

2013

NPO AND SOCIAL WELFARE REGISTRATION PROCESS

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SECTOR: SOCIAL DEVELOPMENT

PUBLIC EXPENDITURE AND POLICY

ANALYSIS (PEPA)

Expenditure and Performance Review

Research commissioned by the National Treasury

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1. Introduction

This Expenditure and Performance Review (EPR) was commissioned by the Technical Assistance Unit of National Treasury. It forms part of a broader initiative to understand the planning, implementation and financing dynamics of some 40 policy initiatives of government. The overall aim is to provide:

- a detailed understanding of the cost elements, expenditure drivers, and expenditure;
- a mapping of the allocation and spending patterns across all spheres of government, public entities and frontline service delivery sites;
- an in-depth understanding of historical expenditure patterns;
- proposals for improving budget allocations over the MTEF at national and provincial spheres;
- proposals for improving ways of linking policy intent and programmatic design based on better understanding of causal linkages; and
- a detailed analysis of the implementation logic of policy initiatives that will allow for critical performance measures to be developed across all aspects and geographical locations.

It is envisaged that EPR studies such as this one will allow for greater value for money in government expenditure, and drive improved implementation of policy initiatives.

1.1 Topic and scope

This EPR examines the NPO and social welfare registration processes.

The scope of the review covers the following entity registration processes managed by the national Department of Social Development (national DSD) and the nine provincial Departments of Social Development (provincial DSDs):

- i. the registration of non-profit organisations (NPOs) in terms of the Non-profit Organisations Act No. 71 of 1997.
- ii. the registration of partial care facilities (PCFs) in terms of Chapter 5 of the Children's Act No. 38 of 2005.
- iii. the registration of early childhood development (ECD) programmes in terms of Chapter 6 of the Children's Act No. 38 of 2005.
- iv. the designation of child protection organisations (CPOs) in terms of section 107 of the Children's Act No. 38 of 2005.
- v. the registration of child and youth care centres (CYCCs) in terms of section 197 of the Children's Act No. 38 of 2005.
- vi. the registration of residential services for older persons (OAHs) in terms of section 18 of the Older Persons Act No. 13 of 2006.

In each instance, the review examines the registration, conditional registration (where applicable), monitoring of compliance, enforcement and closure procedures for the six regulatory processes as required in terms of the relevant legislation and regulations. Where the processes are the responsibility of provincial DSDs, the processes in Gauteng, North West and KwaZulu-Natal were reviewed.

The project also examines the role the national DSD should play in providing leadership, management and exercising oversight of these regulatory processes.

Note that the relationship between government and NPOs operating in the social welfare sector is also governed by a range of other administrative processes, for instance the registration and compliance requirements of public benefit organisations (PBOs) for tax purposes, and the funding relationships between government and NPOs. These processes fall outside the scope of this project.

The processes that national and provincial DSDs follow to “contract out” the delivery of social welfare services to NPOs are particularly onerous, and in many instances inefficient. These “funding arrangements” are the subject of a separate study being undertaken by National Treasury and the national DSD.

1.2 Purpose

Although the cost of the registration processes is not high when compared to other government priorities, it is very important that they are efficient and effective, since they lay the foundation for government’s service delivery relationship with NPOs in the social welfare sector.¹

Data from 2008/09² shows that NPOs are responsible for operating 98 per cent of the social welfare facilities³ in the country, serving 72 per cent of welfare services sector clients. Government partly funds the provision of these services through a variety of contractual arrangements, which are generally reflected as “transfers to non-profit institutions” in the national and provincial DSD budgets. In 2013/14, national DSD budgeted R59 million and provincial DSDs budgeted a total of R5 billion for transfers to NPOs.

There is concern that the funding of these services is currently compromised by the lack of a coherent policy framework, disparities in funding across provinces, an inability to estimate and respond to the population level demand for services, and inefficiencies in the overall management of the funding processes.

In addition, the flow of funds to NPOs from non-government sources is under severe pressure. A 2012 survey of 680 organisations found that 80 per cent experienced significant funding cuts in 2011/12, with the funding cuts coming from all major funding sources, with the National Lotteries Board topping the list (44 per cent), followed by corporate donors (39 per cent) and individual donors (37 per cent). As a result NPOs are cutting services to their beneficiaries, and 43 per cent of the organisations reported formally retrenching staff.⁴

In light of the above, the National Treasury⁵, with the support of national DSD and the DG Murray Trust, is undertaking a project to put in place an improved financing framework and policy for welfare services, with a view to:

- creating more funding stability and certainty for NPOs and hence improved planning and an increased focus on service delivery;
- supporting the development of reporting and better data on spending and service delivery; and
- promoting improved resource allocation (better estimation of demand, prioritisation of appropriate resources and better tracking and monitoring of service delivery).

¹ Inefficient processes also result in opportunity costs for both government and NPOs as excessive administrative burdens detract from the delivery of critical services.

² National Treasury, Provincial Budgets and Expenditure Review: 2005/06 – 2011/12.

³ These facilities include substance abuse treatment and rehabilitation centers, homes for older persons, protective workshops homes for persons with disabilities, secure care centers, children’s homes, places of safety, shelters and drop-in centers

⁴ Trialogue, CSI in South Africa – Greater Good Forum, 8 November 2012, quoted by Charities Aid Foundation Southern Africa in “Civil Society Submission on Revised Broad-Based Black Economic Empowerment Codes of Good Practice”, 15 November 2012.

⁵ Chief Directorate: Health and Social Development, National Treasury.

This review forms part of this broader project. The main purpose of the review is to examine the current processes for registering NPOs and social welfare institutions with a view to proposing improvements to the policy, oversight and management of these processes to ensure that they:

- achieve their intended purposes;
- do not pose a regulatory/administrative obstacle to NPOs' participation in the social welfare sector; and
- do not pose a regulatory/administrative obstacle to NPOs applying for and obtaining funding from government for the delivery of social welfare services.

1.3 Key questions

The review aims to examine the following key questions:

- i. Are the different registration processes achieving their intended purposes?
- ii. Have national and provincial DSDs put the necessary management processes and systems in place to deliver efficient and effective registration processes?
- iii. What performance measures should be tracked to ensure effective implementation?
- iv. What funds are currently being spent on the registration processes?
- v. Are current levels of funding allocated to these processes adequate?
- vi. What are the key cost elements and expenditure drivers of the registration processes?
- vii. What can be done to improve the efficiency and effectiveness of the registration processes, taking into consideration the causal links between the programme design and policy intent?

Renewal applications for social welfare entities before 1 April 2015

Note that the sections in the Children's Act dealing with the registration of partial care facilities, child protection organisations and child and youth care centres came into the effect on 1 April 2010. In terms of the Act, all partial care facilities, child protection organisations and child and youth care centres that were registered in terms of the Child Care Act as of 1 April 2010 are deemed to be registered for a period of five years from this date. This period expires on 1 April 2015, which means all these entities will need to submit renewal applications during 2014.

We were not referred to any preparations by national DSD or any of the provincial DSDs to deal with this increased volume of renewal applications. It is submitted that existing systems for social welfare registrations will not support the increased volumes in accordance with the requirements of the Children's Act. There is thus an urgent need to strengthen these registration systems.

1.4 Information used in conducting the review

The information sources used in conducting the review are listed in the References section. Annexure A provides an analysis of the limitations of and proposed improvements to the Vulindlela data.

1.5 Methodology followed

The EPR methodology was followed. The following innovations were added:

- Each of the registration processes can be viewed (i) from the perspective of the client seeking to register an NPO, partial care facility, etc., and (ii) from the perspective of the government department responsible for managing the registration process. Both perspectives are

important, and therefore both were mapped out in the *EPR NPO Programme Elements* workbook.

- This project deals with six different registration processes as implemented by ten departments. The EPR methodology requires an “as is” description of implementation processes. To accommodate this diversity, an “ideal” set of policy processes was mapped for each registration process, and a line setting out “changes required to current system” was introduced to the template. This line also captures the variation in processes across provinces.

1.6 List of documents that make up the review

The project outputs that are linked to each of the EPR methodology steps are:

Step 2 and 3	2013.10.31 - <i>EPR NPO Programme Elements</i>	This is an Excel workbook that sets out the responsibilities of the departments in the different spheres of government, the policy processes, a chain of delivery for each policy process and the performance indicators.
Step 4a	2013.10.17 - 1 <i>NPO EPR Exp Analysis – NPO</i> 2013.10.17 - 2 <i>NPO EPR Exp Analysis - PCF</i> 2013.10.17 - 3 <i>NPO EPR Exp Analysis - ECD</i> 2013.10.17 - 4 <i>NPO EPR Exp Analysis - CPO</i> 2013.10.17 - 5 <i>NPO EPR Exp Analysis - CYCC</i> 2013.10.17 - 6 <i>NPO EPR Exp Analysis - OAH</i>	This set of Excel workbooks set out the frameworks for expenditure allocation against the national DSD and each of the provincial DSDs for the six registration processes.
Step 4b	2013.10.31 – <i>EPR NPO Costing Model</i>	A costing model of the six registration processes, which allows for different delivery and demand scenarios to be modelled.
Step 5	2013.10.31 <i>EPR NPO Final Report</i>	The current document.

2. The analysis of policy processes

When analysing the policy processes for the different registration processes, it is important to understand the relationship between them, as well as to differentiate between the clients’ and government’s perspectives of the registration processes.

Not surprisingly, the available guides on the different registration processes describe them from the client’s perspective. Apart from what is contained in legislation and regulation, we were not given any “standard operating procedures” that set out the registration processes from the department’s perspective. Information on these processes was therefore gathered from the relevant legislation and regulations, existing research conducted on certain of the processes, and interviews with officials responsible for different aspects of these registration processes in the national and provincial DSDs.

It is notable that while the guidance for registration applicants provided by the national DSD generally reflects the requirements of legislation, the actual processes implemented by the provincial DSDs differ from the legislated processes as well as from province to province. There is a resulting disjuncture between the legislation and guidance, on the one hand, and actual practice on the other. Furthermore, the DSD guides for applicants are not always in plain language with adequate explanation, and are therefore not user-friendly.

Several useful resources have been developed by NGOs to share information on registration requirements with relevant sectors. This includes, for example, the Centre of Child Law’s “Guide to the registration of child and youth care centres in terms of the Children’s Act No 38 of 2005, as amended”⁶. However, the fact that the body of the guide is 53 pages, plus another 17 pages of Annexures, highlights the complexities of this particular registration process.

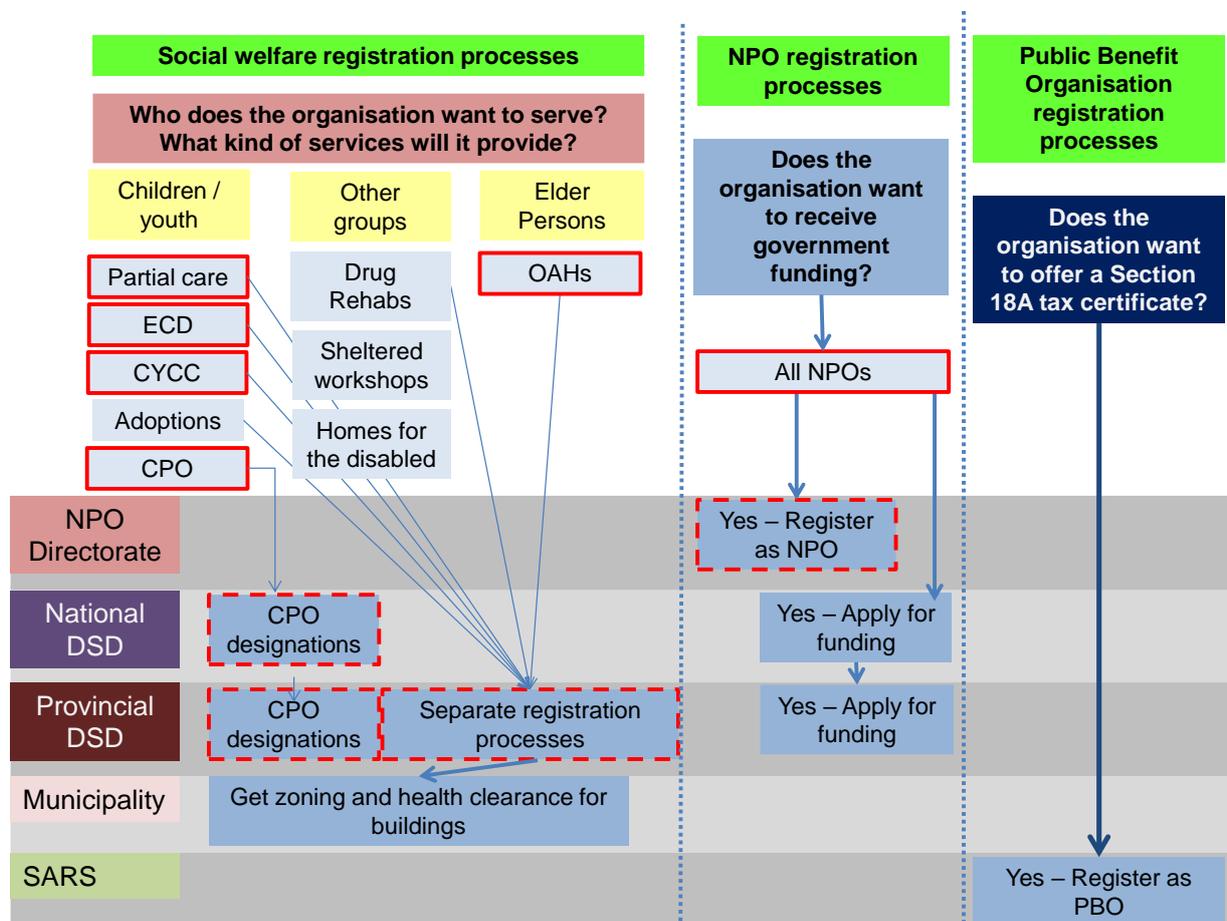
⁶ <http://www.centreforchildlaw.co.za/images/files/frontpage/children%20at%20the%20centre%20guide.pdf>

2.1 Relationship between the different registration processes

An institution wanting to provide services within the social welfare sector is confronted by a range of registration processes each of which serves a different purpose. Generally this is not clearly understood by new entrants to the sector. Even those that have been working in the sector for some time are not always clear on the differences and purposes, and how the different registration processes relate to each other.

Our reading of the legislative framework is that each registration process stands alone. Only the relevant social welfare registration is an absolute requirement for an organisation wanting to offer social welfare services or operate a social welfare facility. The NPO and PBO registrations are optional, depending on how the organisation intends raising funds.

The following figure sets out the relationship between the different registration processes. The questions highlight the focus of the different registration processes.



(Note that the registration process for institutions outlined in RED are the focus of this study)

Figure 1 – The different registration processes in the social welfare sector

For instance, an organisation wanting to operate a children’s home in Limpopo will need a CYCC registration from the Limpopo DSD in order to legally operate the home. If the organisation wants to apply to government for funding, it will need to register as an NPO with the NPO Directorate, apply for funding with the national DSD, and in most instances submit a funding application to the Limpopo DSD. If the organisation wants to solicit donations from individuals and corporates it would need to consider registering as a PBO with SARS so that it can give its donors section 18A certificates so they can deduct their donations from income tax.

Having a correct understanding of the legislative framework and how these different registration processes relate to each other is important to correctly specifying the registration processes the national and provincial DSDs need to implement.

Certain provincial DSDs make NPO registration a pre-requisite for other social welfare-related registrations.⁷ It is submitted that this practice is inconsistent with legislation, and ignores the fact that certain organisations may either not require government funding or may want to operate, say, a partial care facility, for profit.

Nevertheless, by far the majority of organisations operating within the social welfare sector are likely to apply for government and/or donor funding, and will therefore need an NPO registration. It is therefore important to explore synergies between the social welfare and NPO registration processes so as to reduce the red-tape burden on clients and improve the efficiency of government.

2.2 Client perspective of registration processes

As noted, each of the registration processes can be viewed from the perspective of the client seeking to register an NPO, partial care facility, etc.

The following figure gives an example from the Centre for Child Law's "Guide to the registration of child and youth care centres in terms of the Children's Act No 38 of 2005, as amended".

⁷ Even the Centre for Child Law's "Guide to the registration of child and youth care centres in terms of the Children's Act No 38 of 2005, as amended" maintains that NPO registration is an essential part of registering a CYCC on the basis that sections 193(3) and 197 of the Children's Act refer to "an accredited organisation". However, the term "accredited organisation" is not defined in either the Children's Act or the Non-profit Organisations Act.

2. The process for registering a child and youth care centre



Source: Centre for Child Law's "Guide to the registration of child and youth care centres in terms of the Children's Act No 38 of 2005, as amended", page 24

Figure 2 – Client's perspective of the process to register a CYCC

Note that Step 3 deals with the completion of the application form, and Step 4 moves directly to appealing a decision. What happens in the relevant department between these two steps is not covered, presumably because a client does not need to know about these processes.

As part of the process of developing policy processes for each of the registration processes, we have described each of the registration processes from the client's perspective. These descriptions are presented in the *EPR NPO Programme Elements* workbook on the sheets labelled NPO C, PCare C, ECD C, etc.

These descriptions are important for

- assessing whether or not the registration processes are uniform across provinces from the client's perspective, and therefore whether or not clients are being treated equitably. At present this is not the case, as the registration processes differ across provinces and sometimes even across districts within the same province. To address this, we propose that national DSD establish and maintain standard operating procedure for each registration process, and audit provincial DSDs' compliance with such procedures.*
- exploring opportunities for synergies between the social welfare service registration processes and the NPO registration process. The aim would be to allow clients the*

opportunity to combine the processes so that they only need to prepare one set of documentation.

- iii. *evaluating the red-tape burden the registration processes place on clients.* In this regard, we propose the “outcome of a red-tape assessment” as the performance indicator for measuring whether the regulatory framework of each registration process is user-friendly or not.

It should be noted that the client perspective does not describe what happens to an application once it is submitted to the relevant department. This is where the process description from the department’s perspective is important, as the policy processes, performance analysis, expenditure analysis and costing model are all based on the department’s perspective of the six registration processes.

2.3 Policy processes for the NPO registration process

The Non-profit Organisations Act 71 of 1997 establishes the Non-profit Organisations Directorate within the national DSD to administer the registration of non-profit organisations in South Africa.

NPOs cover a wide range of organisational types. In terms of section 1 of the Act, an NPO is defined “as a trust, company or other association of persons established for a public purpose and of which its income and property are not distributable to its members or office bearers except as reasonable compensation for services rendered.” Generally, NGOs and community based organisations (CBOs) are collectively known as non-profit organisations (NPOs). However, NPOs also include not-for-profit companies (previously referred to as section 21 companies). In some instance, NPOs are also referred to as Civil Society Organisations (CSOs).

NPOs also operate across a range of sectors, not only within social welfare services.

The information presented below is drawn from the sheet labelled NPO G in the *EPR NPO Programme Elements* workbook.

2.3.1 Policy intent of the NPO registration process

The policy intent of the Act is to create an enabling environment for the establishment of NPOs and to encourage and support NPOs in their efforts to address diverse needs.

According to the national DSD website⁸

The Register of Non-profit Organisations (NPOs) is a voluntary registration facility that enhances the credibility of the registered NPO as it reports to a public office. The NPO Directorate, as a public office, holds information about registered NPOs for the public to access. This thus, increases the transparency and accountability of the organisation beyond its immediate role-plays. This accountability and transparency improves the governance of an organisation as it is also expected that a registered NPO must comply with the requirements of the NPO Act. The NPO registration status is also a funding requirement for most donor and funding agencies. The national NPO registration facility therefore brings NPOs into a public system that allows for information about the sector to be gathered and made publicly available which in many ways increases the confidence of the public in the non-profit sector.

2.3.2 Roles in managing the NPO registration process

The NPO Directorate within national DSD is responsible for putting in place the processes and systems to manage the registration and oversight of NPOs. The directorate serves all NPOs in all sectors.

⁸ <http://www.dsd.gov.za/npo/> (accessed 23 October 2013)

Organisations wishing to register as an NPO may do so either via an online registration system or submit paper applications directly to either the national NPO directorate or the provincial DSD office. Similar options exist for the submission of annual renewal documents.

There are differing views on what role the provincial DSDs should play in relation to the NPO registration process. It is evident that their role has not been clearly defined. The primary area of debate centres on whether provincial DSDs should provide support to register and build the institutional capacity of NPOs generally, or only those operating within the social welfare sector. This issue will need to be resolved at a policy level. Where provincial DSDs do assist emerging NPOs, inefficiencies within these departments sometimes lead to unnecessary delays in the registration processes.

The NPO Directorate emphasised that such delays do not result from its processes. Its performance data indicates that it processed all NPO applications within the legally prescribed time-frames, but perceptions of delays from the client's perspective are caused by (i) delays in the postage system and (ii) the failure of provincial DSD to lodge NPO applications online in a timely manner, and not handing the registration certificates to the clients as soon as they are issued.

Direct access to the online registration system at DSD service offices and other accessible sites would significantly reduce inefficiencies associated with assisting clients with applications and the uploading of the annual submissions. It would also very likely reduce costs, including postage, travel and staff time.

For purposes of developing the policy processes and costing model, it is assumed that the NPO Directorate is responsible for providing capacity building support to non-social service NPOs, and that the provincial DSDs are responsible for supporting the NPOs operating in the social welfare sector.

2.3.3 NPO registration policy processes

The following table sets out the policy processes for the NPO registration process:

Table 1 – Policy processes for the NPO registration process

Responsibility	Policy processes
National DSD NPO Directorate	Policy development (Regulations required by Act) Implementation planning and costing Budget to manage NPO registrations Capacity development within the national department Establish and maintain standard operating procedure for NPO registrations Communication with sector Building governance and financial management capacity of NPOs Set-up and maintain national NPO database Receipt of applications Processing of applications Maintenance of client information Compliance monitoring Deregistration process Appeals Systems monitoring
Provincial Head Office	Implementation planning and costing Budget to provide support to NPO registrations Develop standard process for providing registration support Build governance and financial management capacity among social service NPOs Assist NPOs with applications Assist NPOs with annual submissions for compliance Monitor effectiveness of registration support service
District / Regional Office Service Office	<i>May be the same as service offices, depending on capacity and division of responsibilities</i> Support for social services NPO start-ups Support for social services NPOs with compliance

Source: Worksheet NPO G in EPR NPO Programme Elements.

The Non-profit Organisations Act describes all the processes related to NPO registration and oversight in considerable detail, and the NPO Directorate has aligned its structure and processes accordingly. In certain areas the activity required by the legislation exists, but the NPO Directorate needs to strengthen its service delivery. In other words, there is strong alignment between the “as is” scenario and the ideal scenario.

More attention needs to be given to training and enabling emerging NPOs on issues such as governance and financial management. The directorate also needs to strengthen its oversight of annual submissions in order to put checks and balances in place for curbing funding fraud.

The policy processes for the provincial DSDs in the above table reflect an ideal scenario. In practice, the provincial DSDs’ role in the NPO support and oversight processes is not well structured: there is considerable provincial variation. This is primarily due to the fact that the national NPO Directorate is yet to define what the provincial DSDs’ roles and responsibilities are.

2.4 Policy processes for the social welfare registration processes

The five social welfare registration processes are similar in many respects. The main differences arise from whether the registration relates to a facility, a programme or an organisation.

Detailed descriptions of these registration processes are presented in the *EPR NPO Programme Elements* workbook on the worksheets *PCare G*, *ECD G*, *CPO G*, *CYCC G* and *OAH G*. Further information on the purpose of and responsibility for the registration processes is presented on the worksheet *Law and purpose* in the same workbook.

The discussion below focusses on the PCF registration process. This is because this registration process deals with by far the greatest volume of registration applications, and it illustrates many of the issues found in the other registration processes.

2.4.1 Policy intent of the PCF registration process

The legal framework for the registration of PCFs is set out in Chapter 5 of the Children’s Act. The primary purpose of requiring the registration of PCFs is to impose safety and quality standards on the facilities and enable monitoring of compliance with the standards. The aim is to protect children from risk within care settings.

Examples of PCFs include day-care centres, crèches, ECD centres and after-school centres. It is estimated that there are currently around 25 000 PCFs in the country that should be registered. However, in line with government’s policy of promoting ECD, it is calculated that around 89 000 facilities are required to achieve population coverage.

Section 80(1) of the Children’s Act reads as follows:

- 80. Partial care facility to be registered.**—(1) Any person or organisation may establish or operate a partial care facility provided that the facility—
- (a) is registered with the provincial government of the province where that facility is situated;
 - (b) is managed and maintained in accordance with any conditions subject to which the facility is registered; and
 - (c) complies with the prescribed national norms and standards contemplated in section 79 and such other requirements as may be prescribed.

A further purpose of registering PCFs is to enable informed national and provincial population level planning and budgeting to ensure an appropriate geographic spread of PCFs. The Children’s Act

provides that the funding of PCFs must be prioritised to communities where families lack the means of providing proper shelter, food and other basic necessities of life to their children; and to make facilities accessible to children with disabilities.

To fulfil these purposes, the process of registering PCFs ought to lay the basis for

- i. ensuring non-registered facilities are brought into the registration and oversight net;
- ii. upgrading substandard facilities by providing assistance during the period of conditional registration;
- iii. regular monitoring of facilities' compliance with the safety and quality norms and standards;
- iv. enforcement of the norms and standards, which includes closing facilities that do not comply with the norms and standards and registration requirements; and
- v. the compilation of reliable, up-to-date information on the geographic distribution of PCFs in the country.

2.4.2 Roles in managing the PCF registration process

The current division of roles is that national DSD is responsible for putting in place the regulatory frameworks, while the provincial DSDs are responsible for managing the registrations. Within the provincial DSDs, responsibility for managing the PCF registration process is delegated down to the district office level, with the service points providing practical assistance to applicants.

However, if the PCF registration process is to effectively achieve its purpose, there needs to be a rethink of (i) what needs to be *done* to realise the purpose of the registration process, and (ii) the roles and responsibilities of national DSD and the head offices of the provincial DSDs.

There is a need for national DSD to move beyond specifying the policy and regulatory frameworks and take leadership in establishing the administrative, oversight and data management processes of the registration processes themselves. In other words, national DSD ought to specify standard operating procedures for the various registration processes. It needs to oversee their implementation by provincial DSDs and monitor compliance. The national DSD ought to also set up and maintain a national database on which all social welfare institutions get registered⁹.

The above is required because currently each province implements a slightly different registration process, there is poor compliance with the regulatory framework, and information on registered institutions is inaccessible and generally unreliable. The net result is that children are not being safeguarded from risk, and plans to extend welfare services such as ECD are inadequate.

Similarly, within provincial DSDs there is a need for the provincial head office to be proactive in ensuring the implementation of a standard operating procedure by the districts. The head office also needs to set-up and maintain a nationally-aligned provincial database for registrations.

The district offices and service points are generally working on the correct activities, but there is a need to improve systems and efficiency – especially with regard to the monitoring of facilities. In most provinces, the use and management of conditional registrations needs to be aligned to the Act, appeals processes need to be established, and processes put in place to manage the closure of facilities that do not comply with the norms and standards.

⁹ The national audit of ECD Centres that the national DSD has commissioned is not a sustainable solution to the poor state of information on registered ECD Centres. The issue of data on registrations needs to be tackled systemically by establishing and enforcing the use of a national database for recording all social welfare registrations.

2.4.3 PCF registration policy processes

Taking the above analysis of roles and responsibilities into account, the following table sets out the ideal policy processes for the PCF registration process:

Table 2 – Policy processes for the PCF registration process

Responsibility	Policy processes
National DSD	Policy development (Regulations required by Act) Implementation planning Cost the partial care facility registration process for national and provincial processes Budget to manage partial care facility registrations Establish capacity in national department Communication with sector Establish and maintain standard operating procedure for partial care facility registrations National database of partial care facilities Monitoring and evaluation
Provincial Head Office	Establish capacity in province to manage registration process Implementation planning and costing Budget to manage partial care registrations Communication with sector Establish and maintain standard operating procedure for partial care registrations Set-up and maintain provincial partial care database Monitoring and evaluation of registration Assigning registration function to municipalities as appropriate
District / Regional Office	Set up registration processes Processing of applications for partial care registration Managing appeals against decisions Monitoring registration
Service Office	Communicate actively with sector Refer to Community Development Practitioner for NPO registration Conduct on-site assessment of facility Assist applicants with preparation of supporting documents Prepare and submit application Communicate outcomes Manage renewals Management of conditional registration Inspection of partial care facilities for compliance with Act Manage notices of enforcement and cancellation of registration Manage closure of facilities Monitor sites

Source: Worksheet PCare in EPR NPO Programme Elements.

2.5 Key findings related to the policy processes

2.5.1 NPO registration process

The NPO Directorate has put in place all the necessary policy processes required to implement the provisions of the Non-profit Organisations Act. There are, however, areas that need to be strengthened. By contrast, provincial DSD processes to assist clients in the social welfare sector with NPO registration and compliance are poorly structured and often inefficient.

1. The NPO Directorate needs to strengthen its processes to manage and exercise oversight of the annual submissions made by NPOs to ensure compliance with the Act, and put in place the necessary checks and balances for curbing funding fraud. To facilitate this, the Directorate should consider adopting a risk management approach that focusses on NPOs in high risk categories. It could also consider putting in place a process that allows NPOs with incomes below, say, R250 000 per annum to be exempted from making annual submissions.

2. The NPO Directorate needs to strengthen its activities to educate prospective clients about the NPO registration and annual submission processes, as well as about governance and financial management issues. The NPO Directorate noted that it is best positioned to serving NPOs outside of the social welfare sector.
3. National DSD and the provincial DSDs need to agree on the role provincial DSDs ought to play in supporting emerging NPOs. It is proposed that provincial DSDs be made responsible for supporting emerging NPOs within the social welfare sector.
4. The NPO Directorate should issue standard operating procedures for provincial DSDs' activities in supporting emerging NPOs with registrations and annual submissions. Provincial DSD head offices need to provide leadership in implementing and exercising oversight of service offices' compliance with such procedures.
5. The NPO Directorate and provincial DSDs need to strengthen service offices' capacity to support emerging NPOs by providing relevant training, and ensuring they have online access so that they can up-load applications and annual submissions without having to travel to district offices.
6. The sector categories used by the NPO Directorate to classify NPOs are aligned to international standards. This does not serve local information needs adequately. It is therefore proposed that the directorate should introduce a secondary set of classifications that are aligned to the terminology used by the relevant sectors in South Africa, but particularly the social welfare sector.¹⁰

2.5.2 Social welfare registration processes

National DSD needs to provide leadership in managing the different social welfare registration processes. It is submitted that there is a need to establish the capability within the department to manage and exercise oversight of all the social welfare registration processes that provincial DSDs are required to implement. This is necessary to enable the Department to deal with many of the issues raised below.

1. National and provincial DSDs need to strengthen their communication with the sector so that clients are correctly informed regarding their obligations to register, the purpose of the different types of registration, and the registration procedures themselves.
2. Each client is currently subject to multiple registration processes that are not aligned and require duplication of effort and expense. Ways of aligning the different registration processes need to be explored so that a client required to complete more than one registration process can submit consolidated applications with a single set of information and documents.
3. The registration processes are intended to ensure that minimum norms and standards are met with respect to the care and support of vulnerable groups, yet non-compliant facilities continue to operate unregistered. The provincial DSDs should either provide non-compliant facilities with assistance to meet the required standards, or they should close them down for non-compliance. The failure of the provincial DSDs to support or close non-compliant facilities places children and other vulnerable groups at immediate and serious risk, and undermines the primary purpose of the registration processes.
4. There is wide variability in operating procedures and requirements across and within provinces for the various registration processes, and even variability in the period of validity of registration certificates. National DSD needs to issue standard operating procedures for the different registration processes. The department also needs to manage and exercise oversight of their implementation by provincial DSDs.

¹⁰ The current NPO database cannot be used to identify NPOs that run ECD centres, CYCCs or residential facilities for the aged. If it were set up with these categories, this would provide a very valuable cross-check to the social welfare registers for these facilities.

5. National DSD does not maintain a consolidated database of social welfare registrations, and in most instances the provincial DSDs' registers are in a very poor state. The result is that information on the number, size and location of social welfare facilities, programmes and organisations is unreliable and inaccessible. This impacts on the ability of the sector to plan and budget for the provision of services. National DSD needs to take leadership in setting up and maintaining a database and enforcing its use by the provinces.
6. The Children's Act allows for PCFs, ECD programmes and CYCCs to obtain conditional registration, which is valid for one year. The purpose is to give the facility time to upgrade to the prescribed norms and standards required for full registration. However, provincial DSDs are either not implementing conditional registrations or doing so in a manner that is not aligned with the law. This is another area where national DSD's leadership in issuing standard operating procedures on the use of conditional registrations is required for the intent of the policy framework to facilitate a process of upgrading non-compliant facilities to be realised.
7. Registration requirements and processes are onerous, yet in many instances they do not fulfil the intended objective. For example:
 - a. Any facility registering to work with children must submit clearance certificates applications for all staff, volunteers and governing body members to ensure that none of their names appear on the sexual offenders register. The intention is to prevent sexual predators from working or volunteering with children. However, due to delays in the clearance certificate process, registration applications are lodged and approved without receipt of these certificates; proof of application is regarded as sufficient evidence.
 - b. All social welfare facilities are required to submit an environmental health inspection (EHI) report with their application demonstrating that the facility complies with the building and health and safety norms and standards of the local municipality. The EHI report should also specify how many children the facility can accommodate. Social workers responsible for approving the applications frequently accept the mere presence of these EHI reports in an application as indicating compliance, even if their content is not in line with the required norms and standards.
8. There do not appear to be formal appeals or complaints procedures in place, for applicants to query registration delays or decisions, for any of the social welfare registration processes. This is a requirement of the Children's Act. This policy process needs to be established.
9. Monitoring and inspection activities tend to focus on governance and fund usage, with too little emphasis on the quality of services, which should be the primary focus of the provincial DSDs' oversight activities.
10. The ECD programme registration process is not currently implemented across all provinces. Where ECD programme registrations are implemented, it is focussed on ECD centres with little provision for non-centre-based ECD programme registration.
11. There is need for a standard application form and for a standardised process for CPO designation. At present provinces have different requirements in terms of the scope of services offered by CPOs. There is also a need for a single registration process for CPOs operating nationally.
12. Most of the registration functions are purely administrative. The use of social workers to fulfil these administrative functions reflects poor prioritisation and use of scarce skills. Task shifting of administrative functions to social auxiliary workers or other para-professionals would reduce costs and enable social workers to focus on the delivery of critical services for which they are responsible.

3. The performance analysis

The performance analysis builds on the policy processes identified above. One of the challenges of the EPR methodology is that the outputs of the analysis are best viewed in Excel. This is particularly true of the performance analysis.

The detail of the performance analysis is presented in *EPR NPO Programme Elements*.

Methodological observation regarding intermediate outputs

From a management perspective, two elements in the performance analysis are of particular interest:

- i. *The intermediate outputs of each policy process.* The managers responsible for managing the activities related to the policy processes are responsible for ensuring these intermediate outputs are produced. It is a key assumption of the chain of delivery that if these intermediate outputs are produced, then the programme level outputs, outcomes and impacts will be realised.
- ii. *The performance indicators for the intermediate outputs.* Given the central importance of the intermediate outputs, the way in which they get measured is very important. Care needs to be given to choosing appropriate indicators. These indicators essentially measure the extent to which delivery takes place within the different policy processes, and so measure the performance of the managers responsible for managing the policy processes.

While a departmental strategic plan should specify the programme level outputs and related indicators, it is submitted that managers' *performance agreements* should outline the policy processes they are responsible for managing, the intermediate outputs they need to produce, and the performance targets, which are based on the performance indicators linked to the intermediate outputs.

3.1 The chain of delivery and indicators for the NPO registration process

The following table sets out the programme level outputs, outcomes and impacts for the NPO registration process, along with the proposed indicators:

Table 3 – NPO registration programme level outputs, outcomes and impacts

Impact	An environment in which the public and government have confidence in the authenticity of NPOs and so are more likely to support them financially and in other ways			i Create an enabling environment to encourage NPOs in their efforts to address diverse needs and so make a positive contribution to development		
Indicator / Measure	Annual private sector contributions to NPOs	Annual public sector contributions to NPOs		No. of full and part time employees working for NPOs	Level of volunteering with NPOs	Contribution of the NPO sector to GDP
Data source	NPO database	NPO database		NPO database / Stats SA	Commissioned research	Commissioned research
Outcomes	An enabling environment for the establishment of NPOs, in line with the Non-Profit Organisations Act					
Indicator / Measure	No. of registered NPOs by sector	ii No. of new NPOs registered in the year by sector	iii No. of NPOs deregistered as a result of non-compliance with the Act	Clean audit for NPO registration process		
Data source	NPO database	NPO database	NPO database	Audit process		
Outputs	An effective and efficient national NPO registration and monitoring system					
Indicator / Measure	% of registrations that took longer than prescribed time	% of registrations that are done online	iv % of new applications that are non-compliant	% of annual submissions submitted on-line	% of NPOs that do not make annual submissions in line with the Act	v
Data source	NPO database	NPO database	NPO database	NPO database	NPO database	

Source: Worksheet NPO G in EPR NPO Programme Elements.

With regards to the preceding table, please note the following.

- i. The impact statement on the left is based on the stated objectives of the NPO regulatory process, while the impact statement on the right is based on the introduction of the Non-profit Organisations Act. Both provide useful perspectives on the desired impact of the Act.
- ii. There was some debate around whether the indicator “*Number of NPOs deregistered as a result of non-compliance with the Act*” was an appropriate indicator of whether the outcome “*Creating an enabling environment for the establishment of NPOs, in line with the Non-profit Organisations Act*” is being achieved. The conclusion was that the indicator provides a measure of whether or not the reporting requirements are too onerous and the enforcement of the Act is giving rise to unintended consequences. Both of these aspects impact on whether the environment is enabling or not.
- iii. The NPO Directorate argues that the reasons for non-compliant applications lie outside of their control, being mainly attributed to a lack of capacity among applicants. However, both national and provincial DSDs have a responsibility to build the capacity of prospective applicants and assist them with their applications. This indicator provides a measure of whether their efforts in this regard are succeeding.
- iv. Similar issue to iii. above.
- v. It is envisaged that provincial DSDs should assist NPOs in the social welfare sector to comply with the annual submissions. Therefore this indicator is a measure of the effectiveness of this assistance.

The following table shows the policy processes, the intermediate outputs and the related performance indicators:

Table 4 –Intermediate outputs and performance indicators for NPO registration

	Programme Elements	Intermediate Outputs	Indicator / Measure	Data source
National DSD NPO Directorate	Policy development (Regulations required by Act)	NPO friendly regulatory framework	Outcome of red-tape assessment ⁱ	Commissioned research
	Implementation planning and costing	Costed implementation plan	Quality of implementation plan	Peer assessment
	Budget to manage NPO registrations	Budget for NPO registrations	Current budget allocations	MI
	Capacity development within the national department	Capacity in place for implementation of NPO registration systems	% of registrations that took longer than prescribed time	NPO database
	Establish and maintain standard operating procedure for NPO registrations			
	Communication with sector	Better informed and better managed sector	% of new registration applications that are non-compliant	NPO database
	Building governance and financial management capacity of NPOs			
	Set-up and maintain national NPO database	Accurate, accessible information on NPOs	Clean audit for information on database ⁱⁱ	Audit process
	Receipt of applications	Standard registration process in place	% of registrations that are done online	NPO database
	Processing of applications			
	Maintenance of client information	Standard processes to maintain information on database	Clean audit for information on database	Audit process
	Compliance monitoring	Monitoring and compliance in place	% of NPOs that do not make annual submissions in line with the Act	NPO database
	Deregistration process			
	Appeals	Appeals system		
	Systems monitoring	Annual evaluation of the NPO registration process	Quality of the evaluation	Peer Review
Provincial Head Office	Implementation planning and costing	Costed implementation plan	Quality of implementation plan	Peer assessment
	Budget to provide support to NPO registrations	Budget for NPO registrations	Level of funding relative to agreed costing	MI
	Develop standard process for providing registration support	Capacity within province to assist with registrations	No. of new NPOs in province provided registration support	NPO database
	Build governance and financial management capacity among social service NPOs	Social service NPOs with management capacity	% of annual submissions that are non-compliant	NPO database
	Assist NPOs with applications	Standard registration assistance process in place	No. of PDSD-assisted registrations that were non-compliant	NPO database
	Assist NPOs with annual submissions for compliance	Compliance support in place	No. of NPOs in the social services sector in the province that are deregistered	NPO database
	Monitor effectiveness of registration support service	Provincial performance monitoring system	Annual evaluation of NPO registration and compliance support activities	Peer review
District / Regi	<i>no responsibilities</i>			
Service Office	Support for social services NPO start-ups	Registration and compliance support for emerging NPOs		
	Support for social services NPOs with compliance			

Source: Worksheet NPO G in EPR NPO Programme Elements.

With regards to the above table, please note the following:

- i. Administrative processes frequently impose significant compliance costs on clients, and the department officials are often not fully aware of the extent of these costs. It is therefore useful to commission “red-tape assessments” to explore ways of reducing the burden placed on clients.
- ii. The Auditor-General should see his “performance auditing” mandate as including the responsibility to audit key sets of administrative information such as the NPO database and not only the current “performance audits” of departments’ annual reports.

3.2 The chain of delivery and indicators for the social welfare registration processes

As with the previous section the discussion below focuses on the PCF registration process, since it illustrates many of the issues found in the other social welfare registration processes.

The following table sets out the programme level outputs, outcomes and impacts for the PCF registration process, along with the proposed indicators:

Table 5 – PCF registration programme level outputs, outcomes and impacts

National Department of Social Development						
Impact	Children are cared for in safe and stimulating environments during periods of the day or night when they are not in the care of their primary caregivers					
Indicator / Measure	No. of registered PCFs that functioned without incident over the year	No. of serious incidents relating to treatment of children in PCFs	No. of PCFs closed for non-compliance with norms and standards			
Data source	MI	MI	MI			
Outcomes	1. All PCFs that comply with national norms and standards are registered. All those that don't comply are provided with support to register or, if necessary, are closed					
Indicator / Measure	No. of registered PCFs in each province	No. of places in registered PCFs in each province	No. of new PCFs registered in the year in each province	No. of new places in new registered PCFs in each province	ii No. of known PCFs that are not registered.	No. of PCFs closed for non-compliance with norms and standards in each province
Data source	i PCF database	PCF database	PCF database	PCF database	PCF database	PCF database
Outputs	1. Systems and capacity at national level to manage an efficient and effective PCF registration process					
Indicator / Measure	Uniform system for partial care registrations in all provinces	Up-to-date, accurate information on PCFs on database	An evaluation of partial care registration processes every three years			
Data source	Annual review	Audit Outcome	Commissioned research			
Provincial Department of Social Development - Head Office						
Outcomes	2. An appropriate geographical spread of PCFs that comply with prescribed national norms and standards.					
Indicator / Measure	iii Plan for the provision of PCFs across the province	No. of registered PCFs that are aligned to the plan	Shortfall in PCFs in required locations in the province			
Data source						
Outputs	2. Systems and capacity at provincial level to manage an efficient and effective partial care registration process					
Indicator / Measure	Uniform system for partial care registrations in all districts	Up-to-date, accurate information on PCFs on database	Consolidated district-level output information	Clean audit for partial care registration process		
Data source	Annual review	Audit Outcome	PCF database	Audit process		
PDSD - District / Regional Offices						
Outputs	3. All PCFs that comply with national norms and standards are registered. All those that don't comply are provided with support to register or, if necessary, are closed					
Indicator / Measure	No. of registered PCFs in district	No. of places in registered PCFs in district	No. of new PCFs registered in the year in district	No. of new places in new registered PCFs in district		
Data source	PCF database	PCF database	PCF database	PCF database		

Source: Worksheet PCare G in EPR NPO Programme Elements.

Please note the following with regards to Table 5:

- i. Currently the “PCF database” does not exist. National DSD will need to set-up and manage such a database and enforce its use by provincial DSDs (see comments elsewhere in this review on the need for a unit within DSD to manage social welfare registration processes).
- ii. Currently most provincial DSDs treat the social welfare registration processes as optional or only as a requirement for obtaining government funding. They therefore do not actively seek out unregistered facilities and serve them with enforcement notices requiring them to register. Also if a facility’s registration application is unsuccessful, action is seldom taken to close it – it simply continues to operate outside the law. Hence the nature of the proposed performance indicators.
- iii. The MEC for social development in each province is required by legislation to put in place a provincial strategy to ensure an appropriate spread of PCFs in the province. This outcome and its related indicators are intended to measure progress with the implementation of the strategy.

The following table shows the policy processes, the intermediate outputs and the related performance indicators.

Table 6 –Intermediate outputs and performance indicators for PCF registration

	Programme Elements	Intermediate Outputs	Indicator / Measure	Data source
National DSD	Policy development (Regulations required by Act)	User-friendly regulatory framework	Outcome of red-tape assessment	Commissioned research
	Implementation planning	Costed implementation plan	Quality of implementation plan	Peer assessment
	Cost the PCF registration process for national and provincial processes			
	Budget to manage PCF registrations	Budget for oversight of partial care registrations	Current budget allocation	MI
	Establish capacity in national department ⁱ	NDSD has capacity to manage partial care registration process	Vacancies at national DSD	MI
	Communication with sector	Partial care providers are aware of their obligations		
	Establish and maintain standard operating procedure for PCF registrations	Uniform approach to partial care registrations in all provinces	Summary of provincial process audit outcomes	AG reports
	National database of PCFs	Accurate, up-to-date information on PCFs	Clean audit for information on database	Audit process
	Monitoring and evaluation	Information to inform systems improvement		
Provincial Head Office	Establish capacity in province to manage registration process	PDSD has capacity to manage partial care registrations ⁱⁱ	Vacancies in posts responsible for partial care registrations	MI
	Implementation planning and costing	Costed implementation plan	Quality of implementation plan	Peer assessment
	Budget to manage partial care registrations	Budget for management of partial care registrations	Level of funding relative to agreed costing	MI
	Communication with sector	Partial care providers are aware of their obligations		
	Establish and maintain standard operating procedure	Effective system to register PCFs	% of new registration applications that are non-compliant	MI
	Set-up and maintain provincial partial care database	Accurate, accessible information on PCFs	Clean audit for information on database	Audit process
	Monitoring and evaluation of registration	Performance monitoring system to inform provincial profile	Annual provincial profile of partial care	
	Assigning registration function to municipalities as appropriate	Delegation of authority in writing	Service level agreements in place with funding arrangements	MI
District / Regional Office	Set up registration processes	Standard registration process in place	Clean audit for partial care registration process	Audit process
	Processing of applications for partial care registration		% of registrations that took longer than prescribed time	PCF database
	Managing appeals against decisions	Systems in place for enforcement of outcomes at district level		
	Monitoring registration	District performance monitoring system, aligned to provincial system	% districts achieving full compliance with standard procedures	Audit Report
Service Office	Communicate actively with sector	Improved service coverage	No. of areas on plan that do not have registered PCFs	MI
	Refer to CDP for NPO registration			
	Conduct on-site assessment of facility	Efficient and effective registration system in place at service office level	No. of E-ILs that do not take place	
	Assist applicants with preparation of supporting documents			
	Prepare and submit application		No. of registration files returned as non-compliant	MI
	Communicate outcomes			
	Manage renewals			
	Management of conditional registration	Effective support in place to progress from conditional to full registration	No. of conditionally registered facilities that are given full registration	MI
	Inspection of PCFs for compliance with Act	PCFs adhere to national norms and standards		
	Manage notices of enforcement and cancellation of registration			
Manage closure of facilities	Unsafe facilities are closed	No. of unsafe PCFs that are closed	MI	
Monitor sites	Local monitoring in place, aligned to district monitoring system			

Source: Worksheet Pcare G in EPR NPO Programme Elements.

With reference to the numbered notes on the preceding table:

- i. As noted elsewhere, national DSD needs to build its capability to manage and exercise oversight of all social welfare registration processes.
- ii. It is expected that the number of ECD facilities applying to be registered is going to increase significantly in line with government's efforts to promote ECD. It is therefore important that provincial DSDs put in place the necessary systems and capacity to manage the registration process.

3.3 Key findings relating to the performance analysis

1. Provincial DSD district and service offices are, in general, poorly resourced and under-staffed relative to their service delivery obligations. The most serious constraints relate to the availability of work stations for staff, telecommunications, computers and transport. These constraints impact negatively on the provision of the various registration processes, as well as other social welfare services.
2. The relatively low volumes of registration applications currently occurring place limited pressure on the current registration systems. A move to population-level planning will greatly increase both the number of applications and the oversight responsibilities of the provincial DSDs. Systems strengthening will need to look at building the capacity required for coping with vastly increased volumes as well as better alignment of functions with system objectives.
3. Almost all the social welfare sector's performance indicators currently focus on the delivery of services/outputs to clients. This is important, but there is an urgent need for performance indicators that measure whether the regulatory systems of government (i.e. the policy processes) are in place and functioning effectively.
4. To manage and monitor the actual delivery of a programme, the intermediate outputs of each policy process need to be monitored. The performance indicators for these outputs are key to monitoring implementation.
5. There is little evidence of population-level planning for services – performance targets in the business plans of both national and provincial DSDs are not formulated with reference to need, but instead focus on what the departments think they are able to deliver. The consequence is that there has been limited progress in the rollout of social welfare services – including the social welfare registration processes.
6. Generally, the performance indicators that provincial DSDs focus on are outputs that are insensitive to either system inefficiencies or the progressive realization of population coverage of social welfare services. Building on the reporting systems that exist, there is scope for improving both the kind of information that is collected as well as the way in which this information is used by the provincial and national DSDs to monitor service delivery and inform planning.
7. There is no national database of social welfare facilities, programmes and providers; not all provinces have adequate provincial databases either. The Children's Act requires that the MEC maintain a record of facilities and programmes registered in the province. The registration system should feed automatically into such a provincial/national database, including information on the status of applications, requirements for renewal, etc.
8. There is poor data management and use – data is not well maintained, not easily accessible and lacks important detail. For example, the KwaZulu-Natal database for ECD centres did not contain information to distinguish between ECD centres that had conditional registration and those that are fully registered.

4. Costing model

The costing model is designed to allow for a high degree of flexibility in the specification of the different variables. This is to enable users of the model to explore different options with regards to these variables, and so test the cost implications of different assumptions and the implications of increasing or decreasing the number of registration applications.

4.1 Costing methodology and structure of the model

The costing model uses the following approaches to cost different components of the NPO and social welfare registration processes:

- i. Certain costs are calculated using direct assumptions regarding the core personnel required to perform certain functions within national DSD or the provincial DSDs. These can be regarded as core establishment costs and do not vary according to the number of registration applications.
- ii. Certain costs are driven directly by the number of new registration applications or the number of facilities or programmes already registered. In most instances, the model calculates the number of officials (based on full-time equivalents) required to perform a particular activity, and then other inputs are added in the ratio noted in point iii below. In some instances, the model has been set up to estimate the cost of other operational inputs, such as transport.
- iii. In all areas of the model where there are in-house personnel costs, normal operational costs and expenditure on capital assets are added in a ratio of 70:25:5. This ratio is based on the analysis of the 2010/11 Vulindlela data for the NPO Directorate.

The cost of personnel is based on the DPSA salary scales unless otherwise specified.

The costing model describes a particular modality for managing registrations, inspections and enforcement activities. These can be modified (within limits) by changing the relevant assumptions. For instance, the type of personnel that provides support can be changed from a social worker to an auxiliary social worker, and the amount of time allocated to the activity can be increased or reduced.

4.1.1 Data sources used in the costing model

The following data is used:

- Information from the NPO register database.
- Information from 'The Cost of the Children's Bill – Estimates of the cost to Government of the services envisaged by the Comprehensive Children's Bill for the period 2005 to 2010'. Report for the national Department of Social Development (2006).
- Information from Census 2011 and the 2010 Income and Expenditure Survey from STATSSA.
- Estimates of National Expenditure spreadsheets provided by National Treasury.
- Public service salary scales from DPSA.

We also refer to *Project to cost key components of ECD policy (July 2013)*, a costing model covering an essential package of ECD services that was jointly commissioned by the Department of Performance Monitoring and Evaluation and the Department of Social Development.

4.1.2 Structure of the costing model

The following figure shows the structure of the model and how the different worksheets relate to each other. The colours in the figure correspond with the colours of the worksheet tabs in the costing model. The orange tabs denote national processes, while the blue tabs indicate provincial processes.

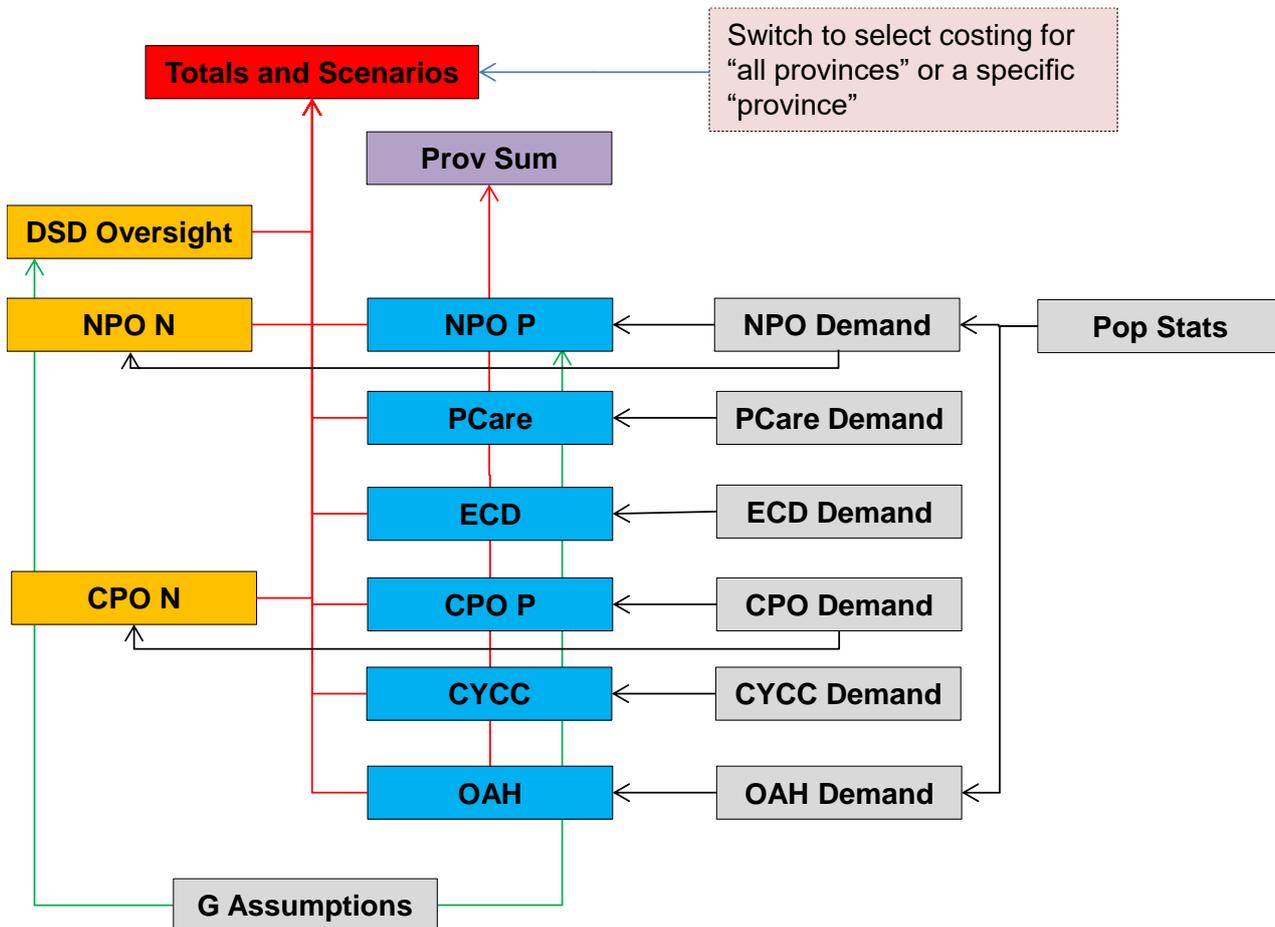


Figure 3: Structure of the NPO Registration Costing Model

The “switch” referred to above is on the Totals and Scenarios worksheet, as follows,



where the red button is a drop down box that allows the user to select either “All Provinces” or a specific province. When “All Provinces” is selected, the costing model calculates costs for national government and all nine provinces. When a specific province is selected, e.g. Eastern Cape, the costing model calculates costs for national government and the specific province.

The table below describes the contents of the worksheets in the order they appear in the costing model. The coloured sheets are the “working sheets”. These sheets contain the assumptions and calculations that drive the overall cost estimates. The grey sheets contain the general assumptions or data on the demand for different kinds of registrations used in the “working sheets”.

Table 7 – Description of the tabs in the costing model

Sheet Name	Description
G Assumptions	Contains general assumptions that feed through to many of the calculations in the working sheets: <ul style="list-style-type: none"> inflation and salary increase assumptions for the MTEF period; salary levels of personnel; assumptions about the number of work days in a year.
Totals and Scenarios	Summarises the national and provincial costs of the different registration process. It also provides two tools for <ul style="list-style-type: none"> exploring the future cost of these registration processes; the cost implications of key Policy Scenarios.
DSD Oversight	Costs the establishment of a unit within national DSD to manage the social welfare registration processes.
Prov Sum	Summarises the provincial costs of managing and monitoring registration processes by provincial DSDs.
NPO N	Costs the national DSD's responsibilities to register and exercise oversight of NPOs.
NPO P	Costs the provincial DSDs' responsibilities to assist social welfare NPOs with applications and annual submissions.
NPO Demand	Contains the baseline data on the number of NPOs and the calculated estimates of the number of NPOs that flow through the different processes.
PCare	Costs the provincial DSDs' responsibilities to register and exercise oversight of PCFs.
PCare Demand	Contains the baseline data and assumptions on the demand for PCFs and the calculated estimates of the number that flow through the different processes.
ECD	Costs the provincial DSDs' responsibilities to register and exercise oversight of ECD Programmes.
ECD Demand	Contains the baseline data and assumptions on the demand for ECD programmes and the calculated estimates of the number that flow through the different processes.
CPO N	Costs the national DSD's responsibilities to designate and exercise oversight of CPOs.
CPO P	Costs the provincial DSDs' responsibilities to designate and exercise oversight of CPOs.
CPO Demand	Contains the baseline data on the number of CPOs and the calculated estimates of the number that flow through the different processes.
CYCC	Costs the provincial DSDs' responsibilities to register and exercise oversight of CYCCs.
CYCC Demand	Contains the baseline data on the number of CYCCs and the calculated estimates of the number that flow through the different processes.
OAH	Costs the provincial DSDs responsibilities to register and exercise oversight of OAHs.
OAH Demand	Contains the baseline data on the number of OAHs and the calculated estimates of the number that flow through the different processes.
Pop Stats	Contains population stats relating to children and the elderly, broken down by quintile.

4.1.3 Description of the scenarios in the costing model

The costing model has been developed with four different scenarios that the user can use to test different cost and delivery assumptions:

- **Pragmatic Scenario:** this scenario explores how the policy purpose of the various registration processes can be achieved cost-effectively while still serving the current level of demand for registrations. It incorporates all the various cost saving and efficiency measures discussed in section 4.3 below. This scenario provides a benchmark against which the other scenarios can be compared.
- **Scenario 1:** this scenario covers the MTEF 2014/15 to 2016/17. It is intended to assist users in developing an implementation plan and budget once key policy decisions have been decided on.

- **Scenario 2:** this scenario is set at the same level as the Policy Scenario in the model set-up, but all the variables can be changed to allow for the testing of different assumptions. Its purpose is to facilitate easy comparisons when assumptions are changed.
- **Policy Scenario:** this scenario shows an estimate of the cost of the registration process if all policy processes are implemented in accordance with the legislative framework and policy intent, and the current demand for registrations and oversight are being met.

4.2 Costing model outcomes

The 2012/13 budget for the NPO Directorate is R22.9 million and it is estimated that the provincial DSDs spent a combined total of R227 million during the same financial year on managing the social welfare registration processes – see Annexure A for details.

Using the costing model, it is calculated that if the NPO and social welfare registration processes were to be implemented in accordance with the current policy parameters and current demand for registrations (the Policy Scenario), then the overall budget in the 2014/15 financial year would be R1.12 billion, with R62 million allocated to national DSD and R1.06 billion to the provincial DSDs.

Clearly, these levels of spending are unaffordable. Therefore a pragmatic Scenario was developed to explore how the policy intent can be achieved more cost-effectively. This Scenario is estimated to require R428 million in the same budget year, with R58 million required for national DSD and R369 million required for the provincial DSDs.

The following table provides a breakdown of these overall costs by type of registration process for the Pragmatic Scenario and the Policy Scenario for the 2014/15 financial year.

Table 8 – Costing outcomes for the six registration processes

	Pragmatic Scenario	Policy Scenario
	2014/15	2014/15
Additional cost relative to the Pragmatic Scenario		R 690 147 031
National government		
NPO Registration	R 41 047 363	R 44 532 362
Child Protection Organisation designations	R 4 263 938	R 4 263 938
DSD Oversight	R 13 676 224	R 13 676 224
Total	R 58 987 525	R 62 472 523
All Provinces		
Provincial assistance to help register social welfare NPOs	R 33 009 481	R 46 643 376
Partial Care	R 215 221 082	R 434 903 573
ECD Programmes	R -	R 349 365 282
Child Protection Organisation designations	R 8 057 651	R 13 272 095
Child and Youth Care Centres	R 40 844 205	R 66 780 238
Old Age Homes	R 71 917 566	R 144 747 453
Total	R 369 049 985	R 1 055 712 018
Overall Total	R 428 037 510	R 1 118 184 541

The cost to national DSD in order to establish the capacity to manage and exercise oversight of the social welfare registration processes is R13.6 million. This is a relatively modest amount relative to the cost of these registration processes to provinces, and compared to what the relevant sub-programmes currently spend on Domestic Travel, Venues, Catering, etc. If focussing this spending enables national DSD to provide the necessary leadership, it would ensure value for money.

The NPO registration process is costed at R41 million for national DSD according to the Pragmatic Scenario. This is just less than double the 2012/13 budget. However, it reflects strengthening the NPO Directorate's oversight of the annual submissions and training of emerging NPOs. In the Pragmatic Scenario, it is estimated that the provincial DSDs ought to be spending R33 million on training and supporting social welfare NPOs. This cost is relatively high because the capacity building and support processes it is envisaged they should provide are very personnel intensive.

In the Policy Scenario, the registration of PCFs and ECD programmes are estimated to cost R434 million and R349 million respectively. This is driven primarily by the large quantity of these types of facilities and programmes that exist and need to be registered – over 22 000 in each instance. Given these high costs, it is proposed that these two registration processes should be combined since, in most instances, clients that register a PCF will also need to register an ECD programme. The Pragmatic Scenario shows that if the PCF and ECD programme registration processes are combined (along with other cost efficiencies), then the combined cost will be about R215 million.

4.2.1 Breakdown of costs by type of activity

The following table provides a breakdown of the provincial DSD total costs related to the social welfare registration process by type of activity. This is taken from the Prov Sum worksheet, which also provides a similar breakdown for each of the registration processes.

Table 9 – Summary of costs by type of activity for social welfare registration processes

Management and Monitoring of Registration Processes				
All Provinces	Pragmatic Scenario		Policy Scenario	
A. Registration Management	R -	0.0%	R -	0.0%
B. Registration and renewals	R 49 153 271	14.6%	R 284 804 119	28.2%
C. Management of temporary registrations	R 34 640 490	10.3%	R 43 911 545	4.4%
D. Inspections, quality assurance and enforcement	R 220 472 142	65.6%	R 624 633 705	61.9%
E. Management of closures	R 31 774 600	9.5%	R 55 719 273	5.5%
Total costs	R 336 040 504	100.0%	R 1 009 068 642	100%

The above table shows that, in the Pragmatic Scenario, the registration and renewal processes themselves only constitute about 15 per cent of the cost of these processes. Almost 66 per cent of the costs are for inspections, quality assurance and enforcement. The relative cost of these two groups of activities is explained by the fact that the registration and renewals only deal with at most 10 to 15 per cent of the client base in any one year, whereas the inspections processes deal with the entire client base each year.

Relatively small amounts are required to provide for management of temporary or conditional registrations and the management of closures.

It should be noted that "Registration Management" is zero. This is because this is a national DSD function, and there is therefore no expenditure by the provinces on this activity.

For the registration processes to serve their intended purpose, all five of these activities are necessary – they are a package deal. Unless registrations are backed up by inspections, enforcement and closures, they become a bureaucratic waste of time. Indeed, many of the current weaknesses in the provincial DSDs' registration systems relate to the fact that one or more of these activities are being neglected.

This also partly explains why the current level of spending by both national DSD and provincial DSDs is significantly below the Pragmatic Scenario. The departments are focussing only on the "registration" activity and by and large neglecting the inspections, quality assurances and enforcement activities.

4.2.2 Unit costs for each type of registration process

The following table sets out the unit cost of the actual registration processes, as well as the unit cost of the oversight and enforcement processes.

Table 10 – Unit costs of registration processes

All Provinces	Pragmatic Scenario	Policy Scenario
	2014/15	2014/15
Unit costs		
Registering NPOs - per registration	R 996	R 977
Oversight and enforcement - per NPO	R 231	R 263
Provincial DSD assisting with NPO registrations - per registration	R 3 520	R 6 310
Provincial DSD assisting with annual submissions - per NPO	R 1 586	R 2 109
Provincial DSD training NPOs - per NPO	R 2 079	R 2 079
Registering PCFs - per registration	R 7 190	R 10 643
Oversight and enforcement - per PCF	R 6 891	R 12 717
Registering ECD Programmes - per registration	R 0	R 9 051
Oversight and enforcement - per ECD programme	R 0	R 13 330
Designation of CPOs - per designation	R 27 297	R 17 532
Oversight and enforcement - per CPO	R 12 398	R 20 362
Registering CYCCs - per registration	R 69 735	R 39 145
Oversight and enforcement - per CYCC	R 26 651	R 40 186
Registering OAH - per registration	R 59 459	R 30 232
Oversight and enforcement - per OAH	R 7 402	R 10 204

With reference to the above table, please note the following:

- i. The unit costs generated by the Pragmatic Scenario are generally lower than those of the Policy Scenario due to the proposed savings and efficiencies (outlined in section 4.3 below) in relation to the Pragmatic Scenario.
- ii. The unit costs for CPO designations and the registration of CYCCs and OAHs are higher in the Pragmatic Scenario because these processes exclude the renewal applications included in the Policy Scenario. The renewal applications allow greater economies of scale to be realised, but push up the overall costs.
- iii. The unit costs for registration and oversight of ECD programmes is zero in the Pragmatic Scenario because these processes are combined with the registration and oversight of PCFs.

4.3 Key Policy Scenarios - savings and efficiencies

While the costing model is designed to allow for a high degree of flexibility in the specification of the different variables, it requires detailed knowledge of the model to specify different scenarios quickly. In order to illustrate the impact of changing key cost drivers, therefore, a tool was developed that allows the user to make certain predefined changes to the model. These changes are called key Policy Scenarios.

The five key Policy Scenarios can be manipulated on the worksheet Totals and Scenarios.

At the top of the sheet is the following line:

	Pragmatic Scenario	Scenario 1 (with MTEF)			Scenario 2	Policy Scenario
	2014/15	2014/15	2015/16	2016/17	2014/15	2014/15
Additional cost relative to the Pragmatic Scenario		R 687 582 852	R 775 051 376	R 871 462 449	R 687 582 852	R 687 582 852

This line compares the key Policy Scenarios to the Pragmatic Scenario – which remains static – when assumptions in the key Policy Scenarios are changed. If the cost figure is positive, e.g. R687 million noted under Scenario 2, it means the change has resulted in a cost increase relative to the Pragmatic Scenario. If the figure is negative, the change or changes have resulted in a cost decrease.

Note that the figures under 2015/16 and 2016/17 in Scenario 1 will always show a cost increase even if all variables across the scenarios are the same as in the Pragmatic Scenario, due to the impact of inflation and increases in the cost of employment.

In this section we will demonstrate the cost changes for each of the key Policy Scenarios.

A Consolidate the PCF and ECD Programme registration processes for ECD centres

Most PCFs are also required to register an appropriate ECD programme. The two registration processes are similar, involving the same personnel and mostly the same clients. It would therefore make sense to combine them into a single process. The Pragmatic Scenario assumes that these two registration processes are combined.

	Pragmatic Scenario 2014/15	Scenario 1 2014/15	Scenario 2 2014/15	Policy Scenario 2014/15
Additional cost relative to the Pragmatic Scenario		R 0	R 217 642 233	R 217 642 233
Consolidate the Partial Care Facility and ECD Programme registration processes for ECD centres		YES	NO	NO

The Policy Scenario shows that the additional cost of not combining these registration processes is about R217 million per year.

B Extend the requirement for social welfare registrations to be renewed from 5 years to ...

If all welfare facilities and organisations are inspected regularly and measures put in place to ensure their governance information remains up-to-date, then it may be possible to either extend, simplify or do away with the registration renewal processes for welfare facilities and organisations. However, this would require the relevant legislation to be amended.

Extending the period for renewals reduces costs. Choosing No Renewal eliminates the need for renewals completely. This impacts on PCFs, ECD programmes, CPOs, CYCCs and OAHs. Note that this does not affect the NPO registration process, which does not have a renewal requirement. The Pragmatic Scenario assumes that the requirement for renewing registrations is scrapped.

	Pragmatic Scenario 2014/15	Scenario 1 2014/15	Scenario 2 2014/15	Policy Scenario 2014/15
Additional cost relative to the Pragmatic Scenario		R 0	R 30 217 681	R 102 244 362
Extend the requirement for social welfare registrations to be renewed from 5 years to:		No Renewal	10	5

The Policy Scenario shows that the additional cost of requiring institutions to renew their registrations every five years is about R102 million per year. This money would be better invested in strengthening regular inspection and enforcement processes.

C Target the performance of DQA assessments to the institutions most at risk

Ideally each facility, programme and organisation should be subjected to a Development Quality Assurance (DQA) process every three years. These are, however, labour intensive and expensive processes. Nevertheless, they are a useful tool for drawing up plans to improve the quality of services offered by institutions. It is therefore proposed that DQA processes should be targeted to assist those institutions whose services are below standard. On this basis, the Pragmatic Scenario assumes that 5 per cent of institutions will be targeted for DQAs per year.

The tabs set the percentage of institutions to be targeted in a year. Selecting 33% means that each facility should be assessed every three years, which is the current policy position. This would cost about R60 million more than Pragmatic Scenario.

	Pragmatic Scenario 2014/15	Scenario 1 2014/15	Scenario 2 2014/15	Policy Scenario 2014/15
Additional cost relative to the Pragmatic Scenario		R 0	R 33 165 432	R 60 478 523
Target the performance of DQA assessments to the institutions most at risk		5%	20%	33%

The lower the percentage, the greater the saving. However, there is a trade-off in terms of quality of oversight and services.

D Target oversight inspections at the institutions most at risk

Current policy specifies that each facility, programme and organisation should be inspected four times a year. As with DQAs, these inspections are labour intensive and expensive, but they also serve an important purpose. It is therefore proposed that the norm could be reduced to two inspections per year, except in relation to facilities whose services are substandard: they should be inspected four times a year. The Pragmatic Scenario assumes that 20 per cent of social welfare facilities are targeted for four inspections a year.

The tabs set the percentage of institutions to be targeted with four inspections in a year. Choosing 100% means each facility would be inspected four times a year, which is the current policy intent. As the Policy Scenario shows, this would cost R75 million more than the Pragmatic Scenario.

	Pragmatic Scenario 2014/15	Scenario 1 2014/15	Scenario 2 2014/15	Policy Scenario 2014/15
Additional cost relative to the Pragmatic Scenario		R 0	R 17 642 182	R 75 200 619
Target oversight inspections to the institutions most at risk		20%	40%	100%

Again, the lower the percentage, the greater the saving, but there is a trade-off in terms of quality of oversight and services.

E Target NPO annual reporting requirements at NPOs with turnovers above R250 000

Many micro-NPOs struggle to comply with the annual reporting requirements and associated costs set out in the Non-profit Organisations Act. Following up on these organisations and de-registering them for non-compliance imposes high administrative costs. It is therefore proposed that NPOs with annual incomes below R250 000 should only have to provide an online statement demonstrating that their income is below R250 000.

It is not known how many NPOs have incomes lower than R250 000, as this information is not available from the NPO database. The tabs therefore allow one to set the percentage of NPOs assumed to have incomes below R250 000 in order to illustrate the extent of the savings that might be realised. The Pragmatic Scenario assumes that 25 per cent of all NPOs have incomes below R250 000.

Choosing “No exemption” means that all NPOs would need to submit annual returns, which is the current policy position. The Policy Scenario shows that this will increase the cost relative to the Pragmatic Scenario by around R10 million. These funds could be better used for training programmes to improve the capacity of these small NPOs.

	Pragmatic Scenario 2014/15	Scenario 1 2014/15	Scenario 2 2014/15	Policy Scenario 2014/15
Additional cost relative to the Pragmatic Scenario		R 0	R 6 429 477	R 10 555 574
Target NPO annual reporting requirements at NPOs with turnovers above R250 000		25%	10%	No exemption

The extent of the potential savings are not significant. However, the benefit for the micro-NPOs that are exempted from annual reporting also needs to be considered. Reducing red-tape for them would be an important consideration.

F Task shifting away from social workers

Most of the registration functions are purely administrative. The use of social workers to fulfil these administrative functions reflects poor prioritisation and use of scarce skills. Task shifting of administrative functions to social auxiliary workers or other para-professionals would save costs and enable social workers to focus on the delivery of critical services for which they are responsible.

The Pragmatic Scenario proposes a number of areas where task shifting can be implemented, or where the participation of senior social workers in routine processes can be reduced.

	Pragmatic Scenario	Scenario 1	Scenario 2	Policy Scenario
	2014/15	2014/15	2014/15	2014/15
Additional cost relative to the Pragmatic Scenario		R 53 932 243	R 53 932 243	R 53 932 243

The Policy Scenario shows that not implementing these task shifting measures results in a cost increase of R54 million relative to the Pragmatic Scenario.

4.4 Bridging the gap between present spending and the Pragmatic Scenario

4.4.1 Closing the national DSD resource gap

As previously noted, in 2012/13 the budget for the NPO Directorate was R22.9 million, whereas the Pragmatic Scenario indicates a cost of R41 million. The main reason for the gap is that the Pragmatic Scenario provides for the strengthening of the NPO Directorate's oversight of NPOs' annual submissions and the provision of greater support to emerging NPOs. The Vulindlela analysis indicates that there is scope for reprioritising spending within the NPO Directorate to focus on core businesses activities. This would provide funding to start moving in the required direction, but small amounts of additional funding will be required from about year three – probably about R5 million a year in years four, five and six of a roll-out strategy.

The Pragmatic Scenario also indicates that the national DSD needs to invest around R14 million in establishing the capability to provide leadership and exercise oversight of the social welfare registration processes. The analysis of the Vulindlela data indicates that national DSD spends very large amounts on domestic travel and other items associated with conferences and workshops. There is thus scope for reprioritising spending within Programme 4 to fund the R14 million required to strengthen national DSD's oversight of social welfare registration processes. No new funding is required.

4.4.2 Closing the provincial DSD resource gap

It is estimated that in 2012/13 the provincial DSDs spent a combined total of R227 million on managing the social welfare registration processes. The Pragmatic Scenario indicates a cost of R369 million for managing the five social welfare registration processes. This indicates a gap of some R140 million, which would be distributed across the provinces based on their respective workloads. KwaZulu-Natal's share would be approximately R30 million, and the Northern Cape's share about R4.6 million. The other provinces' shares are ranged between these two amounts.

However, the scope for improving the efficiency and effectiveness of the existing registration processes is vast. It would therefore be prudent to require national DSD and the provincial DSDs to prepare a detailed strategy to strengthen the current registration processes within the current funding parameters, and to link the allocation of any new resources to the realisation of proven improvements. In addition, national DSD needs to re-examine the policy framework with a view to making it more practical and more affordable. A range of areas where savings could be realised are noted in section 4.3 above. These improvements within the current funding parameters will probably take three to four years to implement, after which there will be a need to allocate additional funds to fund further strengthening of the registration processes.

5. Summary of key findings

5.1 Answering the key questions

A number of key questions were identified at the outset of the review. To what extent have these been answered?

i. Are different registration processes achieving their intended purposes?

The evidence is mixed. For NPOs the actual registration process is working well, but the oversight of annual submissions is not. There are problems with the level of support provided to NPOs to strengthen governance and financial management, and therefore their capacity to comply with the annual submissions.

With regards to the social welfare registration processes, the entire range of activities required by legislation has not been implemented. There are large gaps in oversight and enforcement. The absence of a well-managed, comprehensive database of entities that have been registered is a very serious omission – it means there is a total lack of reliable information for managing oversight. It also means there is no reliable information for purposes of planning and budgeting.

ii. Have national and provincial DSDs put in place the necessary management processes and systems to deliver efficient and effective registration processes?

The NPO Directorate has implemented the necessary systems to manage the registration of NPOs but, as already noted, there are certain gaps. There is, however, no clear agreement on the role that provincial DSDs should play. As a result, provincial DSDs contribution is inconsistent and poorly organised.

The provincial social welfare registration processes are generally weak and unnecessarily onerous. National DSD needs to strengthen its leadership and ensure that provincial DSDs put the required management processes in place. National DSD needs to develop, roll out and enforce a standard operating procedure for each registration process, as well as set up and manage a national/provincial database.

iii. What performance indicators should be tracked to ensure effective implementation?

The analysis in *EPR NPO Programme Elements* identified intermediate outputs linked to each policy process. Linked to each of these intermediate outputs are performance indicators. These performance indicators need to be tracked in order to ensure effective policy implementation. They focus on the performance of the core activities required for effective implementation, such as the production and implementation of standard operating procedures for each registration process.

iv. What funds are currently being spent on the registration processes?

The 2012/13 budget for the NPO Directorate to manage the NPO registration process was R22.9 million. This was reduced in the 2013/14 budget to R19.3 million.

It is not clear what other units within national DSD spend on the social welfare registration processes. However, it is unlikely to be much, based on the fact that there is a deficiency in national leadership in the management and oversight of these processes, as well as the non-existence of a coherent national database of registrations. Furthermore, the nature of the spending in 2012/13 as reflected in the Vulindlela data indicates that conferences and meetings dominate expenditure, rather than activities associated with oversight.

It is estimated that in 2012/13 the provincial DSDs spent a combined total of R227 million on managing the social welfare registration processes – see Annexure A for details. However, this is

a very rough estimate. The way in which the provincial DSD budgets are structured, combined with the absence of appropriate detail in the Vulindlela data, makes it impossible to map spending to these processes.

v. *Are current levels of funding of these processes adequate?*

In the case of the NPO Directorate, the current level of funding is below what the costing suggests is required. As mentioned, our analysis of the 2012/13 Vulindlela data indicates high levels of spending on items associated with conferences and meetings. So while the directorate probably does need additional funding to strengthen its oversight and training functions, there is also scope to reprioritise some of its spending to core activities.

Not knowing how much other units within national DSD spend on these processes means that the question cannot be answered in relation to social welfare service registrations. However, given the challenges currently being experienced with regard to these registration processes, it is submitted that the management and oversight of these processes is not being prioritised by national DSD, and therefore we conclude that the level of spending on these processes is inadequate.

Similarly for provincial DSDs, with only a very rough estimate of what they currently spend on these processes, it is difficult to answer this question. There is evidence that significant effort is being invested in the registration processes, but that capacity is stretched. However, there is also evidence that these processes are poorly managed and inefficient. So while more probably does need to be allocated to these processes, there is also scope to improve efficiency within the current funds allocation.

vi. *What are the key cost elements and expenditure drivers of the registration processes?*

On the demand side, the two primary expenditure drivers are

- the number of new and renewal applications that need to be processed each year, and
- the number of existing facilities (whether registered or not) that need to be inspected for compliance with the norms and standards.

When it comes to the activities, the inspection, assessment and enforcement of the norms and standards are a major cost element. The breadth and intensity of these activities are in turn important expenditure drivers that can be modified. These are, however, essential activities if the policy intent is to be realised.

The registration processes are generally labour intensive, so personnel is a major cost element, and the time they spend on different activities is a key expenditure driver. It is therefore important to assess the different steps in each of the processes to verify whether (i) the activity is necessary or could be shortened or cut, and (ii) the level of staff performing the task is appropriate, or there could there be task shifting away from, say, social workers to auxiliary social workers.

vii. *What can be done to improve the efficiency and effectiveness of the registration processes, taking into consideration the causal linkages between the programme design and policy intent?*

The NPO registration process is functioning well for the most part. It needs to be strengthened in a number of areas, which will probably require additional staff and therefore additional resources. However, as noted above, there is probably scope for savings within the directorate on spending related to conferences and meetings, as well as with improved access to online registration.

The national DSD's management of the social welfare registration processes needs to be strengthened. It is therefore proposed that, to bring focus to the task, the department needs to develop the capacity to provide leadership and oversight to these processes. To establish this

capacity will require a budget of R14 million per annum. Given the nature of spending by other units within Programme 3 of national DSD, much of this funding can come from reprioritising spending within the programme. As noted above, the department needs to provide leadership by putting in place and managing the implementation of standard operating procedures for the registration processes, as well as setting up a national register. These actions would almost certainly result in cost efficiencies.

In the provincial DSDs, the scope for improving the efficiency and effectiveness of the registration processes is vast, and covers all activities to a greater or lesser extent. Priority needs to be given to:

- establishing standard operating procedures for each registration process,
- combining the PCF and ECD programme registration processes, and
- putting in place a national/provincial database for registrations.

5.2 Key policy points

1. The NPO registration process is functioning well, with significant reductions in turnaround times resulting from the introduction of an online registration system. The NPO Directorate in national DSD needs to strengthen its oversight of annual submissions in relation to larger NPOs so as to combat funding fraud, and needs to give more attention to supporting emerging NPOs.
2. The role of provincial DSDs in supporting the NPO registration process needs to be agreed upon. It is proposed that provincial DSDs should be responsible for supporting NPOs operating in the social welfare sector with registrations, annual submissions and training.
3. The primary purpose of requiring the registration of social welfare facilities, programmes and organisations is to impose safety and quality standards, and to enable monitoring of compliance with such standards. The aim is to protect children and other vulnerable groups from risk of abuse. The registration processes, support and oversight processes currently implemented by the provincial DSDs are not contributing to achieving this objective effectively.
4. A further purpose of registering PCFs is to enable informed national and provincial population-level planning and budgeting to ensure an appropriate geographic spread of social welfare facilities and services. The absence of a national database on registrations, and the failure of most provincial DSDs to maintain reliable, up-to-date registers, means that the information for such planning is not readily available.
5. The national DSD's management and oversight of the social welfare registration processes within provincial DSDs requires substantial strengthening. To bring focus to the task, national DSD needs to develop the capability to manage and exercise oversight of these registration processes. To this end, the department needs to:
 - a. establish standard operating procedures for each registration process;
 - b. put in place a national/provincial database for registrations; and
 - c. exercise oversight of provincial DSDs to ensure compliance with the standard operating procedures and proper use of the database.
6. The analysis of policy processes for the social welfare registration processes indicated that there are significant gaps in the provincial DSD processes. Areas that need attention are:
 - a. The registration processes are intended to ensure that minimum norms and standards are met with respect to the care and support of vulnerable groups, yet non-compliant facilities continue to operate unregistered. Provincial DSDs need to either upgrade or close non-compliant facilities places so that children and other vulnerable groups are not placed at

immediate and serious risk. These key policy processes are required if the primary purpose of the registration processes are to be realised.

- b. The Children's Act allows for PCFs, ECD programmes and CYCCs to obtain conditional registration, which is valid for one year. The purpose is to give the facility time to upgrade to the prescribed norms and standards required for full registration. However, provincial DSDs are either not implementing conditional registrations or doing so in a manner that is not aligned to the law.
 - c. There do not appear to be formal appeals or complaints procedures in place for applicants to query registration delays or decisions for any of the social welfare registration processes. This is a requirement in terms of the Children's Act. This policy process needs to be established.
 - d. Monitoring and inspection activities tend to focus on governance and fund usage, with too little emphasis on the quality of services, which should be primary focus of the provincial DSDs' oversight activities.
7. Using the costing model, it is calculated that if the NPO and social welfare registration processes were to be implemented in accordance with the current policy parameters and current demand for registrations, the overall cost would be R1.12 billion, with R62 million allocated to national DSD and R1.06 billion to the provincial DSDs.
 8. Clearly, these levels of spending are unaffordable. Therefore a Pragmatic Scenario was developed that explores how the policy intent can be achieved more cost-effectively. The Pragmatic Scenario is estimated to require R428 million, with R58 million allocated to national DSD and R369 million to the provincial DSDs.
 9. Costing for the Pragmatic Scenario shows that the registration and renewal processes themselves should only constitute about 15 per cent of the cost. Almost 66 per cent of the costs are linked to inspections, quality assurance and enforcement. The relative cost of these two groups of activities is explained by the fact that the registration and renewals only deal with at most 10 to 15 per cent of the client base in any one year, whereas the inspections processes deal with the entire client base each year.
 1. The costing model highlights the following areas where the present policy parameters raise the cost of these registration processes relative to the approach underpinning the Pragmatic Scenario:
 - a. Requiring separate PCF and ECD Programme registration processes for ECD centres raises the cost by R217 million. The Pragmatic Scenario assumes that these processes are combined.
 - b. Requiring social welfare registrations to be renewed every 5 years raises the cost by about R102 million. The Pragmatic Scenario assumes no renewals are required.
 - c. Requiring DQA assessments of all institutions every three years raises the cost by more than R60 million. The Pragmatic Scenario assumes that the 5 per cent of facilities most at risk are targeted for DQA assessments once every three years.
 - d. Requiring all social welfare institutions to be inspected four times a year raises the cost by R75 million. The Pragmatic Scenario assumes that the 20 per cent of facilities most at risk are targeted for four inspections per year, while the rest receive two.
 - e. Requiring social workers to perform tasks that can be performed by auxiliary social workers raises the cost by R54 million. The Pragmatic Scenario assumes that auxiliary social workers perform a range of tasks currently performed by social workers.

References

The following sources of information were used in conducting the review:

- i. The Legislation and regulations
 - Non-profit Organisations Act No. 71 of 1997.
 - Children’s Act No. 38 of 2005.
 - Older Persons Act No. 13 of 2006.
- ii. Information on budgets and expenditure
 - National Treasury, Provincial Budgets and Expenditure Review: 2005/06 – 2011/12.
 - Estimates of National Expenditure spreadsheets provided by National Treasury.
 - Vulindlela database provided by National Treasury
- iii. Guides to the different registration processes
 - Centre for Child Law’s “Guide to the registration of child and youth care centres in terms of the Children’s Act No 38 of 2005, as amended”, page 24
 - Gauteng guide to PCF and ECD programme registration
 - National Department of Social Development guide pamphlets for PCF and ECD programme registration processes
- iv. Other documents
 - Conrad Barberton, 2006. The Cost of the Children’s Bill – Estimates of the cost to Government of the services envisaged by the Comprehensive Children’s Bill for the period 2005 to 2010’. Report for the national Department of Social Development.
 - Department of Social Development, 2010. *Developing good governance practices with the South African NPO sector*.
 - Trialogue, CSI in South Africa – Greater Good Forum, 8 November 2012, quoted by Charities Aid Foundation Southern Africa in “Civil Society Submission on Revised Broad-Based Black Economic Empowerment Codes of Good Practice”, 15 November 2012.
 - Census 2011 and the 2010 Income and Expenditure Survey from STATSSA.
 - Public service salary scales from DPSA.
 - Information from the NPO register database.
 - various Ilifa Labantwana technical reports
- v. Interviews
 - a. Provincial DSD officials in NW, KZN and Gauteng
 - b. Managers of NPOs in KZN, Western Cape and Gauteng

Annexure A – Analysis and mapping of expenditures

An important task of this review was to analyse the Vulindlela data to see what is actually being spent on the different registration processes and explore whether the expenditure can be mapped to the policy processes of the registration processes.

There are two separate sets of activities for which expenditure was analysed in order to explore whether it could be mapped. The first set of activities is the registration of NPOs by the NPO Directorate and the support given to NPOs in the registration process by provincial DSDs. The second set is the social welfare registration processes (PCFs, ECD programmes, CPOs, CYCCs and OAHs) and the oversight of these processes provided by national DSD.

The following table shows how funds currently flow from the Division of Revenue process to finance the NPO and social welfare registration processes. The red lines indicate 'services' that the funds finance.

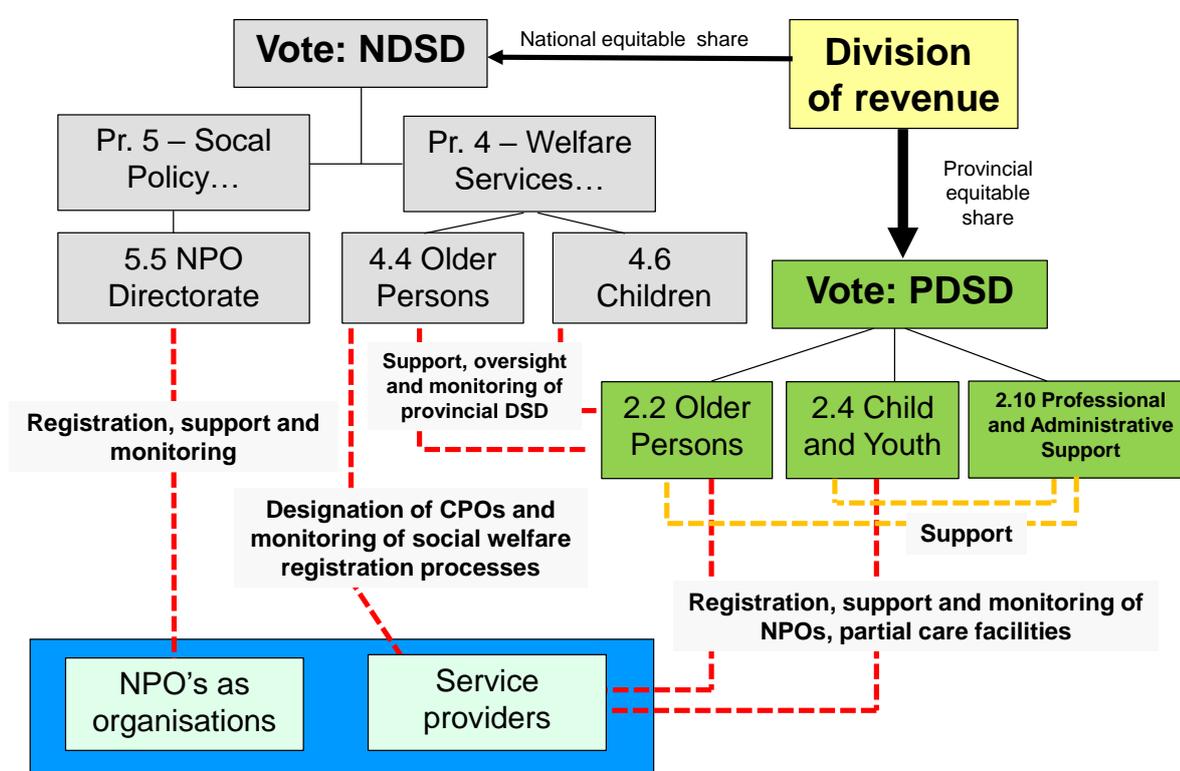


Figure A1 – Flow of funds to the NPO and social welfare registration processes

The above figure shows that, within national DSD's budget, the budget for the NPO Directorate is located within Programme 5: Social Policy and Integrated Service Delivery as sub-programme 5.5: Registration and Monitoring of Non-profit Organisations.

National DSD's oversight and support for the social welfare registration processes are budgeted for in Programme 4: Welfare Services Policy Development and Implementation Support within the following sub-programmes:

- 4.1 Programme Management
- 4.4 Older Persons
- 4.6 Children
- 4.8 Social Crime Prevention and Victim Empowerment

- 4.9 Youth

The support given by provincial DSDs to the NPO registration process cuts across a number of programmes. Under Programme 1: Administration, it was assumed that resources from the sub-programme “District Management” are used in the oversight of support given to the NPO registration process. It is assumed that some resources from all of the sub-programmes under Programme 2: Social Welfare Services are used in at least some small way. Resources used for training and support are assumed to be budgeted for in sub-programme 3.4: Institutional Capacity Building and Support in Programme 3: Development and Research.

Provincial DSD spending on the social welfare registration processes is budgeted for in Programme 2: Social Welfare Services. For this review, the relevant budgets are in sub-programmes 2.2 Care and Services to Older Persons and 2.4 Child Care and Protection Services.

The programme budget structures of national and provincial DSDs show the budget totals for each sub-programme and show the totals of the line items for the programme. For instance, the ‘compensation of employees’ line in Programme 2: Social Welfare Services shows a single total for the compensation of all sub-programmes under that programme. It does not show how much of the compensation budget is allocated to each sub-programme. For this reason, the Vulindlela data was analysed in an attempt to map expenditure of provincial DSDs to the policy processes identified above.

Analysis of the Vulindlela expenditure data

Three files of Vulindlela data were made available. These cover the 2010/11, 2011/12 and 2012/13 financial years. Only data from the 2010/11 and 2012/13 files could be analysed. The structure of the 2011/12 data did not allow for analysis at the lowest item level of expenditure. The finest grained data used for the analyses was “Item_lowest_level”. It is not possible to get lower level expenditure records of use from Vulindlela.

The perceived value of analysing the Vulindlela data is the detail reported through the system. Theoretically, this should provide insight into the activities and processes followed by the department whose data is being analysed. Selected analyses of the various sub-programmes and expenditure records in the data relevant to this EPR are discussed below. Provinces record many transactions in Vulindlela at the sub-programme level. Transactions range in value from a few hundred to a few million Rands.

Table A1 on the following page shows expenditure reported against the NPO Directorate for 2010/11 and 2012/13. Note that all expenditure related to “Stationery and Printing” is grouped together. Vulindlela presents this expenditure in more detail than is shown here.

The items shown in the table are the largest expenditure items, and represent just under 98 per cent of the sub-programme budget in each of the two years. The composition of expenditure in 2010/11 looks reasonable – given our understanding of the activities of the Directorate. The data for 2012/13 show large increases in spending on Venues and Facilities, and Domestic Travel. All other items increase, but this appears to be in line with inflation.

Table A1 – NPO Directorate: expenditure reported on Vulindlela

	2010/11		2012/13		
	Amount	per cent of sub-programme	Amount	per cent of sub-programme	
Compensation of Employees	8 641 563	69.4%	Compensation of Employees	11 498 396	48.0%
Researchers and Advisors	871 735	7.0%	Venues and Facilities	4 524 280	18.9%
Domestic Travel	759 296	6.1%	Domestic Travel	2 751 571	11.5%
Stationery and Printing	693 916	5.6%	Researchers and Advisors	984 728	4.1%
Marketing	500 000	4.0%	Stationery and Printing	789 033	3.3%
Other Machinery and Equipment	234 436	1.9%	Marketing	729 884	3.0%
Admin and Support Staff	201 780	1.6%	Catering (department activities)	396 254	1.7%
Foreign Travel	152 333	1.2%	Transport for public events	361 282	1.5%
Staff Training	77 406	0.6%	Promotional Items	306 660	1.3%
Telephone/Telex	70 500	0.6%	Telephone/fax	262 415	1.1%
			Audio Visual Contractors	243 960	1.0%
			Office Equipment	160 877	0.7%
			Travel Agency Fees	156 487	0.7%
			Computer Hardware	111 649	0.5%
			Legal Advisers	88 236	0.4%
Sub-programme	12 202 965	97.9%	23 365 711	97.6%	
Sub-Programme Total	12 458 435		23 946 366		

The level of spending on Domestic Travel in 2012/13 is sufficient to cover 680 air tickets of R4 000 each. This, together with the level of spending on Venues and Facilities, suggests the Directorate hosted a large conference during the year, or that the officials in the Directorate spend a lot of time travelling to workshops that are hosted at venues the department hires¹¹. Expenditure on stationery and printing does not grow much, and therefore it cannot be assumed that additional material was printed for use at this conference or these workshops.

Besides providing a basis for these kinds of questions, the data does not provide insight into what type of events were held at the venues that were hired, nor what other activities the Directorate was engaged in. Therefore it cannot be used to allocate expenditure to different policy processes.

Table A2 on the following page compares the sub-programme budget totals that appear in national DSD's chapter in the Estimates of National Expenditure to the sub-programme totals from Vulindlela within Programme 3: Welfare Services Policy Development and Implementation Support.

¹¹ There are 13 officials at level 11 and above in the NPO Directorate. If it is assumed that only these more senior officials are likely to travel, this gives an average of 52 flights per official per year.

Table A2 – Programme 3 of national DSD: ENE budget compared to Vulindlela

	ENE	Vulindlela	ENE	Vulindlela
	2010/11 Audited outcome	2010/11	2012/13 Revised Estimate	2012/13
R 000s				
Programme Management	7 435	9 552	8 181	7 475
Service Standards	19 838	22 145	20 381	22 145
Substance Abuse	12 152	13 399	13 993	12 911
Older Persons	8 046	6 221	15 016	19 307
People with Disabilities	7 670	4 795	8 631	9 691
Children	31 935	24 082	60 369	58 521
Families	5 852	4 850	7 757	8 272
Social Crime Prevention and Victim Empowerment	14 649	5 535	35 892	27 635
Youth	4 631	#N/A	9 314	12 427
HIV and AIDS	60 943	-	70 864	72 634
Social Worker Scholarships	226 000	239 358	256 000	256 000
Sub-programme Total	399 151	337 061	506 398	507 017

The only numbers that match are for the Social Worker Scholarships in 2012/13. In most other instances, the expenditure numbers are in the same order of magnitude as the budgets, but they do not match. For the department's other programmes there is far better alignment between the ENE budgets and the Vulindlela expenditure data. This calls into question (i) the accuracy of the original budgets in Programme 3, (ii) the programme manager's commitment to adhering to the allocated budgets, and (iii) the accuracy of the Vulindlela data for this programme.

Table shows an analysis of expenditure reported through Vulindlela for the sub-programmes Children and Older Persons, in Programme 3: Welfare Services Policy Development and Implementation Support within the national DSD budget.

Table A3 – Children and Older Person sub-programmes: expenditure reported on Vulindlela

Children	2010/11		2012/13		
	Amount	per cent sub-programme	Amount	per cent sub-programme	
Rand values					
Compensation of Employees	18 124 161	75.3%	Compensation of Employees	24 846 471	42.5%
Domestic Travel	2 516 722	10.5%	Transfers to NPOs	8 062 826	13.8%
Venues and Facilities	1 077 191	4.5%	Researchers and Advisors	7 539 515	12.9%
Stationery and Printing	1 005 026	4.2%	Domestic Travel	5 704 490	9.7%
Blank	346 903	1.4%	Advertising	4 807 381	8.2%
Foreign Travel	181 385	0.8%	Venues and Facilities	2 039 149	3.5%
			Stationery and Printing	939 620	1.6%
			Catering (department activities)	712 156	1.2%
			Legal Advisers	427 925	0.7%
			Security Services	409 942	0.7%
			Promotional Items	392 549	0.7%
			Foreign Travel	355 211	0.6%
			Telecommunications	350 953	0.6%
Sub-Total	23 251 389	96.6%		56 588 188	96.7%
Sub-programme Budget	24 081 690			58 521 310	

Older Persons	2010/11		2012/13		
	Amount	per cent sub-programme	Amount	per cent sub-programme	
Compensation of Employees	2 930 129	47.1%	Venues and Facilities	7 736 784	40.1%
Domestic Travel	515 619	8.3%	Compensation of Employees	3 145 003	16.3%
Foreign Travel	59 855	1.0%	Domestic Travel	2 614 373	13.5%
Stationery and Printing	781 449	12.6%	Transfers to NPOs	2 046 000	10.6%
Venues and Facilities	748 819	12.0%	Promotional Items	1 864 209	9.7%
Researchers and Advisors	272 000	4.4%	Catering (department activities)	536 459	2.8%
Management Entertainment	91 056	1.5%	Stationery and Printing	476 944	2.5%
Blank	674 631	10.8%	Researchers and Advisors	134 450	0.7%
			Water	119 400	0.6%
			Foreign Travel	101 915	0.5%
Sub-Total	6 073 558	97.6%		18 775 536	97.2%
Sub-programme Budget	6 220 844			19 307 069	

The data for 2010/11 was analysed in exactly the same way as the data for 2012/13. The largest items for each sub-programme are shown. Again, Domestic Travel takes up a large share of each budget. The level of spending on Domestic Travel in 2012/13 across both programmes is sufficient to cover 2 080 air tickets of R4 000 each. When this expenditure is compared with expenditure on personnel, it raises a concern as to how much each official in these sub-programmes travel.

The sub-programme Older Persons spent over 65 per cent of its total expenditure in 2012/13 on Venues and Facilities, Domestic Travel, Promotional Items and Catering. These are all items typically associated with conferences or workshops of one type or another – it cannot be deduced from these numbers the purpose of these events. However, the level of spending on such events suggests that other activities, such as exercising oversight of social welfare registration processes, are given less attention.

Similarly the sub-programme Children spent some 15 per cent of total expenditure on items related to conferences or meetings. Again it cannot be deduced from these numbers the purpose of these events.

Of concern is that 10.8 per cent of the Older Persons sub-programme is recorded as 'Blank' in 2010/11. This is a very large share of the budget to not be classified. This problem does not show up in the 2012/13 numbers.

Table A4Error! Reference source not found. below provides an analysis of provincial DSD data for compensation of employees for three sub-programmes in Programme 2: Social Welfare Services. No information (0%) means that no expenditure for that item is reported against the sub-programme.

TableA4: Compensation in sub-programmes as a per cent of compensation in the programme

Programme	Social Welfare Services					
	2.2 Care and Services to Older Persons		2.4 Child Care and Protection Services		2.10 Professional and Support Services	
Sub-programme						
Per cent of sub-programme	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13
Eastern Cape	0%	0%	10%	12%	89%	76%
Free State	41%	49%	19%	22%	83%	83%
Gauteng	9%	11%	33%	39%	82%	91%
KwaZulu-Natal	3%	3%	0%	14%	57%	65%
Limpopo	25%	29%	9%	11%	65%	93%
Mpumalanga	2%	3%	2%	3%	69%	69%
Northern Cape	39%	48%	39%	47%	63%	69%
North West	11%	12%	2%	3%	57%	75%
Western Cape	0%	0%	0%	0%	79%	84%

The purpose of the above analysis is to show the lack of a common method for recording compensation of employees across the provinces. In most provinces, the bulk of compensation is recorded in 2.10 Professional and Support Services. This practice arose because the staff work across all the sub-programmes within the programme, and it is therefore difficult to attribute their salaries to any single sub-programme. There is, however, a policy decision that compensation budgets should be shifted to the sub-programme budgets. Only Free State and Gauteng appear to have done so.

Table A5 shows the transfers to NPOs as a per cent of the budgets for the sub-programmes Care and Services to Older Persons and the Child Care and Protection Services.

Table A5 – Transfers to NPOs as a per cent of sub-programme budgets

Programme	Social Welfare Services							
	2.2 Care and Services to Older Persons				2.4 Child Care and Protection Services			
R 000s								
Per cent of sub-programme	2010/11		2012/13		2010/11		2012/13	
Eastern Cape	98%	91 963	98%	88 365	87%	176 204	87%	198 601
Free State	45%	38 098	45%	41 239	68%	209 694	68%	220 578
Gauteng	69%	120 987	69%	157 148	47%	371 908	47%	467 334
KwaZulu-Natal	91%	24 894	91%	28 189	80%	60 575	80%	72 875
Limpopo	65%	81 913	65%	97 773	81%	234 524	81%	311 277
Mpumalanga	92%	20 424	92%	22 627	96%	118 266	96%	198 154
Northern Cape	2%	26 304	38%	23 473	9%	161 612	44%	167 741
North West	76%	11 499	76%	11 060	93%	57 970	93%	85 347
Western Cape	100%	146 625	100%	155 716	100%	339 462	100%	411 285

Comparing tables A4 and A5 provides insight into how differently the provinces record transactions. This does not, however, assist in establishing how staff spend their time and how much of their salaries and other types of spending should be attributed to the social welfare and NPO registration processes.

Table A6 shows the number of items used to report expenditure against the sub-programme, as well as the number of items under which more than two per cent of the sub-programme's expenditure is recorded.¹²

Table A6: Number of items that are more than 2 per cent of sub-programme expenditure

	Care and Services to Older Persons						Child Care and Protection Services					
	Number of items reported		Number of items more than 2 per cent		Share of sub-programme expenditure		Number of items reported		Number of items more than 2 per cent		Share of sub-programme expenditure	
	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13
Eastern Cape	38	47	1	1	97%	98%	67	59	3	2	93%	94%
Free State	72	68	6	7	92%	94%	78	60	2	3	90%	90%
Gauteng	88	96	3	4	90%	90%	143	152	6	6	88%	85%
KwaZulu Natal	60	56	2	2	94%	93%	79	104	2	2	88%	90%
Limpopo	34	32	3	3	91%	89%	98	43	3	3	91%	94%
Mpumalanga	45	23	2	2	93%	94%	69	38	1	1	97%	96%
Northern Cape	27	69	4	9	87%	89%	38	75	2	7	91%	85%
North West	54	46	6	4	84%	92%	66	59	8	1	83%	93%
Western Cape	1	1	1	1	100%	100%	1	2	1	1	99%	100%

The "share of sub-programme expenditure" shows the combined share of the items calculated to comprise over 2 per cent of the sub-programme's total expenditure. For instance, in Care and Services to Older Persons in the Eastern Cape in 2010/11, expenditure is reported against 38 items, but only one item is more than 2 per cent of total expenditure, and it takes up 97 per cent of the spending in the sub-programme.

In most provinces there are three or fewer expenditure items that are more than 2 per cent of the sub-programme total expenditure, and these few items make up at least 83 per cent of the spending. This shows that spending consists of a few large-budget items.

There is substantial variation between provinces in the number of items reported against the sub-programmes. Between the two years there are small variations within each province in terms of the number of items reported against; however, there is little variation in the number of items that are more than 2 per cent of the budget. This suggests that the number of small transactions recorded change each year, but that the larger items remain the same.

Table A7 on the following page shows the expenditure on items in 2012/13 that were more than two per cent of total expenditure in the two sub-programmes by province.

¹² When the threshold was lowered to 1.5 per cent or 1 per cent, the numbers in the table did not change.

Table A7 – Expenditure on items above two per cent by sub-programme in 2012/13

Care and Services to Older Persons			
	Item	Value	Per cent of subprogramme
Eastern Cape	NPI:CLAIMS AGAINST STATE NPI	91 963 410	97.0%
Free State	NPI:OTH NON PROFIT INSTITUTIONS	38 097 558	53.0%
	S&W:BASIC SALARY (RES)	19 467 059	27.1%
	EMPL CONTR:PENSION (RES)	2 542 600	3.5%
	EMPL CONTR:MEDICAL (RES)	2 192 398	3.0%
	A&S/O CATERING:SOC WLFRE FACILTS	1 954 204	2.7%
	S&W: SERVICE BONUS (RES)	1 629 213	2.3%
Gauteng	NPI:OTH NON PROFIT INSTITUTIONS	120 987 156	64.1%
	BUILDINGS & OTHER FIX STRUCT	34 780 037	18.4%
	S&W:BASIC SALARY (RES)	14 088 634	7.5%
Kw aZulu Natal	NPI:OTH NON PROFIT INSTITUTIONS	81 912 611	91.2%
	S&W:BASIC SALARY (RES)	2 619 196	2.9%
Limpopo Province	NPI:OTH NON PROFIT INSTITUTIONS	20 424 190	68.0%
	S&W:BASIC SALARY (RES)	5 978 499	19.9%
	EMPL CONTR:PENSION (RES)	792 568	2.6%
Mpumalanga	NPI:OTH NON PROFIT INSTITUTIONS	26 304 282	91.2%
	ADVERT:PROMOTIONAL ITEMS	600 131	2.1%
North West	NPI:HOMES FOR THE AGED	20 099 556	41.6%
	S&W:BASIC SALARY (RES)	11 787 917	24.4%
	NPI:COMMUNITY SERVICE CENTRES	4 701 919	9.7%
	BUILDINGS & OTHER FIX STRUCT	1 596 344	3.3%
	EMPL CONTR:MEDICAL (RES)	1 369 346	2.8%
	EMPL CONTR:PENSION (RES)	1 196 004	2.5%
Northern Cape	NPI:CLAIMS AGAINST STATE NPI	11 498 900	71.9%
	S&W:BASIC SALARY (RES)	1 383 786	8.6%
	A&S/O CATERING SER:COMMUNITIES	697 916	4.4%
	TRANSP T FOR PUBLIC EVENTS	375 204	2.3%
Western Cape	NPI:OTH NON PROFIT INSTITUTIONS	146 625 412	100.0%
Child Care and Protection Services			
	Item	Value	Per cent of subprogramme
Eastern Cape	NPI:CLAIMS AGAINST STATE NPI	176 203 582	82.2%
	S&W:BASIC SALARY (RES)	18 276 760	8.5%
	BUILDINGS & OTHER FIX STRUCT	5 657 764	2.6%
Free State	NPI:OTH NON PROFIT INSTITUTIONS	209 694 220	75.5%
	S&W:BASIC SALARY (RES)	41 464 410	14.9%
Gauteng	NPI:OTH NON PROFIT INSTITUTIONS	371 908 250	49.3%
	S&W:BASIC SALARY (RES)	206 802 372	27.4%
	EMPL CONTR:PENSION (RES)	27 816 880	3.7%
	EMPL CONTR:MEDICAL (RES)	20 703 086	2.7%
	BUILDINGS & OTHER FIX STRUCT	18 637 374	2.5%
	S&W: SERVICE BONUS (RES)	16 718 448	2.2%
Kw aZulu Natal	NPI:OTH NON PROFIT INSTITUTIONS	234 524 372	76.4%
	S&W:BASIC SALARY (RES)	35 458 055	11.6%
Limpopo Province	NPI:OTH NON PROFIT INSTITUTIONS	118 265 807	69.1%
	A&S/O/S:SOCIAL CARE SERVICES	21 519 931	12.6%
	S&W:BASIC SALARY (RES)	16 309 319	9.5%
Mpumalanga	NPI:OTH NON PROFIT INSTITUTIONS	161 612 060	97.1%
Northern Cape	NPI:CLAIMS AGAINST STATE NPI	57 969 849	86.4%
	S&W:BASIC SALARY (RES)	3 025 949	4.5%
North West	NPI:PLACES OF CARE EARLYHOOD DEV	36 279 151	39.4%
	NPI:CHILDREN'S HOMES	10 741 229	11.7%
	NPI:SOCIAL SERVICES ORGANIZATION	8 544 104	9.3%
	S&W:BASIC SALARY (RES)	8 157 767	8.9%
	BUILDINGS & OTHER FIX STRUCT	7 258 861	7.9%
	NPI:COMMUNITY BASED PROJECTS	2 098 823	2.3%
	C/P:BUS&ADV SER:ORGANISATIONAL	1 959 508	2.1%
	NPI:SHELTER FOR STREET KIDS	1 860 213	2.0%
Western Cape	NPI:OTH NON PROFIT INSTITUTIONS	339 461 853	98.5%

Note that the analysis on the previous page is performed on the same two sub-programmes across the nine provinces. Provinces should be performing similar activities with these sub-programme expenditures, as the purpose of the sub-programmes in the standard budget programme structure is the same across all provinces. Apart from NPI Claims Against the State being the largest item in most instances and S&W Basic Salary being the second largest item, there are no other discernible trends.

The above two tables show how differently provinces record expenditure, and how different the composition of that expenditure is from one provincial DSD to the next. There is nothing in the nature or classification of these expenditures to indicate what the provincial DSDs might be spending on social welfare registration processes.

The tables shown above summarise just a few of the different analyses performed on the Vulindlela data. Many other analyses were performed, but most of these produced no or little value. In mapping the expenditures to the policy processes, assumptions were therefore made with respect to all mapping.

Current spending on registration processes

At the start of the project it was envisaged that the Vulindlela data would enable us to identify what is currently being spent on the various registration processes. The analysis above shows that:

1. In 2012/13 the budget for the NPO Directorate in national DSD was R22.9 million. This sets a benchmark as to what is currently available to fund the national government's responsibilities with regards to the NPO registration process.
2. It is not possible to identify what the nine provincial DSDs are spending on the various social welfare registration processes using either their own budgets or the Vulindlela data. Therefore the following three methods were used to estimate what the provincial DSDs spent on these processes in 2012/13:
 - **Method 1:** Using 2012/13 budget information: compensation of employees and goods and services for the Programme 2: Social Welfare Services are shared pro-rata across the ten sub-programmes. It is then assumed that in the sub-programmes 2.2.Care and Services to Older Persons and 2.4.Child Care and Protection Services 10 per cent of each of these items are spent on registration of service providers.¹³
 - **Method 2:** Using 2012/13 budget information: the sub-programme 2.10 Professional and Support Services (or Administration) is subtracted from the programme total and shared pro-rata across the remaining nine sub-programmes. It is then assumed that in the sub-programmes 2.2.Care and Services to Older Persons and 2.4.Child Care and Protection Services 10 per cent of their share of 2.10 Professional and Support Services is spent on registration of service providers.
 - **Method 3:** Using data from Vulindlela for 2012/13: compensation of employees and goods and services in the sub-programmes 2.2.Care and Services to Older Persons and 2.4.Child Care and Protection Services are isolated, and it is assumed that 10% of these are spent on registration. The administration sub-programme (2.10 Professional and Support Services) is shared out in proportion to the share of the programme budget allocated to the sub-programme. It is assumed that 10 per cent of the pro-rata share of the administration sub-programme is spent on registration of service providers.

The results of these three methods of estimating what provincial DSDs currently spend on the social welfare registration processes are presented in Table A8 on the following page.

¹³ Note that 10 per cent is used because social workers are said to work in ten areas of responsibility, and without information on the relative weighting of these responsibilities, it is assumed they are equal.

Table A8 – Approaches to estimating expenditure on registration of service providers

Method 1		(R 000s)
	Older Persons	37 503
	Child Protection	139 220
		176 724
Method 2		
	Older Persons	53 516
	Child Protection	166 907
		220 423
Method 3		
	Older Persons	80 318
	Child Protection	146 775
		227 094

Without access to better information, it is assumed that Method 3 provides the most credible estimate of what provinces might have spent on the social welfare registration processes in 2012/13, since it draws on information from both the relevant sub-programmes and a pro-rata allocation of spending from sub-programme 2.10 Professional and Support Services.

Mapping expenditure to policy processes

Excel workbooks were set up to enable mapping of budgets to the policy processes. The budgets of national DSD and the provincial DSDs are reflected on the vertical axis. This data is summarised at the sub-programme budget level. The policy processes are shown on the horizontal axis. There are separate workbooks for NPO registration, PCF registration, ECD programme registration, designation of CPOs, registration of CYCCs and the registration of OAHs.

Each workbook contains a worksheet that summarises all the national and provincial expenditure that is mapped; a worksheet showing the mapping of the expenditure of the national department, a worksheet that sums the expenditure mapping of the provincial departments, and one worksheet for mapping the expenditure of each province.

The process of mapping expenditure involves allocating a portion of the budget to each of the policy processes. The spreadsheets allow the user to input a per cent of a sub-programme budget that it is assumed to be allocated to an element.

The following table illustrates a summary output for national DSD of the expenditure mapping exercise of all six registration processes. Note that the “suggested share of expenditure” sums the share of expenditure for each policy process. Ideally these assumptions should be based on some form of evidence drawn from management budgets, Vulindlela or discussions with officials.

Table A911 – Summary output of expenditure mapping process: national DSD

R 000s	2013/14 total expenditure	Suggested share of expenditure on registration processes	
		%	Amount
1.Administration			
1.3.Internal Audit	R 11 743	1%	R 59
1.5.Department Management	R 88 557	7%	R 6 199
1.6.Finance	R 48 930	1%	R 489
4.Welfare Services Policy Development and Implementation Support			
4.1.Programme Management	R 8 181	4%	R 327
4.4.Older Persons	R 15 016	16%	R 2 403
4.6.Children	R 60 369	32%	R 19 318
5.Social Policy and Integrated Service Delivery			
5.5.Registration and Monitoring of Non-Profit Organisations	R 22 992	100%	R 22 992
Total			R 51 787

Given the nature of sub-programme 5.5 Registration and Monitoring of Non-Profit Organisations, all the expenditure of this sub-programme should be for the registration of NPOs. However, the analysis of the 2012/13 Vulindlela data indicates very high levels of spending on Venues and Facilities, Domestic Travel and Catering, which suggests that the Directorate is engaging in activities that are not core to the NPO registration processes.

There is no evidence in Vulindlela or in any other document we could source that the amounts linked to the other sub-programmes are being spent on managing and overseeing the social welfare registration processes. Indeed given the nature of the 2012/13 Vulindlela expenditures, it is likely that very little is being spent in the manner suggested in the above table.

A similar table to the one presented above can be produced for each provincial DSD. However, there is again no evidence in Vulindlela or any other document we could source indicating what the provincial DSDs are actually spending on the registration processes.

Key findings of the analysis and mapping of expenditures

The key findings from the analysis of the Vulindlela data and the mapping of budgets to the policy processes are:

1. There is substantial variation between provinces with respect to how transactions are recorded. This significantly reduces the value of interprovincial comparisons based on this data. It also makes consolidating the data at low levels impossible. Both these limitations reduce the usefulness of the Vulindlela data to understanding provincial DSD spending on the social welfare registration processes.
2. Most of the expenditure reported through Vulindlela is not disaggregated enough for it to be allocated or attributed to relatively minor processes such as the registration of social welfare institutions. These processes fall under larger programmes against which expenditures get recorded. They are also 'part of' social welfare officials' many other responsibilities.
3. Analysis of the Vulindlela data relating to national DSD and the NPO Directorate indicate high levels of spending on Venues and Facilities, Domestic Travel, Promotional Items and Catering. This indicates that conferences and outside meetings are a dominant activity. This activity does not contribute meaningfully to the management, delivery and oversight of regulatory processes such as NPO and social welfare registrations.

4. The BAS system can be set up to allow “the lowest level objective” to be aligned to the implementation programmes, or even to the policy processes of such implementation programmes. If implemented consistently, this would add real value.