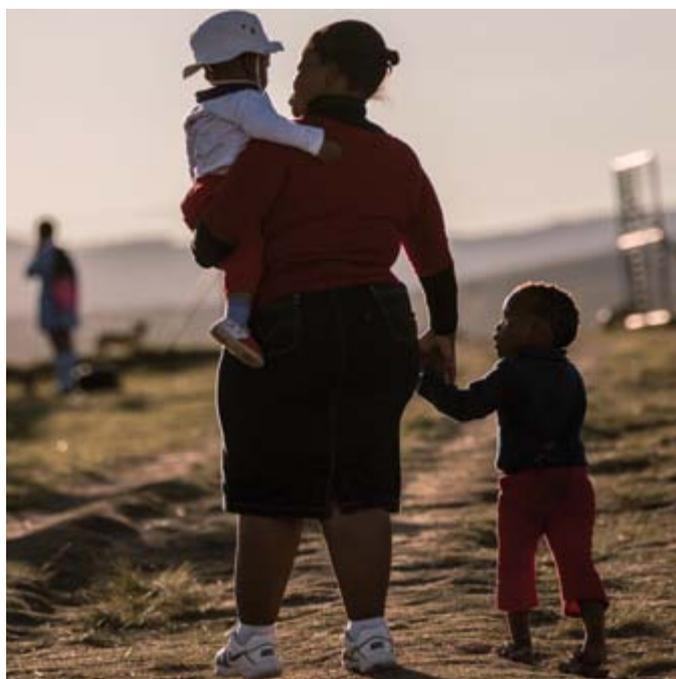
- Spending on social grants accounts for 84% of the annual consolidated national and provincial social development budget. The three child grants together account for 36% of the consolidated amount.
- The share of Department of Social Development (DSD) provincial budgets allocated for services for children and families increased substantially, from 21% in 2009/10 to 38% in 2016/17, and increased in all provinces except Free State.
- For all provinces combined, prevention and early intervention (PEI) services account for only 18% of the children and families budget and less than 1% of combined national and provincial DSD budget. All provinces except Gauteng plan decreases in the share going to these services over the period 2016/17 to 2018/19.
- In 2016/17, the combined allocations for early childhood development (ECD) across the nine provinces amounted to R2,285 million, almost as much as the total for PEI services. However, the ECD allocation is only just over a quarter of need amongst the poorest households.
- In 2015, 11,703,165 children benefited from the child support grant (CSG) and 499,774 from the foster child grant (FCG). This is double compared to 2005 when the comparable numbers were 5,648,800 and 256,949 respectively.

This brief is one of four that explore the extent to which government budgets in South Africa address the needs of children under 18 years in the country. The briefs aim to describe the shape and size of the relevant budgets, and highlight some of the key funding-related issues. The objective is to contribute to informed advocacy and decision-making.

This brief looks at social developments budgets. It first presents and describes a set of key indicators. It then discusses how much provinces allocate for children's services, and budgeting for PEI services, ECD, non-profit organisations (NPOs) that deliver children's services, and child grants.

R167 billion

Total annual national and provincial DSD budget



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Key indicators

Social development as percentage of consolidated budget, 2016/17	11%
Child social assistance as percentage of Social Development budgets, 2016/17	36%
Child welfare services as percentage of Social Development budgets, 2016/17	4%
Child social assistance per poor child per year, 2016/17	R5,041
Child welfare services per poor child per year, 2016/17	R564
Child PEI services per poor child per year, 2016/17	R104

Table 1 shows that in 2016/17 the budget for the national DSD stands at R148,938 million (R149 billion), of which R86 million consists of transfers to provincial DSDs. The combined budgets for DSDs across the nine provinces amount to R17,781 million (R18 billion). Together, national and provincial DSDs have a consolidated budget of R166,633 million (R167 billion).

Social grants are provided for in the national DSD's budget. The grant amounts alone, excluding grant administration costs, amount to R140,499 million (R141 billion), which is 84% of the consolidated national and provincial DSD budget.

There are three child grants. For 2016/17 the DSD has budgeted for:

- 12.3 million children to receive the CSG at a cost of R51,951 million (R52.0 billion);
- 461 thousand children to receive the FCG at R5,521 million (R5.5 billion); and
- 148 thousand children to receive the care

Table 1. Summary of national and provincial DSD budgets, 2016/17 (Rm)

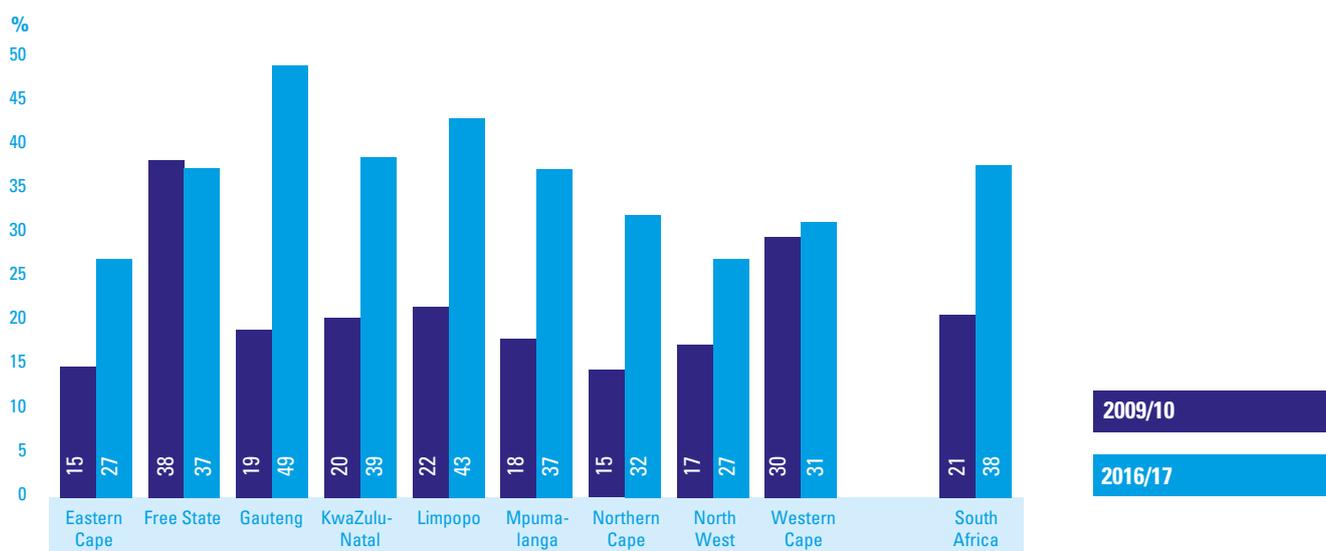
Department	National	Provincial	% of total
National DSD	148,938		89%
National DSD transfer to provinces	-86		0%
Combined provincial DSD budgets		17,781	11%
Eastern Cape		2,384	1%
Free State		1,145	1%
Gauteng		4,235	3%
KwaZulu-Natal		2,778	2%
Limpopo		1,634	1%
Mpumalanga		1,455	1%
Northern Cape		774	0%
North West		1,415	1%
Western Cape		1,961	1%
Total DSD budget		166,633	100%

dependency grant (CDG) at R2,677 million (R2.7 billion).

The three child grants together amount to 36% of the consolidated DSD budget.

Welfare services are budgeted for mainly by the provinces. The nine provinces combined allocated R6,739 million for the children and families budget programme in 2016/17, while the national DSD budgeted R77 million for child and family welfare services. Together, these allocations amount to only 4% of the consolidated DSD budget.

Figure 1. Children and families as share of provincial DSD budgets, 2009/10 and 2016/17



Source: Estimates of provincial revenue and expenditure

National Treasury considers the 40% of households with lowest incomes as poor for purposes of determining provincial equitable shares of national revenue.

Calculations based on Statistics South Africa’s General Household Survey of 2015 find that 64% of children live in the poorest households defined in this way. The percentage of children who are poor ranges from 42% in Gauteng to 80% in Eastern Cape. In absolute terms, 11.9 million children are poor. The annual allocation per poor child of the three child social grants combined is R5,041 and the annual allocation per poor child for child welfare services is R564 in 2016/17 if the number of poor children is the same as in 2015. If the focus within child welfare services is narrowed to PEI services (see below), then the amount per child falls to R104 per year. Calculating the allocation for welfare services per poor child rather than basing calculations on the full child population gives an optimistic picture. Government is obliged to ensure that some statutory services related to child protection are available for all children when needed, regardless of the child’s poverty status.

Donor funding recorded in the national DSD’s 2016 budget for 2015/16 amounts to a total of R127.6 million. This is equivalent to about 0.1% of the consolidated DSD budget. The percentage remains below 1% even if social grants are excluded from the DSD budget.

HOW MUCH DO PROVINCES ALLOCATE FOR CHILDREN’S SERVICES?

The Children’s Act of 2005 gives further substance to the strong rights for children enshrined in the country’s Constitution of 1996. The Act specifies that the provincial Members of the Executive Council (MECs) “must provide” several of the services, and “may

provide” other services. These clauses identify services that the provinces must either deliver themselves, or allocate resources to other actors to enable them to deliver services on the provinces’ behalf. It is typically non-profit organisations (NPOs) that play this role, with minimal for-profit private sector provision.

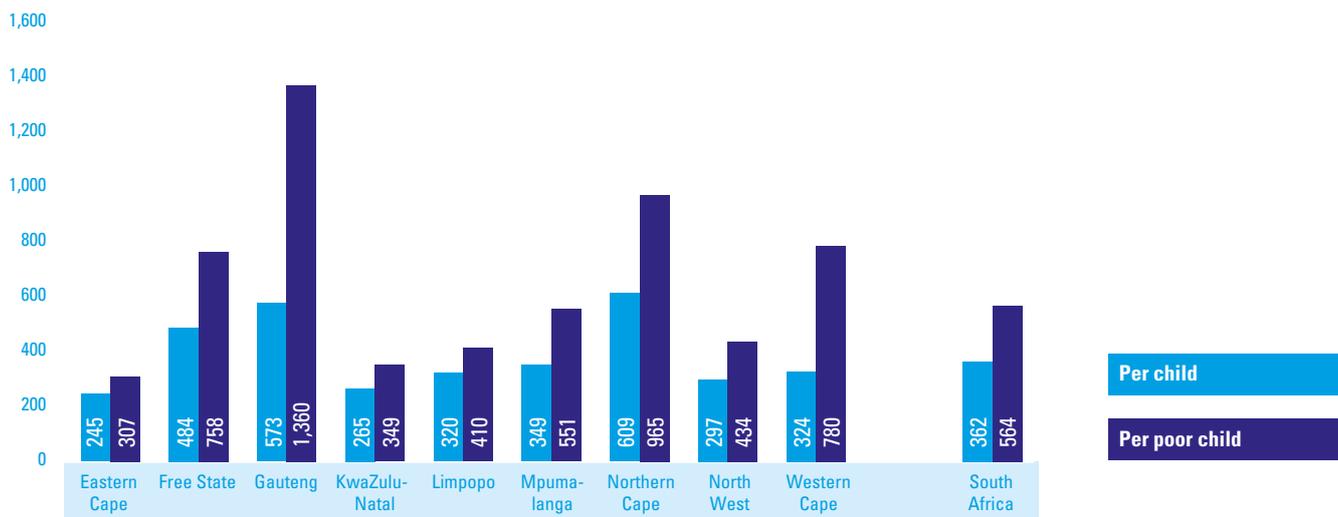
Since 2014/15, funding for children’s services has its own budget programme within provincial DSD budgets. Table 2 gives the programme structure of provincial DSD budgets, as well as the subprogramme structure within the children and families programme. The bold italics highlight the elements discussed in this brief.

Figure 1 shows that for all provinces combined, the share of DSD provincial budgets allocated for services for children and families increased substantially, from 21% in 2009/10 to 38% in 2016/17. Free State is the only province that did not see an increase. In 2009/10, the children and families share in Free State was higher than in all other provinces. By 2016/17, Free State had fallen to fifth place. Of those with an increased share, Western Cape has the smallest proportional increase and Gauteng the largest. As discussed below, the expansion of allocations for ECD has contributed significantly to the increase in the children and families budget.

In 2016/17, provincial budgets for the children and families programme range from R249 million in Northern Cape to R4,235 million in Gauteng. Northern Cape has the smallest population and Gauteng the second largest (after KwaZulu-Natal), so the size of the population served partly explains these patterns.

Nevertheless, large disparities remain after adjusting for size of the child population. Figure 2 shows the amount allocated for the children and families programme per child, ranging from R245 per child per year in Eastern

Figure 2. Children and families allocation per child, 2016/17



Source: Estimates of provincial revenue and expenditure and own calculations using data from the General Household Survey, 2015

Table 2. Provincial DSD budget programmes and subprogrammes

Programmes	Subprogrammes
Administration	
Social welfare services	
<i>Children and families</i>	Management and support
	Care and services to families
	<i>Child care and protection</i>
	<i>ECD and partial care</i>
	Child and youth care centres
	<i>Community-based care services for children</i>
Restorative services	
Development and research	

Cape to R609 in Northern Cape. The disparities increase if analysis is restricted to children in the poorest 40% of households. The range is now from R307 per year in Eastern Cape to R1,360 in Gauteng. The Gauteng amount is more than four times the size of that in Eastern Cape.

HOW MUCH IS ALLOCATED FOR PEI SERVICES FOR CHILDREN?

South Africa has a worryingly high incidence of child abuse of various forms. A recent study found that 35% of children aged 15–17 years who were surveyed in schools and 26% of those surveyed at home reported that they had been subjected to sexual abuse at some time in their life. Ideally, one wants to prevent abuse rather than allocating resources to deal with it only once it has occurred. The

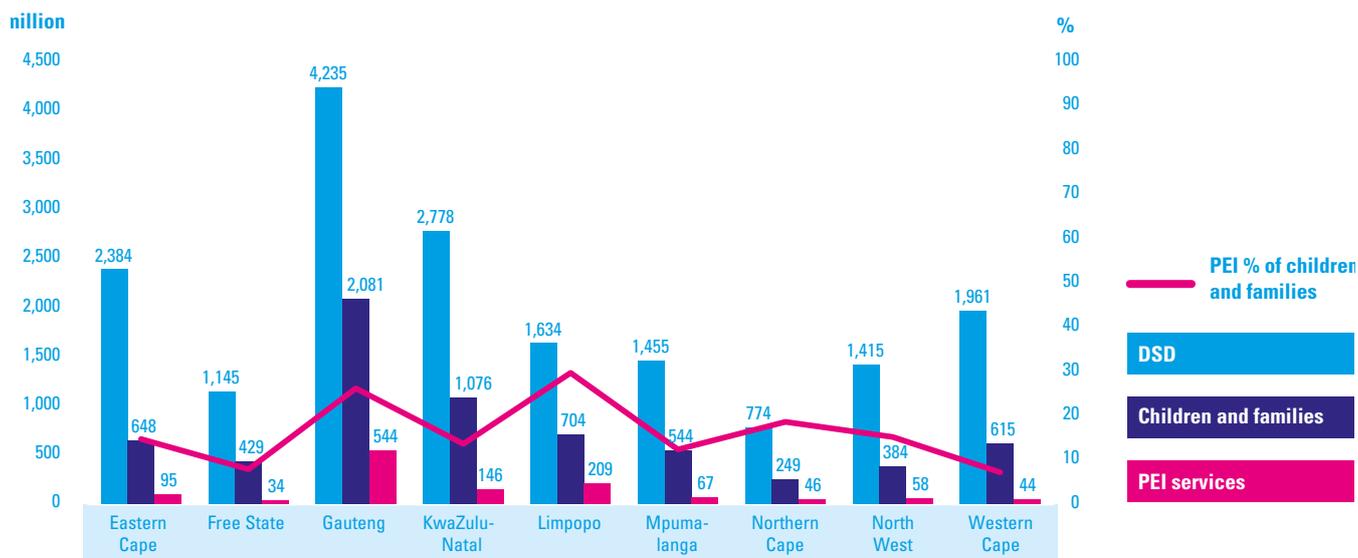
Children’s Act states that the provincial MECs “must” provide for PEI services for children.

As seen in Table 2, there are seven subprogrammes within the children and families programme. Their roles are described below, with italics used for those that mainly consist of PEI services:

- Management and support does not directly deliver services.
- *Care and services to families provides PEI-related services.*
- Child care and protection should, ideally, provide PEI-related services but currently (as discussed below) most of the resources are allocated for social workers’ activities related to foster care.
- ECD and partial care provides an important developmental service, but is not core PEI.
- Child and youth care centres provides for institutional care.
- *Community-based care services for children provides PEI-related services.*

Figure 3 shows the total DSD budget per province in 2016/17, the budget within that for the children and services programme, and within that the budget for the two subprogrammes identified as consisting mainly of PEI services. The line on the graph shows that the PEI allocations range from 8% of the children and families budget in Free State to 26% in Gauteng. For all provinces combined, PEI services – at a combined total of R1,243 million – account for 18% of the children and families budget, equivalent to less than 1% of the combined national and provincial DSD budgets. All provinces except Gauteng show decreases in the share of the children and families allocation going to PEI services over the medium-term expenditure framework period of 2016/17 to 2018/19.

Figure 3. PEI services within children and families budgets, 2016/17



Source: Estimates of provincial revenue and expenditure and own calculations using data from the General Household Survey, 2015

Table 3. ECD as a percentage of provincial DSD budget, 2012/13–2018/19

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Eastern Cape	8%	6%	8%	9%	10%	12%	13%
Free State	19%	18%	19%	18%	21%	22%	22%
Gauteng	11%	10%	11%	10%	10%	11%	11%
KwaZulu-Natal	8%	9%	10%	13%	13%	16%	17%
Limpopo	17%	11%	15%	17%	16%	17%	18%
Mpumalanga	15%	0%	17%	16%	19%	19%	19%
Northern Cape	12%	12%	11%	11%	10%	11%	11%
North West	8%	7%	12%	7%	8%	9%	11%
Western Cape	13%	18%	13%	15%	15%	15%	14%
South Africa	12%	10%	12%	12%	13%	14%	14%

WHAT PRIORITY IS GIVEN TO ECD?

The National Development Plan identifies ECD as a priority. It proposes that every child attend two years of ECD before entering Grade 1. Currently, the Department of Basic Education is responsible for Grade R, the reception year immediately before Grade 1. The DSD is responsible for ECD services for younger children. The Medium Term Strategic Framework confirms that the DSD will be responsible for the extra year of pre-school education.

ECD became a separate budget subprogramme within the children and families programme in 2014/15.

The Children’s Act specifies this as a service that the provincial MEC “may”, rather than “must”, provide. In 2016/17, the combined allocations for ECD across the nine provinces amounted to R2,285 million, almost as much as the total for PEI as defined above. Table 3 shows the share of the provincial DSD budget allocated

for ECD increasing in most provinces over the period 2012/13 to 2018/19. The exceptions are Gauteng (a constant share), Limpopo (vacillating shares), and Northern Cape (decreasing share).

ECD before Grade R is almost always provided by NPOs which run ECD centres, while Grade R is provided mainly in public schools. The 2013/14 national audit of ECD centres found a total of around 18,000 in the country. This is similar to the number of schools with Grade R in the country. The difference is that all registered schools (whether government or private) receive a government subsidy in respect of the service, while only about two-thirds of the ECD centres are subsidised by government.

ECD is the only DSD service area in which NPO subsidies are more or less standardised across provinces. The subsidy amount is R15 per child per day in all provinces except KwaZulu-Natal (where it is R17), although the number of days subsidised per year varies.

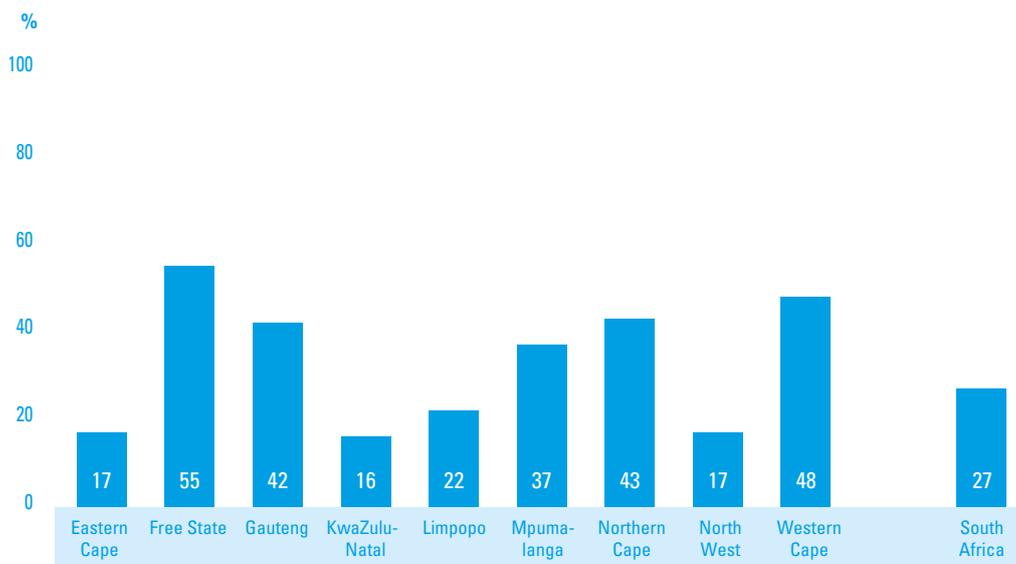
10%

Percentage of Grade 1 teacher's pay that ECD practitioners are paid



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Figure 4. ECD allocations in 2016/17 as a percentage of need



Source: Estimates of provincial revenue and expenditure and own calculations using data from the General Household Survey, 2015

ECD centres are meant to supplement the subsidy from other sources and, in particular, through fees from parents and caregivers. This is different from Grade R in public schools, where child grant beneficiaries and other children from poor households are exempt from fee payment. One result, besides exclusion of the poorest children, is that ECD practitioners tend to be paid only a tenth of what a Grade 1 teacher is paid.¹

Even at this low level of subsidy, the ECD allocations are inadequate to cater for all the poor children in need

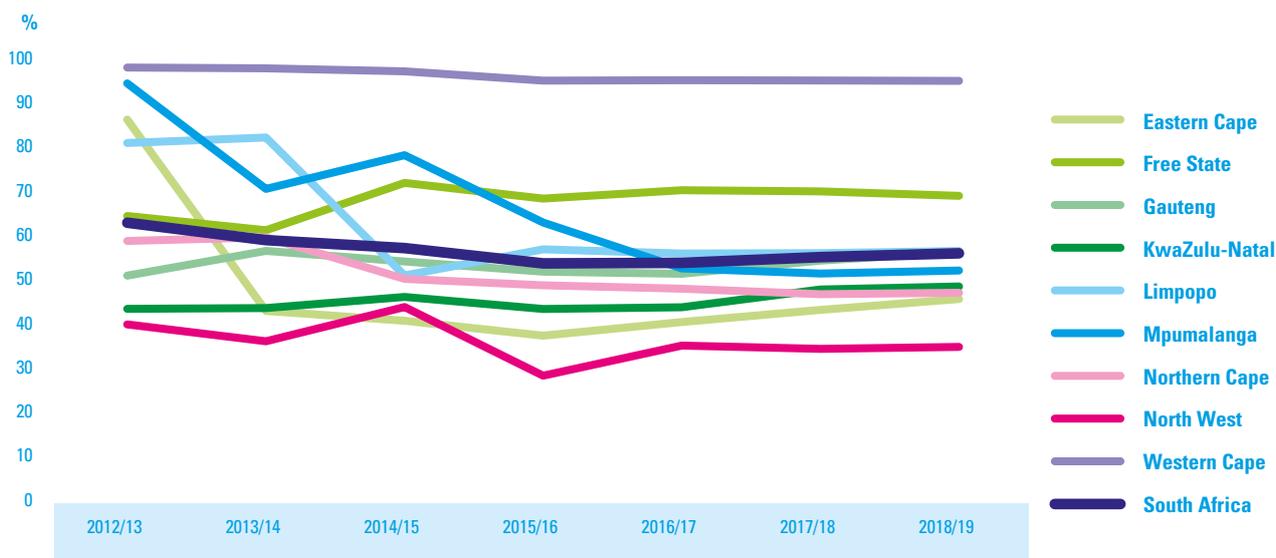
1 Spaul N, van der Berg S, Wills G, Gustafsson M & Kotzé J. (2016) *Laying Firm Foundations: Getting reading right*. Department of Economics, University of Stellenbosch: Stellenbosch.

of services. Figure 4 presents the 2016/17 allocations for ECD as a percentage of need. Need is calculated by assuming that 100% of 4-year-olds in the poorest 40% of households, 75% of 3-year-olds, 50% of 2- and 1-year-olds, and 25% of babies under 1 year require subsidised ECD services.² The subsidy is assumed to be R15 per child per day for 264 days per year. The calculations assume that the full ECD and partial care allocation is used for subsidies to ECD centres although this is not true for all provinces.

For the country as a whole, the combined allocations are

2 Estimates were derived from the General Household Survey, 2015.

Figure 5. NPO transfers within children and families programme, 2012/13–2018/19



Source: Estimates of provincial revenue and expenditure

only just over a quarter of what is needed. Free State is the best performer, but its allocation is only 55% of what is needed. Eastern Cape, North West and KwaZulu-Natal allocate only about one-sixth of what is needed.

ECD subsidies are clearly inadequate. Yet in 2015/16 ECD transfers amounted to 29% of all DSD subsidies to NPOs. In the same year, ECD transfers accounted for over half (51%) of subsidies to NPOs within the children and families programme.

WHAT ARE THE TRENDS IN FUNDING OF THE NPOS THAT DELIVER SERVICES TO CHILDREN?

NPOs are responsible for much of the service delivery of social development services in South Africa. Some of the NPOs are subsidised for this service delivery. The subsidy amounts are reflected in the budget documents as transfers to NPOs.

Figure 5 shows the provincial trends in the share of the children and families programme allocated for NPO transfers. For all provinces combined (shown as the thicker line), the share fell from 64% in 2012/13 to 55% in 2016/17. (The sharp fall for Limpopo in 2015/16 may reflect a change in where salaries are recorded in the provincial budget, but this should not seriously affect the overall pattern.) Western Cape records the highest share, in part because the province does not generally reflect government salaries in its service delivery programmes. However, even in Western Cape the share for NPO transfers has fallen.

Analysis reveals further inequities. The Children’s Act specifies child and youth care centres (CYCCs) as a service that provincial MECs “must” provide. This reflects the fact that the children in CYCCs are placed

there by courts and are wards of the state. All provinces provide monthly per-child subsidies to CYCCs. However, the amount provided is not standardised across provinces. Evidence from five provinces for 2015/16 shows the monthly subsidy ranging from R1,700 per month in Northern Cape to R2,650 – 35% higher – in Western Cape. Although Western Cape’s amount was the highest, it was less than half the R5,653 which KPMG estimated as the core monthly per-child cost for a children’s home in 2013.

Northern Cape’s subsidy had been constant since at least 2013/14, even though it was then already lower than the other four provinces for which information is available in that year. There are further disparities between types of CYCC. In Western Cape the subsidy for shelters, a type of CYCC, is the same as that for children’s homes, another type.

In KwaZulu-Natal, in contrast, CYCCs other than children’s homes received only R63 per child each month as compared to the R2,372 paid to children’s homes.

HOW WELL ARE CHILD GRANTS MEETING THE NEEDS OF POOR AND VULNERABLE CHILDREN?

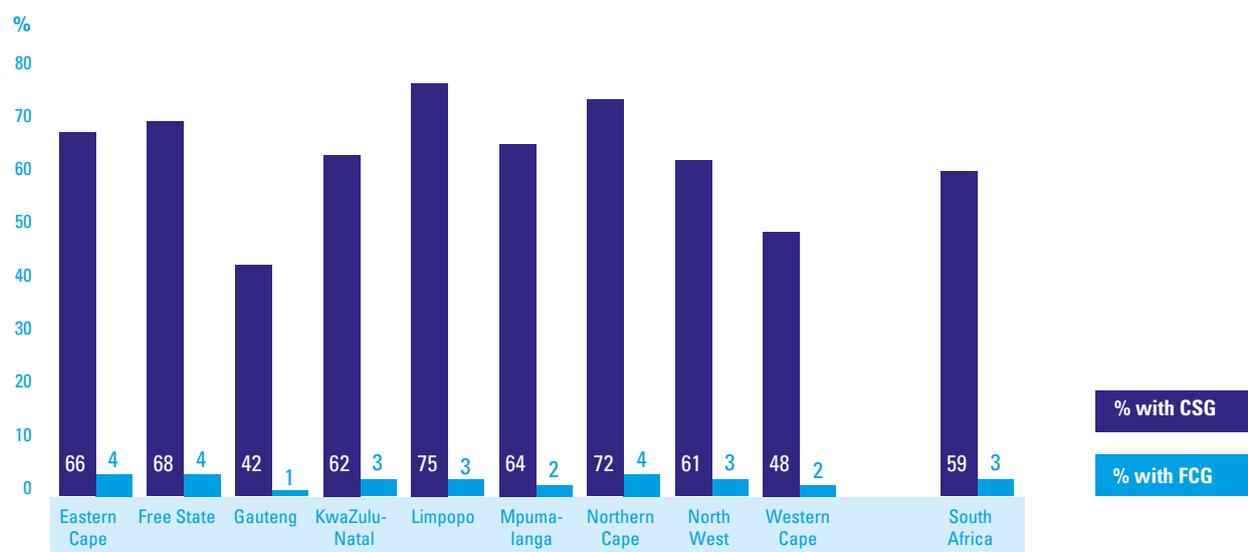
The amount spent on child grants – at R60,149 million in 2016/17 – is nearly 10 times as large as the R6,086 million spent on welfare services for children. The CSG accounts for 86% of the spending on child grants, the FCG for 9% and the care dependency grant for 4%.

The amount spent on the CSG is about nine times the amount spent on the FCG, but the CSG reaches 23 times as many children as the FCG. The difference between nine and 23 times is explained by the difference in the

Figure 6. Real value of grant amounts between 1999 and 2016 in 2016 rands



Figure 7. Percentage of children with child support and foster child grants



Source: Own calculations using data from the General Household Survey, 2015

monthly amount of the grant. Currently, the CSG is R350 while the FCG is R890.

Figure 6 shows the relative sizes of the three child grants over the period 1999 to 2016. The amounts are adjusted for inflation and expressed in 2016 rands. While there are large differences in the value of the three grants, each of the grants has more or less kept pace through inflation. The value of the FCG has fallen slightly in real terms over recent years, reflecting an effort to narrow the gap between this grant and the CSG.

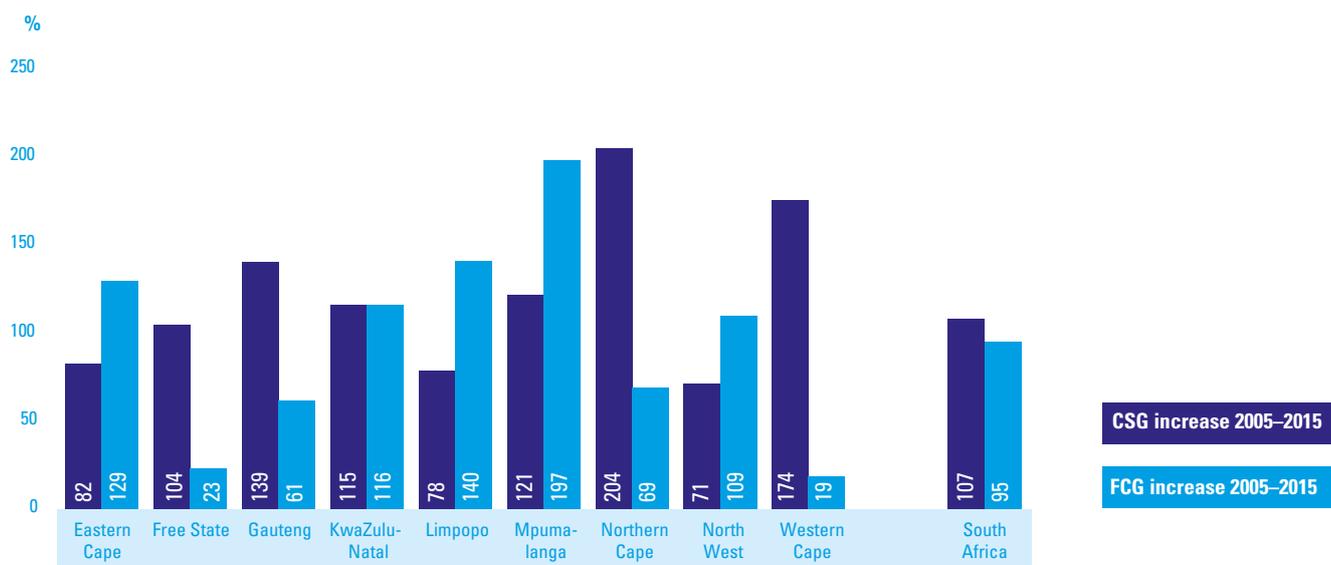
Overall, 59% of all children in South Africa were CSG beneficiaries in April 2015, and 3% were FCG beneficiaries. Figure 7 shows that in all provinces

except Gauteng half or more of all children benefited from one of these two grants. In Limpopo and Northern Cape more than three-quarters of all children were beneficiaries.

The number of children reached by grants has increased substantially over the last decade, although the number of children receiving the FCG has stagnated, or even fallen, in recent years. In 2005, 5,648,800 children benefited from the CSG and 256,949 from the FCG.

In 2015, the comparable numbers were 11,703,165 and 499,774 respectively. Ten years before that, in 1995, none benefited from the CSG as the grant did not yet exist, while about 50,000 children benefited from the FCG.

Figure 8. Percentage increase in child support and foster child grants, 2005–2015



Source: Statistics South Africa mid-year-population estimates; data provided by the South African Social Security Agency

Figure 8 shows that there has been a substantial increase in beneficiaries of both grants over the last 10 years in all provinces. The increase in the number of CSG beneficiaries is due primarily to a doubling during this period of the age range eligible for the grant, as well as a change in the means test to make it more generous.

The increase in the number of FCG beneficiaries is due to a change in approach in respect of eligibility for foster care placements. The original intention of foster care placements was to provide alternative care, outside the home, for children who were abused, neglected or otherwise in need of care and protection. The system is now being used as a form of social assistance for orphaned children. The majority of these children are *not* in need of care and protection in respect of abuse or neglect as they are cared for by family – typically by grandmothers and aunts. However, they are encouraged to apply for the FCG rather than the CSG because of the much larger amount.

The South African Social Security Agency deals quickly and efficiently with CSG applications. Accessing a FCG puts much more strain on the government system as it requires a long process that involves substantial social worker time as well as the time of court officials. In late 2014, more than 5,300 social workers and more than 1,600 social work supervisors spent their work time on foster care.

The foster care system was designed to provide care and protection for approximately 50,000 children, and is now struggling to provide for nearly 500,000. The result is a serious danger that children who are truly in need of care and protection will not receive the services they require. Meanwhile, there is inequity between different categories of children. Evidence suggests that the many children living only with their mothers are as likely, if not more so, to be poor as those who live with neither parent. However, the children with their mothers are eligible only for the CSG while those living with neither parent are often eligible for the FCG.