



Social Development Brief
South Africa

2019/20





This budget brief is one of **five** that explores the extent to which the national budget and social services sector budgets address the needs of children under 18 years in **South Africa**. This budget brief analyses trends in social development expenditure and allocations at the national and provincial levels.

Key messages and recommendations

South Africa plans to spend 207 billion rand (R) on social development programmes in fiscal year (FY) 2019. Combined social development spending will grow by 1.9 per cent above inflation annually over the next three years. Overall, the country spends 11.3 per cent of its public resources on social development (one of the highest rates in the world), which amounts to 3.8 per cent of the gross domestic product (GDP).

The government's commitment to deepen social assistance support is maintained over the medium term. Overall, allocations for child-focused social grants (excluding the foster child grant) and other programmes that reinforce the positive contribution of social grants to poverty reduction (e.g. the old age grant) are projected to increase. The national government is encouraged to:

1. Find the fiscal room to improve on its planned 2.2 per cent above-inflationary increases for social grants overall;
2. Refine and deepen its evidence base about the impact of social grants on children's and adults' social and economic outcomes through well-planned national impact assessments; and
3. Consolidate investment in child welfare services, which only attracts 4.1 per cent of combined social development budgets in FY2019.

At the provincial level, prevention and early intervention services are a low investment priority (only 6 per cent of combined provincial budgets on average), while there is a large disparity in per child spending on social grants and child welfare services. Provincial governments are encouraged to:

1. Communicate clearly how they are planning to prioritise social welfare funding over the next three years in view of cost containment and fiscal consolidation measures; and
2. Raise the spending profiles of prevention and early intervention services, given the widespread economic and social benefits.

Underspending is endemic in provincial budgets. This is driven by cost-containment measures, delays in filling funded vacant posts, lower than expected uptake of social grants, cash flow challenges and non-compliant non-profit organisations (NPOs). The national government is encouraged to:

1. Diagnose the drivers of underspending on social development services and develop a three-year action plan so that all provincial governments achieve budget utilisation rates above 95 per cent;
2. More specifically, reduce delays in procurement for infrastructure at the provincial level because poor spending on infrastructure impacts directly on substance abuse victims, young children accessing early childhood development (ECD) centres, and other physical assets needed to deliver social welfare services;
3. Complete and implement the financing and governance legislative changes for the NPO sector because NPOs are often implicated in underspending in both national and provincial social development departments; and
4. Provide additional spending support to provinces in view of the incorporation of the social worker employment grant and the substance abuse treatment grant into provinces' equitable funding streams.

In the context of a poorly performing economy and the real danger that the National Development Plan 2030 goals will not be met, the revised Medium Term Strategic Framework (MTSF) for social protection must be carefully scrutinised, especially its ability to sustain the realisation of the social and economic rights of children.

1.



Introduction

Governance and national policy

Social protection involves the delivery of goods and services across a range of departments. These include the delivery of social assistance (social grants), free basic education for 60 per cent of the country's poorest schools, school nutrition and school transport, free health care for pregnant women and children under the age of 6 years, access to the expanded public works programme, access to basic services at local government level and various labour market interventions. In this budget brief, we restrict our focus to the 10 social development departments and examine their contribution to social protection¹ in South Africa.

South Africa has nine sub-national (provincial) departments of social development, and a national Department of Social Development (DSD) that leads policy-making and coordination in the sector. The mandate of the social development sector has been established through several laws and policies that include:

- The Social Assistance Act (2004), which provides the legislative framework for providing social assistance (the social grants system);
- The 1997 White Paper for Social Welfare, which sets out the broad principles for a developmental social welfare system in South Africa;
- The Children's Act (2005), which sets out the principles relating to the care and protection of children;
- The Older Persons Act (2006), which provides a framework for empowering and protecting older persons;

- The Non-profit Organisation's Act (1997), which establishes an administrative and regulatory framework for NPOs;
- The Social Services Professions Act (1978), amended 1995, 1996 and 1998, which provides for the establishment of a South African Council for Social Service Professions and for establishing control over the various social work professions; and
- The Prevention of and Treatment for Substance Abuse Act (2008) (Act No. 70 of 2008), which provides for a comprehensive response for the combating of substance abuse and for mechanisms aimed at demand and harm reduction in relation to substance abuse through prevention, early intervention, treatment and reintegration programmes.

In terms of the government's Outcomes Framework,² the social development sector takes ownership of Outcome 13, which calls for an "Inclusive and responsive social protection system" (RSA Government, MTSF, 2014–2019). Shortly after the 2019 national elections, a new MTSF will be produced that will guide policy-makers and implementers during the five-year term of the new political administration. The MTSF is informed by the policy goals in the National Development Plan.

The high-level targets for social development (and their corresponding share of the social protection commitments) are articulated in the country's National Development Plan 2030³ and confirmed in the sector's MTSF. These include:

- By 2030, South Africa should have a comprehensive system of social protection that includes social security grants, mandatory retirement savings, risk benefits (such as unemployment, death and disability benefits) and voluntary retirement savings.
- Social welfare services should be expanded, with more education and training for social work practitioners (social workers, auxiliary social workers, child and youth care workers, and community development practitioners) and a review of funding for NPOs.
- Ensure that individuals and households that are eligible to receive much-needed social grants receive the support they need to access them.

In the context of a poorly performing economy and the real danger that the National Development Plan 2030 goals will not be met, the revised MTSF must be carefully scrutinised, especially its ability to sustain the realisation of the social and economic rights of children.

Indicators on the health of the social development system

The latest survey data indicate that two thirds of South African children under the age of 18 are receiving the child support grant, while

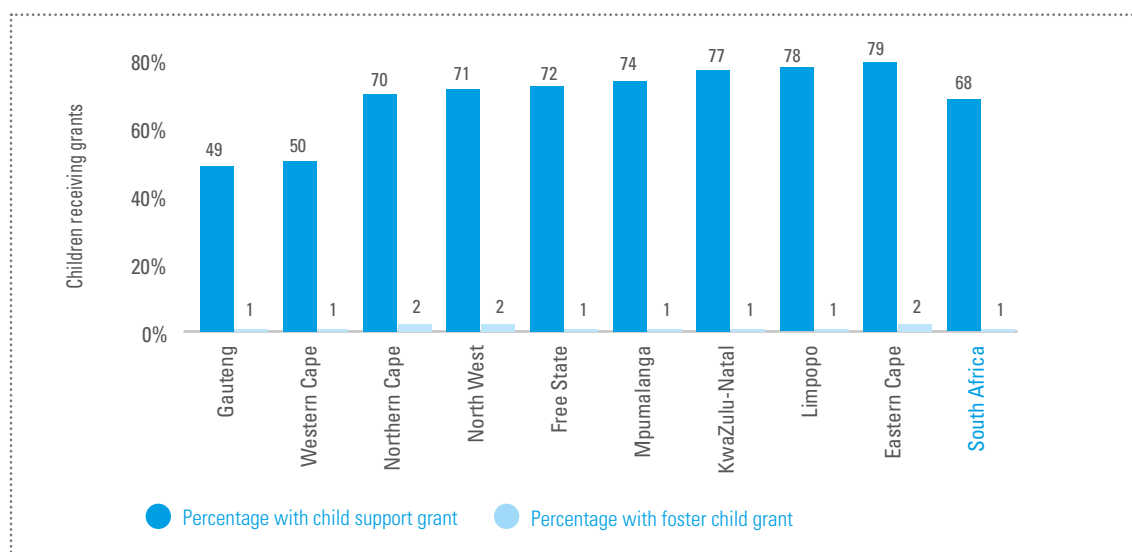
just more than 1 per cent receive the foster child grant.

Survey estimates put the number of children receiving the child support grant at more than 13.3 million, whereas a four-month average of official administrative data⁴ (February, July, September and December 2018) results in a total number of 12.3 million grant recipients. With regard to the foster child grant, survey estimates point to approximately 221,000 children receiving the grant, while a four-month average shows that almost 408,000 children were recipients of the grant.

Social grants for children consume roughly 36 per cent of total resources in the social development sector, while child welfare services receive a much smaller share of only 4.1 per cent

(Table 1). The per child data in the table confirm the centrality of social grants in the government's social protection strategy, but also point to concerns about the funding of social welfare services and the low base from which prevention and early intervention services are funded. For children who live below the national poverty line (using the lower-bound poverty line), child welfare services have a spending ratio that is almost eight times larger than services for prevention and early intervention. Government's new spending plans should try to achieve a better alignment of social security and social welfare obligations.

Figure 1: Percentage of children with access to the child support grant and foster child grant, by province, 2018



► Source: General Household Survey 2018 (own calculations)

Table 1: Key indicators of the health of the social development system, FY2017–2019

Social development as a percentage of consolidated government budget, debt service costs included and excluded, FY2019	11.3% and 12.7%
Child social assistance as a percentage of social development budgets, FY2019	35.5%
Child welfare services as a percentage of social development budgets, FY2019	4.1%
Child social assistance per poor child ⁵ per year, FY2017 and FY2018	R6,371 and R6,861
Child welfare services ⁶ per poor child per year, FY2017 and FY2018	R722 and R781
Child prevention and early intervention ⁷ per poor child per year, FY2017 and FY2018	R113 and R123

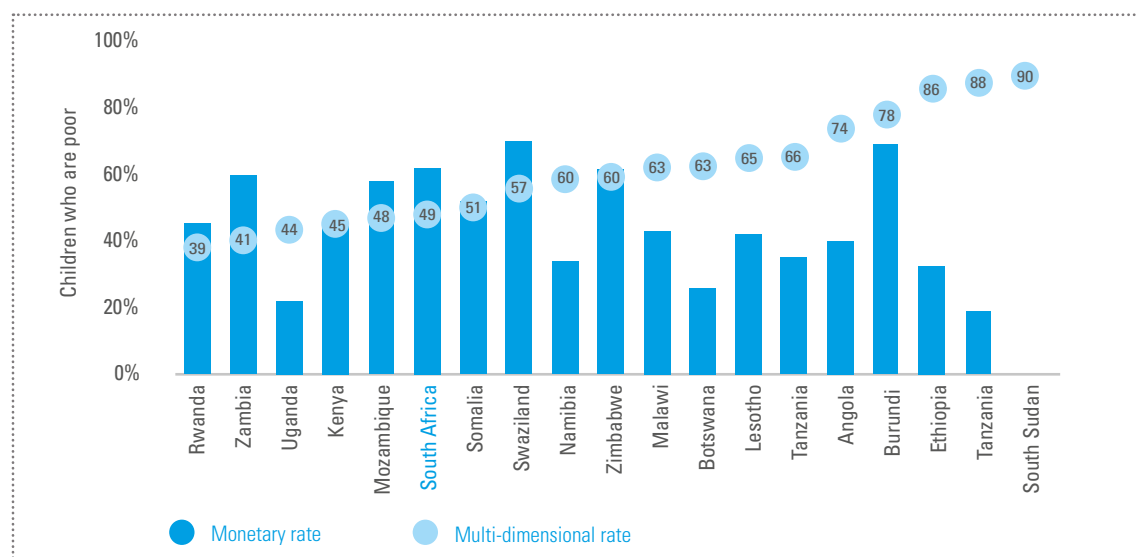
► Source: Estimates of national expenditure 2019; provincial estimates of revenue and expenditure 2019 and Living Conditions Survey 2015 (own calculations)

Regional comparison of key social protection indicators

South Africa has the lowest percentage of children that are considered multi-dimensionally poor (19.1 per cent),⁸ while its monetary poverty rate of 51 per cent (using the lower-bound poverty line) puts it closer to the middle of the distribution of aggregate poverty headcount scores for eastern and southern African countries. However, if the country's upper-bound poverty line is used (roughly 67 per cent of children poor), then South Africa's children are ranked among the poorest of its neighbours.⁹

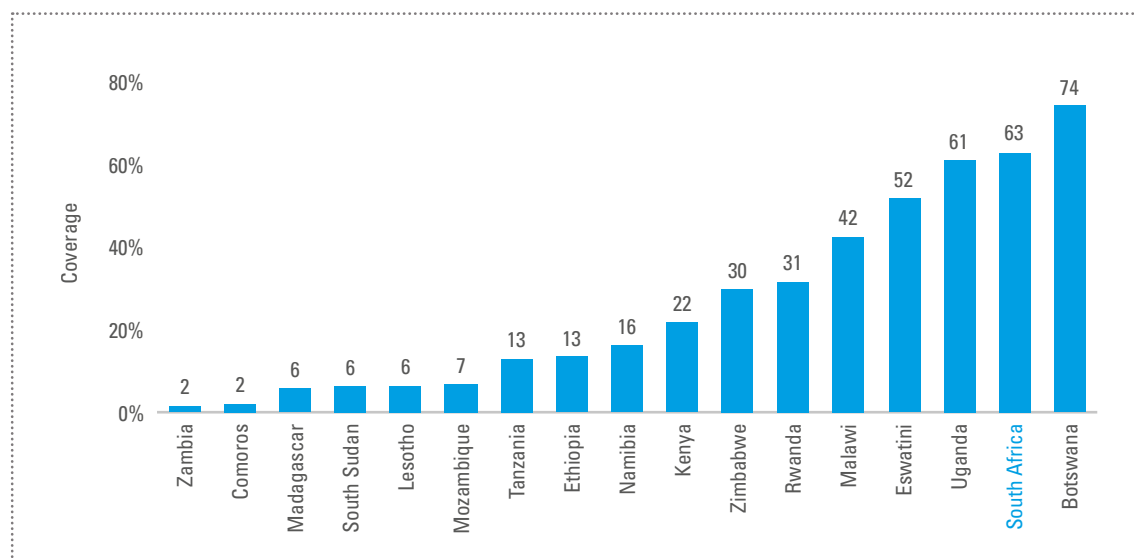
South Africa has arguably the best social safety net on the continent. The data in Figure 3 show that in 2010 the country had a social protection and labour coverage rate of 63 per cent, second only to Botswana, that came in at 74 per cent. Given the substantial expansion of social security in the period after 2010 and the government's firm commitment to the 'social wage', the official coverage figure is likely to be much higher than the estimated 2010 figure of 63 per cent.

Figure 2: Multi-dimensional and monetary child poverty rates in select Eastern and Southern African countries, latest available (percentage)



► Source: UNICEF Eastern and Southern Africa Regional Office calculations, March 2019 ► Note: South African monetary poverty data are from the Living Conditions Survey 2015 and the multi-dimensional child poverty data are from the Child Multiple Poverty Index, 2016 (official statistics from Statistics South Africa for data and analysis).

Figure 3: Coverage of social protection and labour programmes in select eastern and southern African countries, latest available (as a percentage of population), 2010¹⁰



► Source: Eastern and Southern Africa Regional Office regional calculations, March 2019

Takeaways

- Social grants for children have continued to receive strong support from the government at 36 per cent of the total social development budget.
- While this progress is laudable, spending on social grants for poor children is almost seven times larger than corresponding spending on social welfare services for children and almost 60 times larger than spending on prevention and early intervention services for children.
- The poverty rate for children remains high compared to the country's regional neighbours, especially if the 67 per cent upper-bound poverty line is used. Multi-dimensional poverty is the lowest among neighbours, but a revised multi-dimensional tool that is under development may bring the poverty estimates closer those of its neighbours.
- South Africa has arguably the best social safety net on the entire continent. The World Bank estimated the coverage of social protection and labour programmes at 63 per cent in 2010. A much higher percentage is likely in 2019 due to the government's sustained commitment to social security and a social wage for children and adults.
- In the context of a poorly performing economy and the real danger that the National Development Plan 2030 goals will not be met, the revised MTSF must be carefully scrutinised, especially its ability to sustain the realisation of the social and economic rights of children.

2.



Social development spending trends

Size of spending

The combined national and provincial social development allocations in FY2019 are R207 billion, with the national DSD consuming the largest share of the budget (Table 2). Provinces' combined spending is R22 billion, while the national DSD plans to spend roughly R185 billion. The reason for the large discrepancy in allocations

between the national DSD and provinces is that the country's social grants budgets are on the books of the national DSD. Among provincial social development departments, KwaZulu-Natal and Gauteng are the largest spenders with annual allocations of R3.5 billion and R5.5 billion respectively.

Table 2: Summary of nominal national and provincial social development budgets, FY2019 (billion rand)

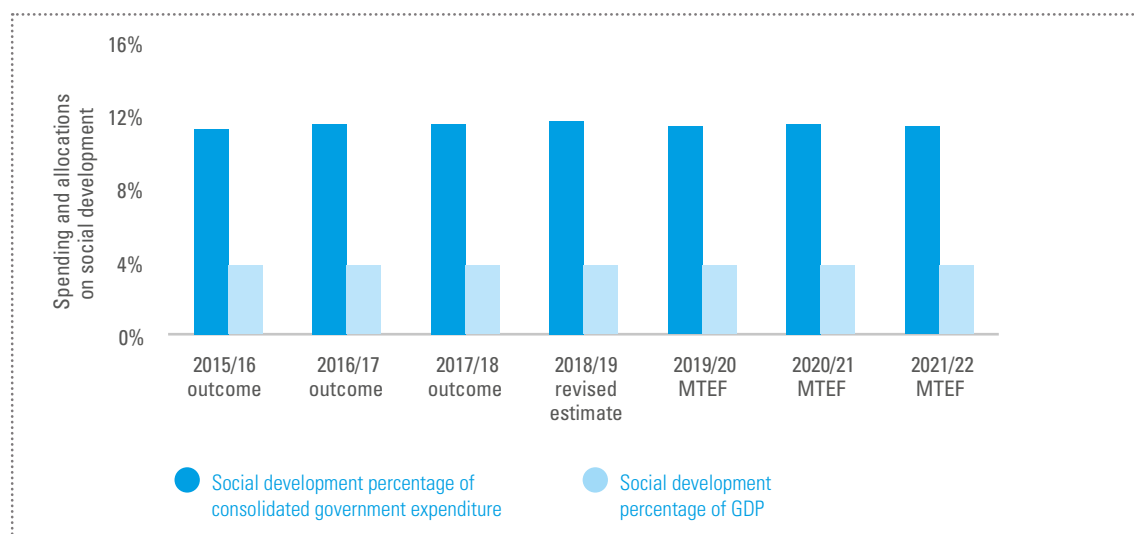
Billion rand	National	Provincial	Percentage of total	Provincial population (millions)
National DSD	184.8		89.2%	
National DSD transfer to provinces	0.518			
Combined provincial social development budgets				
Eastern Cape		3.0	1.5%	6.5
Free State		1.4	0.7%	2.9
Gauteng		5.5	2.7%	14.3
KwaZulu-Natal		3.5	1.7%	11.1
Limpopo		2.2	1.1%	5.8
Mpumalanga		1.7	0.8%	4.4
Northern Cape		0.9	0.4%	1.2
North West		1.8	0.9%	3.9
Western Cape		2.5	1.2%	6.5
Consolidated social development budget	206.7	22.4	10.8%	56.5

► Source: Estimates of national expenditure 2019 and estimates of provincial revenue and expenditure 2019 (own calculations)

Spending and allocations on combined social development budgets make up 11.3 per cent in FY2019 (and about 13 per cent if debt interests are removed from total government spending,

(Figure 4). Allocations as a percentage of government proposed allocations remain constant at around 11 per cent over the MTEF period, while overall, spending and allocations on social

Figure 4: Expenditure and allocations on social development as a percentage of consolidated government expenditure and the GDP, FY2015–2021



► Source: Estimates of national expenditure 2019 and estimates of provincial revenue and expenditure 2019 (own calculations)

development constitute roughly 4 per cent of the country's GDP.

Spending changes

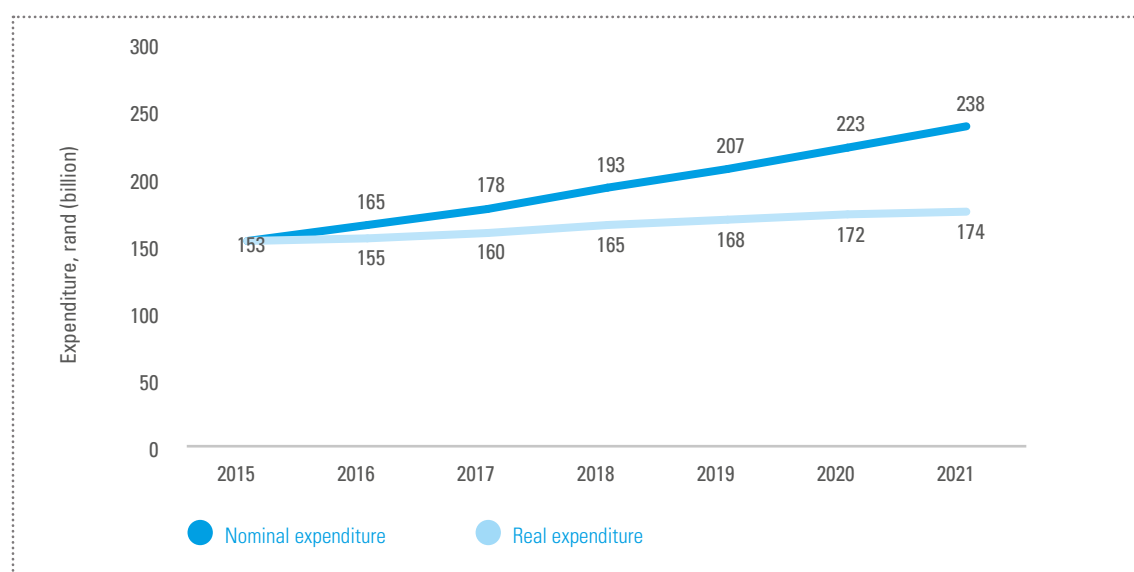
Expenditure on social development budgets has enjoyed relative prioritisation, evidenced by the growth in the inflation-adjusted spending and allocations over the period represented in Figure 5.

5. Real social development spending shows steady

growth due to the government's commitment to link changes in social grant allocations to the prevailing inflation rate. This trend is continued over the MTEF, thus signalling further commitment from the government to protect vital priority expenditures for poor children and families.

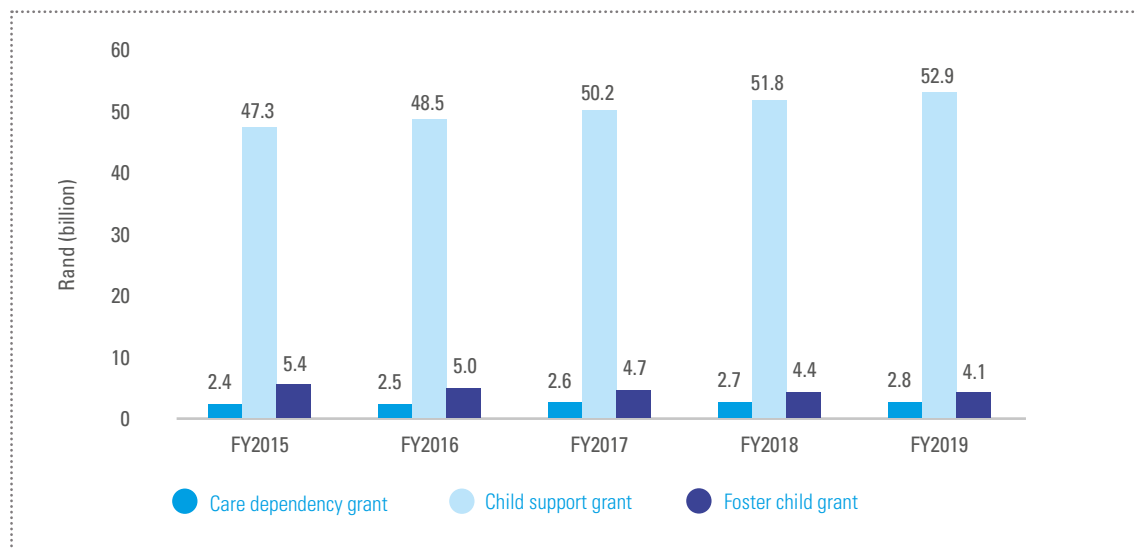
Spending on the child support grant and the care dependency grant has kept pace

Figure 5: Nominal and inflation-adjusted consolidated social development spending and allocation trends, FY2015–2021 (FY2015=100, in billions of rand)



► Source: Estimates of national expenditure 2018 and 2019 and estimates of provincial revenue and expenditure 2019 (own calculations)

Figure 6: Real value of child social grants, FY2015–2019 (FY2015=100)



► Source: Estimates of national expenditure 2019 (own calculations)

with consumer headline inflation and was positively adjusted for inflation for each of the years represented in Figure 6. For example, between FY2015 and FY2019, the child support grant increased its value by 12 per cent, while the corresponding growth for the care dependency grant is more than 16 per cent. However, much smaller numbers are reached with the care dependency grant as opposed to the mass base of the child support grant. The foster child grant shows real decreases over the corresponding period due to the government's planned intention of converting many beneficiaries' grants to an extended child support grant.

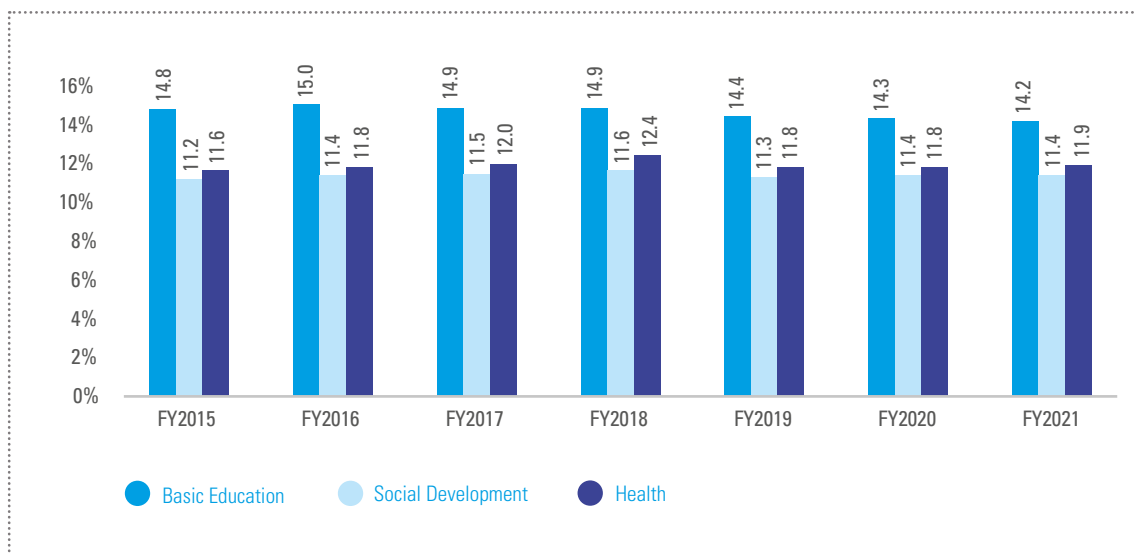
The priority of social development in the budget

Spending and allocations on the social development portfolio remain constant at around 11 per cent over the six-year period represented in Figure 7. This contrasts with basic education spending and allocations, which decline from 16 per cent in FY2018 to 15.2 per cent in FY2021. Over the same period, the share of health spending and allocations declines by half a percentage from 14.9 per cent in FY2018 to 14.4 per cent at the end of the MTEF. Collectively, allocations to social development, basic education and health make up 40 per cent of consolidated government spending in FY2019.





Figure 7: Social service sectors as a percentage of consolidated government expenditure, FY2017–2021



► Source: Estimates of national expenditure 2019 and estimates of provincial revenue and expenditure 2019 ► Note: Consolidated government expenditure is inclusive of debt service costs.¹¹

Takeaways

- The South African government has one of the largest commitments to invest in social development programmes in the world.
- In FY2019, the national DSD spends roughly 90 per cent of the allocated R207 billion. Provinces spend roughly 11 per cent (or R22 billion) of the total social development resources.
- Overall, combined social development allocations represent 11 per cent of total government allocations and roughly 4 per cent of the country's GDP.
- South Africa is one of the few governments in the world that routinely adjusts social transfers for effects of inflation, which appears to preserve the impact of these programmes on vulnerable populations.
- While the predictability of social development funding is welcomed in the present fiscal climate, there are clear limits on the ability of the system to expand and increase spending on the developmental and preventative aspects of social welfare.

3.



Composition of social development spending

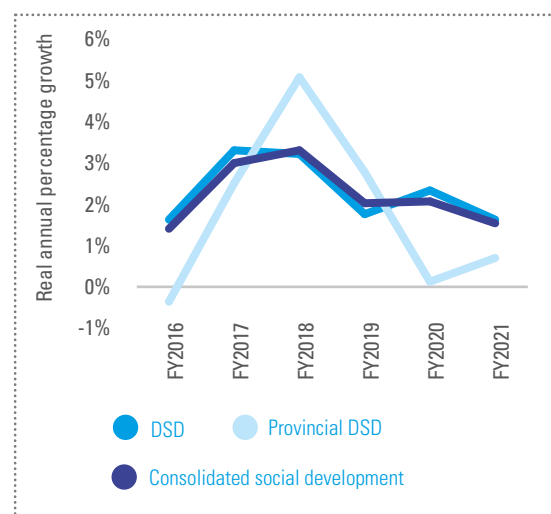
Composition of spending by department

Spending and allocations of the national DSD budget are positive throughout the period represented in Figure 8, while provincial budgets are subject to fluctuations, which include negative and near-zero annual growth rates. Overall, allocations to provincial social development budgets are projected to grow by 1.2 per cent over the MTEF, while the budget of the national DSD is projected to grow by 1.9 per cent over the same period.

Composition of spending by programme: national DSD

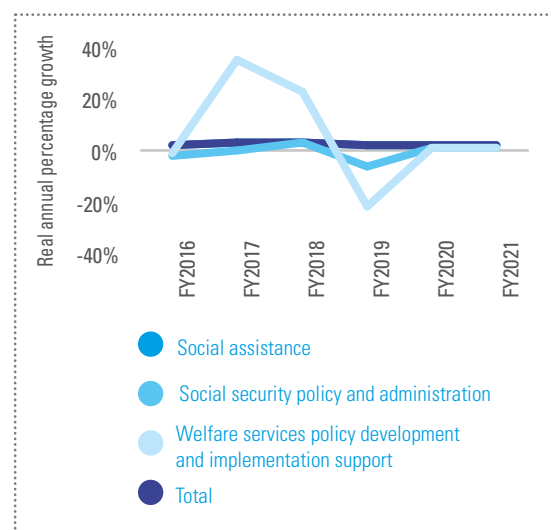
The national DSD plans to spend R185 billion in FY2019, and its budget is projected to grow by nearly 2 per cent on average over the new MTEF. The trend in spending in this budget is dominated by the allocations to social grants (social assistance programme), which is projected to grow by 2.2 per cent above inflation annually over the next three years. The programme that is responsible for the administration of the social security system (social security policy and administration) has set aside R7.8 billion in FY2019 and allocations over the MTEF are projected to grow at a negative annual rate of 1.6 per cent. The rationalisation (reduction) of cash pay points for the disbursement of social grants is the main reason for the relatively large real decline in this budget. Allocations to the welfare services programme are also projected to decline at a high negative annual rate of almost 7 per cent over the MTEF due to the social worker employment grant being incorporated into provinces' equitable share funding. Allocations for the substance abuse

Figure 8: Inflation-adjusted spending and allocation trends in social development departments, FY2015–2021 (FY2015=100)



► Source: Estimates of national expenditure 2019 and estimates of provincial revenue and expenditure 2019 (own calculations)
 ► Note: Total consolidated social development expenditure nets out the transfers to provincial social development departments.

Figure 9: Real growth in spending and allocations in the largest programmes in the budget of the national DSD, FY2015–2021 (percentage)



► Source: Estimates of national expenditure 2019 (own calculations)

treatment grant are also absorbed into provincial funding streams, thus helping to explain the substantial reduction in allocations for the welfare services programme.

Composition of spending by type of expenditure: national DSD

The budget of the national DSD is dominated by transfers to individuals and households (95 per cent on average) and for providing for the entity (South Africa Social Security Agency or SASSA) that administers the grants on behalf of the government (4.2 per cent on average).

Transfers to NPOs make up less than 0.2 per cent of the department's budget, whereas the corresponding figure for provinces is much larger because of the critical role that NPOs play in provincial social welfare programmes. As the lead policy-making entity in the social development sector, spending on its employees' compensation makes up 0.5 per cent of the department's total budget and these shares are consistently maintained over the MTEF.



Takeaways

- The positive spending trend in the national DSD budget (nearly 2 per cent growth on average over the next three years) is driven by strong allocations to key social assistance programmes (child support grant, care dependency grant and old age grant).
- Allocations to provincial DSD budgets are more variable, despite the incorporation of key conditional grants (social worker employment grant and substance abuse treatment grant) in their funding streams.
- At the national level, allocations to social assistance are projected to grow by 2.2 per cent above inflation annually, while transfers to SASSA decline in real terms because of the proposed rationalisation of cash pay points that disburse social grants.
- Reductions in allocations are also projected for the welfare services programme because of incorporation of conditional grants into provinces' equitable share funding.

4.



Spending on key programmes at the provincial level

Spending and allocations on provincial social development budgets

Provincial social development departments are planning to spend R22.4 billion in FY2019 and allocations are projected to grow to R25 billion at the end of the MTEF period

(Table 3). This translates into a real average annual growth rate of 1.2 per cent over the MTEF period, while the budget of the national DSD is projected to grow by roughly 2 per cent

over the same period. Gauteng and Western Cape project the largest positive real average growth rates over the MTEF (2.2 per cent and 1.9 per cent respectively), while Eastern Cape and Free State are merely maintaining existing allocations over the same period. Generally, provincial DSD budgets continue recent trends of minute growth at the margins, which are not sufficient in the light of escalating poverty and unemployment.

Table 3: Inflation-adjusted annual growth in expenditure and allocations for provincial social development departments, FY2015–2021 (billion rand, FY2015=100)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Real change between 2018/18 and 2019/20 (%)	Real average annual change over MTEF (%)
Eastern Cape	2.3	2.4	2.5	2.8	3.0	3.2	3.3	2.6%	0.0%
Free State	1.0	1.1	1.1	1.3	1.4	1.4	1.5	2.4%	0.0%
Gauteng	3.9	4.3	4.5	5.0	5.5	5.8	6.2	4.7%	2.2%
KwaZulu-Natal	2.6	2.7	2.9	3.3	3.5	3.7	3.9	1.1%	0.4%
Limpopo	1.6	1.7	1.8	2.0	2.2	2.3	2.5	1.6%	1.2%
Mpumalanga	1.3	1.4	1.5	1.5	1.7	1.8	1.9	1.8%	1.5%
Northern Cape	0.7	0.7	0.8	0.9	0.9	1.0	1.0	0.6%	0.4%
North West	1.3	1.4	1.5	1.6	1.8	1.9	2.0	2.3%	1.8%
Western Cape	1.9	2.0	2.1	2.2	2.5	2.6	2.8	4.3%	1.9%
Grand total	16.6	17.5	18.8	20.7	22.4	23.7	25.1	2.8%	1.2%

► Source: Estimates of provincial revenue and expenditure 2019 (own calculations)

Nationally, the children and families programme consumes close to 40 per cent of the total provincial DSD budgets in FY2019 (Figure 10). Given that this is the pre-eminent

programme for funding children's welfare services at the provincial level, it is noteworthy that at least four provinces have reduced shares of this programme as a percentage of their total

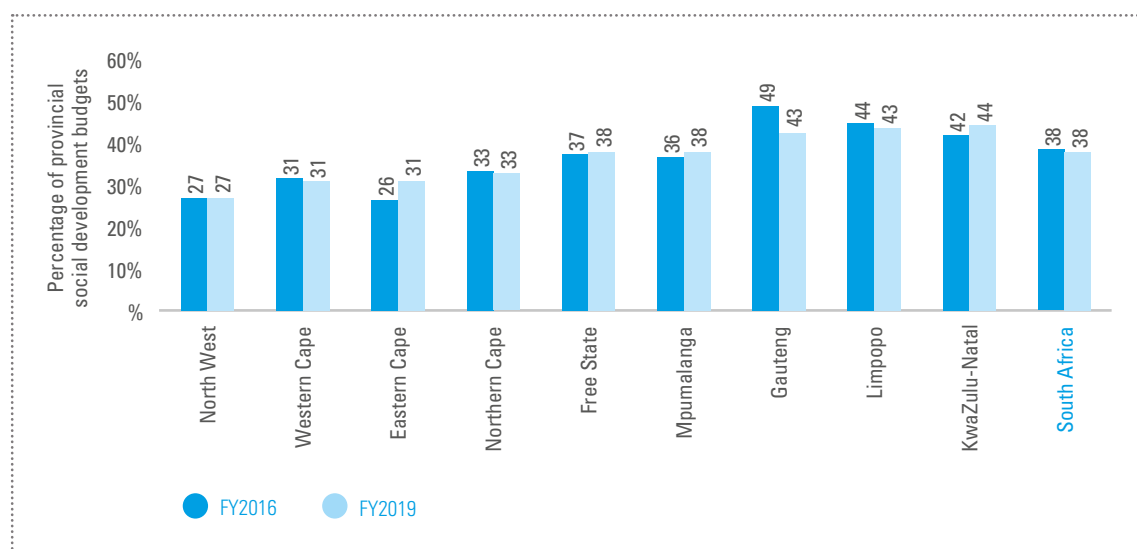
spending compared to the situation in FY2016. The Eastern Cape and KwaZulu-Natal gained strongly over this period (increases in shares of 5 per cent and 2 per cent respectively), while smaller gains are recorded for Free State and North West.

Most of the services in the children and families programme are delivered by NPOs.

Overall transfers to NPOs consume more than 50

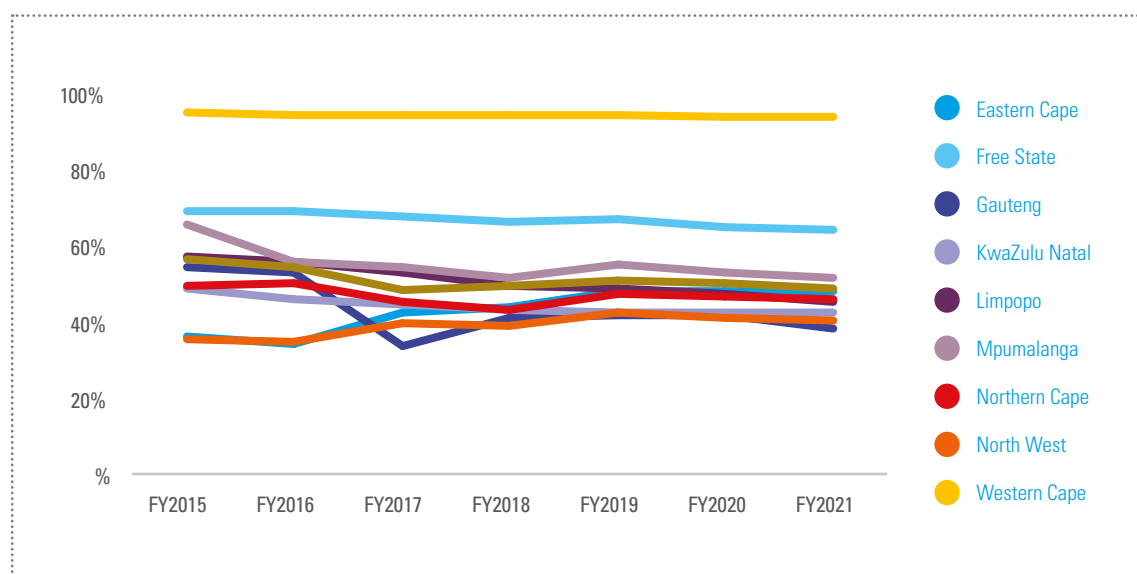
per cent of spending in this programme (*Figure 11*). Western Cape records the highest share for NPO transfers (94 per cent on average) because it does not generally make provision for government salaries in its service delivery programmes (UNICEF Budget Brief, 2016). Over the new MTEF, Free State sets aside 65 per cent for transfers to NPOs, while Gauteng and North West record some of the lowest shares (around 40 per cent)

Figure 10: Children and families programme as a share of provincial DSD budgets, FY2016 and FY2019



► Source: Estimates of provincial revenue and expenditure 2019 (own calculations)

Figure 11: NPO transfers within the children and families programme, FY2015–2021 (percentage)



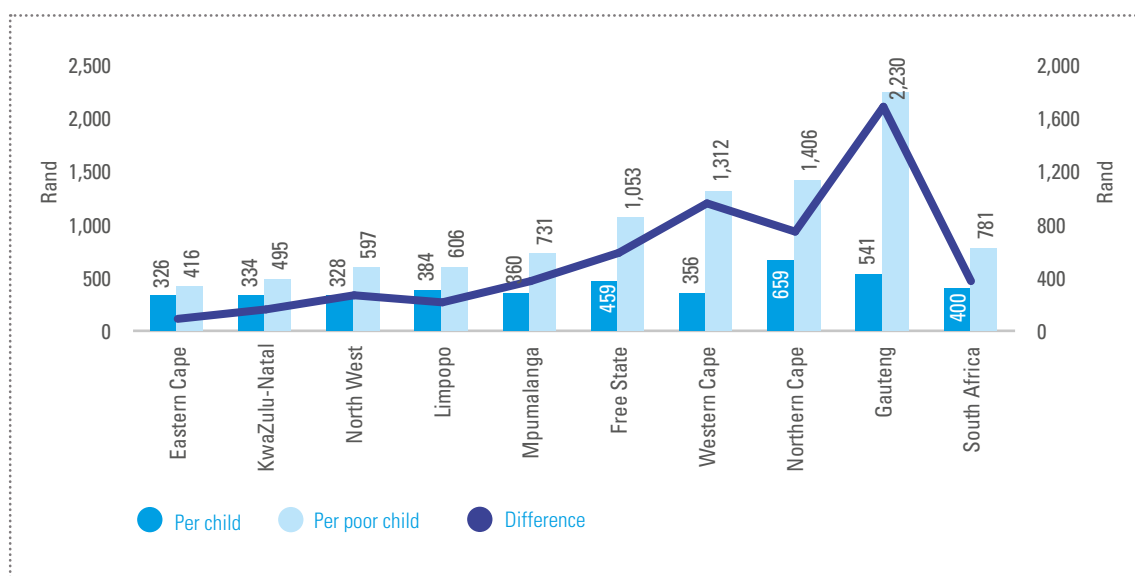
► Source: Estimates of provincial revenue and expenditure 2019 (own calculations)

over the same period. Overall, the share of transfers to NPOs has declined from 56 per cent in FY2015 to 51 per cent in FY2019, and by the end of the MTEF it is projected to consume less than 50 per cent of resources in the children and families programme.

Nationally, South Africa spent R400 per child on the pre-eminent children's services programme

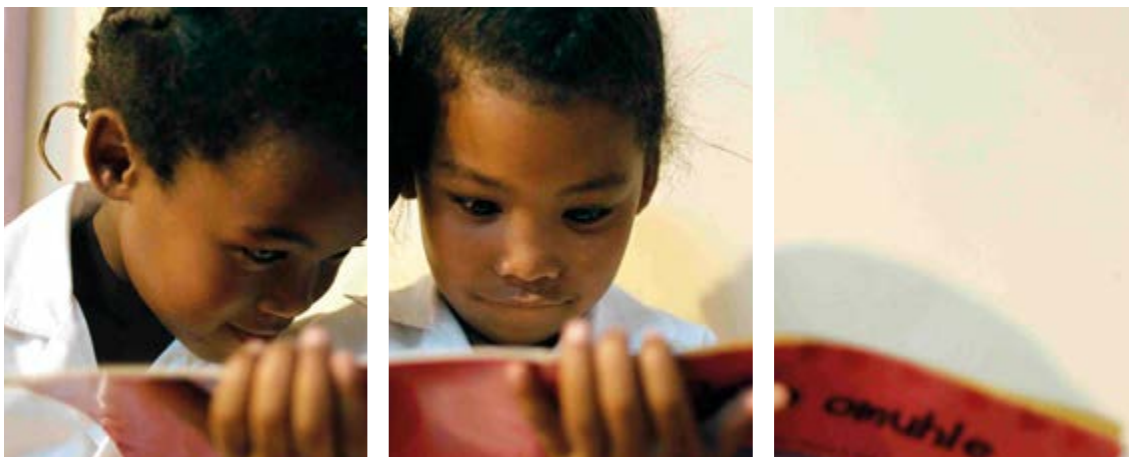
in FY2018, which is roughly 17 times lower than corresponding spending on social assistance for poor children (Figure 12). If only poor children are included in the calculation, then social assistance spending per poor child is still nearly nine times the size of spending on the children and families programme. The importance of social assistance is not questioned, but crude measures such as per poor person spending provides an indication of the

Figure 12: Children and families programme allocations per child and per poor child, FY2018



► Source: Estimates of provincial revenue and expenditure 2019 (own calculations) ► Note: The LCS 2014–2015 was used to determine the number of poor learners by province using the lower-bound poverty line.



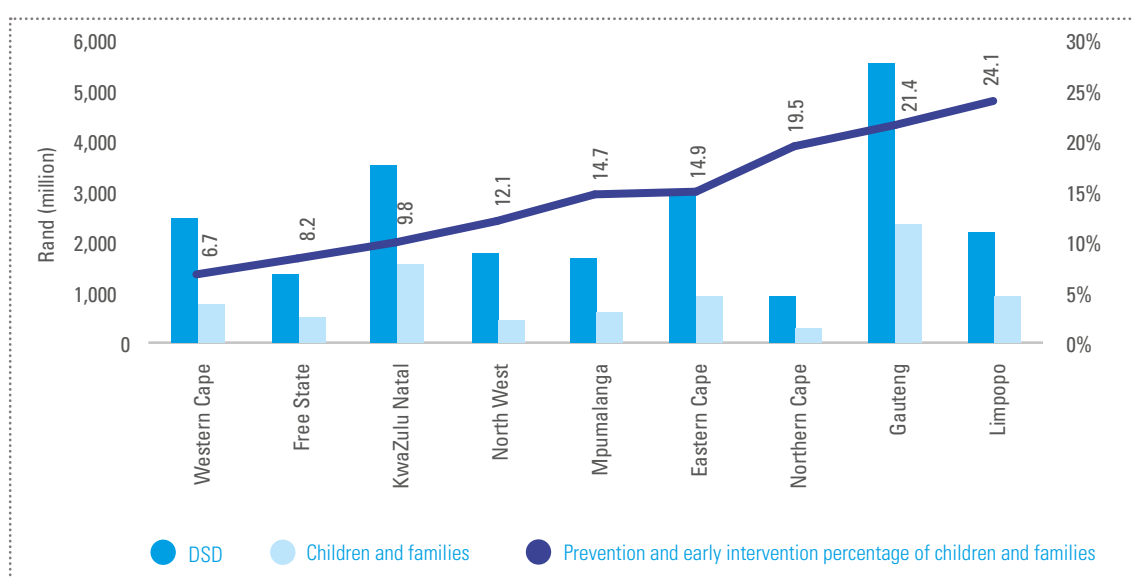


large social welfare gap that remains, which should be the focus of the new political administration during the next five years. Nationally, spending on a poor child is roughly twice the corresponding spending on all children. Gauteng spends nearly five times as much on its poor children compared to Eastern Cape, while corresponding spending on a poor child in Northern Cape is almost three times that of North West.

The Children's Act prioritises the delivery of prevention and early intervention services, and in FY2019 its combined provincial spending is R1.3 billion (or 16 per cent of the children and families programme). This

represents approximately 6 per cent of the total provincial DSD budgets, and as was argued earlier, allocations need to be increased to better support children at the provincial level. Provinces devote divergent shares of their budgets to prevention and early interventions. Limpopo dedicates close to one quarter, while Western Cape plans to spend 7 per cent and Gauteng and Northern Cape plan to spend one fifth of their children and families budgets on prevention and early intervention services. Overall, allocations to prevention and early intervention services are projected to decline by 1 per cent on average over the MTEF, thus emphasising the need for further and deeper investment in this vital service.

Figure 13: Prevention and early intervention services within the children and families programme, FY2019



► Source: Estimates of provincial revenue and expenditure 2019 (own calculations)



Takeaways

- Allocations to provincial DSD are projected to grow by 1.2 per cent on average over the new MTEF; the degree of growth is variable across provincial departments.
- Provincial governments have set aside R22.4 billion in FY2019, which represents 3.5 per cent of total provincial government spending.
- The pre-eminent programme for children's services in provincial DSD, the children and families programme, consumes 38 per cent of resources in the social development sector, while transfers to the NPOs that deliver actual services make up half of the spending in this programme.
- Transfers to NPOs are projected to decline from 56 per cent in FY2015 to less than 50 per cent in FY2021.
- The wide gap between social assistance spending and spending on welfare services is perfectly demonstrated in the per poor child spending on the children and families programme, which is roughly nine times less than spending per poor child on social grants.
- Similar comparisons apply to prevention and early interventions, where the spending gap between these services and social assistance for poor children is even larger.

5.



Budget execution and credibility

Budget execution rates in the social development sector

Budget execution figures for the national DSD are very high, in part because funds that are transferred from the department to an individual or a household are considered as final spending (Figure 14). The average actual spending figure is 99.3 per cent for the national DSD, while the combined actual spending figure for provinces is 98 per cent. The low underspending rate on the budget of the national DSD was caused mainly by lower than expected uptakes of social grants and NPOs not receiving payment due to non-compliance issues.

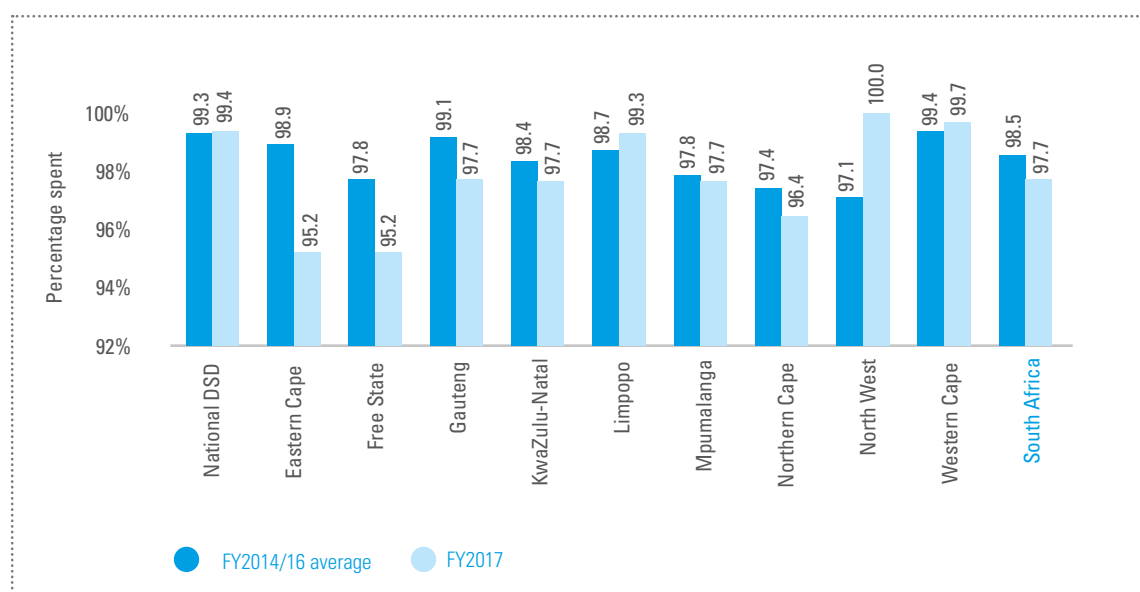
The relatively lower rate of spending in some provinces in FY2017 is explained by low rates

of spending on two conditional grants, namely the ECD grant and the substance abuse treatment grant. The underspending was caused by delays in the procurement process around the acquisition of new buildings. NPOs that do not claim all their resources are also part of the reason for the relatively small deviations from the provincial adjusted budgets.

Budget credibility: DSD and provincial social development departments

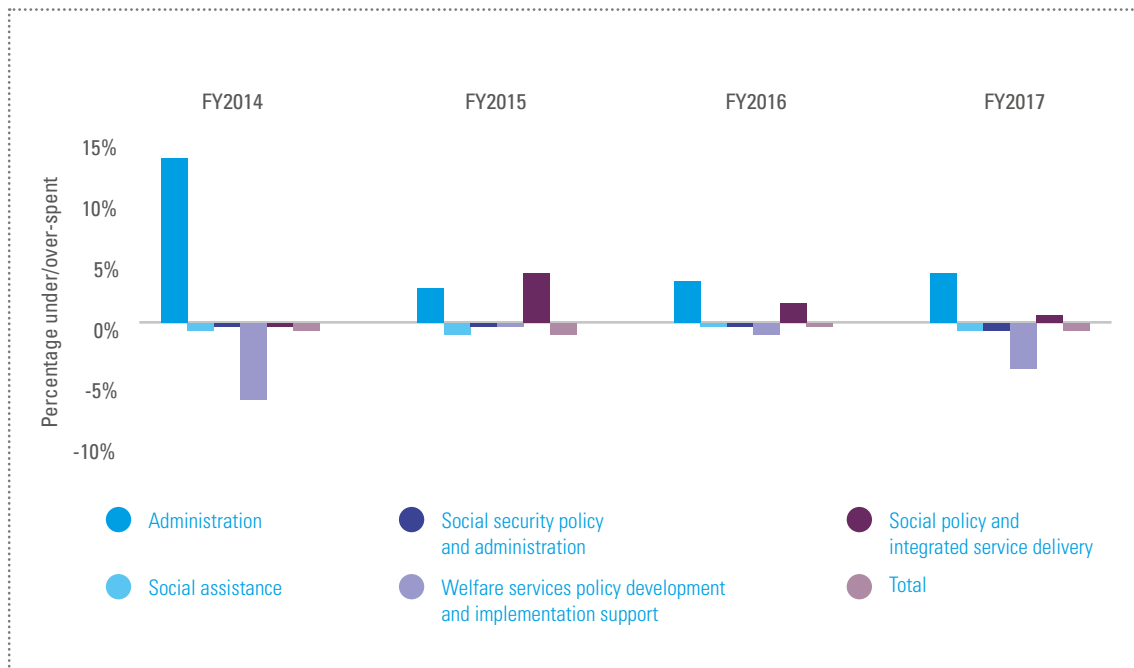
Underspending in the budget of the national DSD is driven primarily by lower than expected uptake of social grants and non-payment to NPOs that do not comply with departmental regulations and reporting requirements (Figure 15). A further complicating factor has been the

Figure 14: Budget execution in the social development sector, FY2014–2017 (percentage)



Source: Estimates of provincial revenue and expenditure 2019 and estimates of national expenditure FY2016/17 to FY2019/20 (own calculations)

Figure 15: Comparing adjusted expenditure with final outcomes in the budget of the DSD, FY2015–2017 (percentage)



► Source: Estimates of provincial revenue and expenditure 2019 (own calculations)

delay in the establishment of the social security inspectorate in FY2017. The underspending on the welfare services programme relates to the non-payment of operational costs for Free State and Northern Cape provinces for their substance abuse treatment conditional grant.

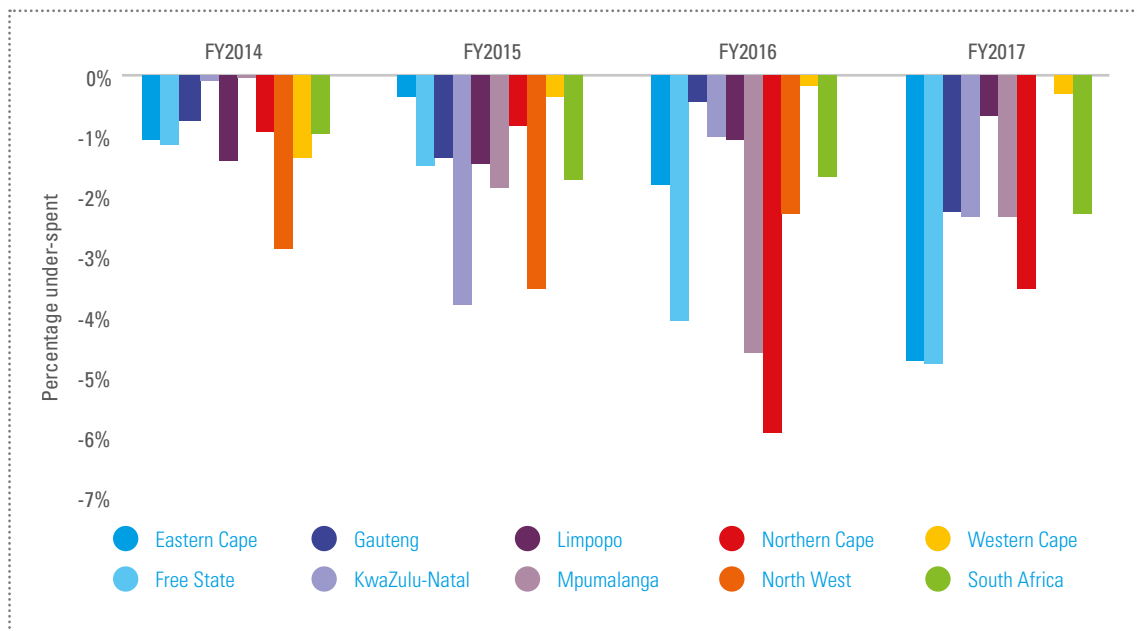
Underspending in provincial social development departments is driven by a host of factors (Figure 16). These range from cost-containment measures (KwaZulu-Natal) to delays in filling funded vacant positions across programmes (Eastern Cape) and procurement delays for building projects, especially on the ECD and substance abuse conditional grants (Eastern Cape, Free State and Northern Cape), to delays in processing NPO transfers (all provinces).

Challenges

The reasons for underspending by the national DSD and provincial social development departments can be traced back to their different mandates. Because of the leading role of social security in the budget of the national DSD, underspending is strongly

driven by lower than expected uptake rates among potential social grant beneficiaries. The national DSD also has a small number of NPOs that it works with and the challenges that this department experiences are common to the challenges that all provincial social departments face. However, the scale of the problem is much bigger at the provincial level, because of provinces' reliance on NPOs to deliver social welfare services. The national DSD is not required to undertake procurement for buildings and does not have appreciable spending issues in this area. However, ECD centres, substance abuse treatment centres and office space are critical issues for provinces, and they have underspent heavily on these items. The introduction of cost-containment measures is another complicating reason for the underspending by provinces, which are required to interface directly with many NPOs. In the absence of adequate human resources, the interaction between provincial social development departments and NPOs is likely to become more frustrating because of the sheer volume of monitoring and reporting duties of both parties.

Figure 16: Comparing adjusted expenditure with final outcomes in the budget of provincial social development departments, FY2015–2017 (percentage)



► Source: Estimates of provincial revenue and expenditure 2016–2019 (own calculations)

Takeaways

- Budget execution in the social development sector is strongly related to the mandates of the national DSD and the nine provincial social development departments.
- The national DSD is responsible for maintaining the country's social security system and strategically procuring the services of a select number of NPOs. Its own underspending is driven by a lower than expected uptake by potential grant beneficiaries and challenges in processing payments for NPOs due to compliance issues.
- Provincial social development departments deliver services, run and manage various centres, employ a larger number of staff members, and interact intensively with NPOs. Their underspending is driven by delays in procurement for physical infrastructure projects, challenges in processing NPO payments due to non-compliance, and cost-containment, which makes the filling of vacant posts harder.
- For provinces, an inadequate human resources situation further complicates their efforts to systematise their approach to NPOs and makes their (and NPOs') reporting and monitoring obligations more onerous.

Endnotes

1. According to the Medium Term Strategic Framework (MTSF) document (http://www.gov.za/sites/www.gov.za/files/MTSF_2014-2019.pdf), the government defines social protection as an umbrella concept that includes:
 - Social assistance and social welfare services provided by the 10 social development departments
 - Access to basic services at the local government level
 - Free basic education in 60 per cent of the country's poorest schools
 - Free health care for pregnant women and children under 6 years
 - Statutory social insurance policies (such as the unemployment insurance fund)
 - School nutrition and school transport
 - Active labour market policies to facilitate entry into the labour market
 - Income support for the working-age poor through public works programmes
 - The redress of inequalities that are inherent in the system due to apartheid.
2. The government has adopted an Outcomes Framework that is based on key issues addressed in the country's National Development Plan and the government's electoral mandate. There are 14 outcomes (including Outcome 13 that involves the Social Development Ministry). The responsible minister is required to report to the President of the Republic of South Africa on progress made in achieving the relevant outcomes.
3. The Presidency. *The National Development Plan 2030: Our future – make it work*. Pretoria, Government Printers, 2011.
4. The survey estimates are from the General Household Survey 2017; data collection for that survey took place between January and December 2017. The administrative data are from the official South African Social Security Administration (SASSA) website. This budget brief used a four-month average as a validity check against the survey estimates.
5. Data from the Living Conditions Survey 2014–2015 were used, and children who are in households that live below the lower-bound poverty line were considered poor. Approximately 10 million children satisfy this requirement, thus representing 51 per cent of the total population of children. Similar analyses were done using the General Household Survey 2017 (estimating numbers for children who live in the poorest 40 per cent of households), but the considerable number of unspecified household incomes combined with the fact that the income variable is not as refined as the income and expenditure data in the Living Conditions Survey 2014–2015 informed the decision to use the older dataset.
6. Following the UNICEF Budget Brief 2016, child welfare services were defined as the combined spending and allocations on the children and families programme in provincial social development departments and two sub-programmes (children and families) in the national DSD programme – welfare services policy development and implementation support.
7. Following the definition adopted in the UNICEF Budget Brief 2016, prevention and early intervention services combine spending and allocations in two sub-programmes (care and services to families and community-based care services for children) in the children and families programme in provincial social development departments.
8. The official statistical agency, Statistics South Africa, is working with UNICEF South Africa to develop a new multi-dimensional poverty tool for children. Unlike the tool referenced in this graph, the new tool will use children, instead of households, as the unit of analysis.
9. Researchers at the University of Cape Town argue that the lower-bound poverty line is not an “appropriate threshold to measure poverty” and urged the use of the food poverty line and/or the upper-bound poverty line. Their analyses suggest that the existing upper-bound poverty line used in the 2011 poverty study was set at a level that is too low in monetary terms. By their measure, the upper-bound estimate of 53 per cent of poor South Africans should be 63 per cent when using a revised upper-bound poverty line of R1,042 rather than the official line of R779 (in 2011 South African rand). See Budlender et al. (2015) ‘How current measures underestimate the level of poverty in South Africa’ in *The Conversation*, 3 September 2015.
10. The Eastern and Southern Africa Regional Office social policy team used the World Bank ASPIRE (Atlas of Social Protection, Indicators of Resilience and Equity) database and the South African data are for 2010. This definition of social protection coverage is taken directly from the World Bank site: “Coverage of social protection and labor programs (SPL) shows the percentage of population participating in social insurance, social safety net, and unemployment benefits and active labor market programs. Estimates include both direct and indirect beneficiaries.” See <https://datacatalog.worldbank.org/coverage-social-protection-and-labor-programs-population-0> <accessed 20 May 2019>.
11. Exclusive of debt service costs, spending on social development constitutes 12.7 per cent of government expenditure.

United Nations Children's Fund
Equity House
659 Pienaar Street
Brooklyn
Pretoria
0181
www.unicef.org/southafrica

© United Nations Children's Fund (UNICEF)
2019

Photographs © UNICEF/Rebecca Hearfield; © UNICEF/Leeroy Jason;
© UNICEF/Kgaugelo Mojapelo; © UNICEF/Karin Schermbrucker