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What benefits will centralisation of social assistance budgeting and delivery bring vulnerable children?

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Executive Summary

The social development budgeting and service delivery system, so critical for ensuring that vulnerable children get access to the services they need, and to which they are entitled via their constitutional rights, is currently under restructuring. The Constitution (Act 108 of 1996) and *White Paper for Social Welfare: Principles, guidelines, recommendations, proposed policies and programmes for developmental social welfare in South Africa* (1997) created a system with two main branches: (i) Social security (of which social assistance dominates and is most important for vulnerable children) and (ii) social welfare services. National government was made responsible for policy and monitoring. Provincial government was given responsibility to finance and deliver most programmes (including all social assistance programmes). The restructuring underway involves moving the social assistance function to national government where it is to be administered and delivered via the South African Social Security Agency (SASSA), which is in the process of being established.

Provincial social development departments have already been relieved of the social assistance finance responsibility. This occurred on 1 April 2005, when two conditional grants - the Social Assistance Administration and Social Assistance Transfer Payment Grants – were created. The grants are carrying funds in 2005/06 from National Treasury, via the National Social Development Department for transfer to provincial social development departments to administer and pay social assistance. This interim arrangement will continue until SASSA is ready to take over service delivery.

The purpose of this *Budget Brief* is to explain how the social assistance budgeting and service delivery system is changing and flag benefits and challenges that we can expect for vulnerable children from social assistance centralization. It proceeds as follows: Section one sets the scene by providing an overview of how the budgeting and service delivery system for social assistance has been working under provincial government responsibility. Section two outlines how it is set to change when SASSA becomes fully operational. Section three flags expected benefits and challenges.

1. Budgeting and delivery when provinces had responsibility to finance and deliver the full service package

The period during which provincial social development departments had responsibility for financing and delivering the full package of social development services can be characterized as one of good progress in social assistance but neglect of social welfare services (National Treasury, 2004, 2005a&b and Streak 2005a&b). Hence, as the centralization transformation process gets underway in the social development system, there are more challenges confronting policy, budgeting and service delivery in social welfare services than social assistance. However, there are still shortcomings in the social assistance part of the system from the perspective of the needs and rights of vulnerable children. This section of the Budget Brief gives a brief overview of the progress that has been made in social assistance policy, budgeting and service delivery as well as highlighting the main shortcomings that remain at this time of centralization transformation. Section 1.1 covers policy, section 1.2 budgeting and section 1.3 service delivery.

1.1 Grants offered to vulnerable children and gaps in provisioning

Guided by national government policy and the law[1], provincial governments have, since 1998, been financing and delivering three child social assistance programmes. These are the: child support grant (CSG) programme; foster child grant (FCG) programme; and the care dependency grant (CDG) programme. The CSG was introduced as a new programme by the democratic government in 1998 to replace the State Maintenance Grant. The other programmes were already existent under the apartheid government but benefited predominantly white children.

CSG programme purpose and eligibility

The CSG is a poverty-relief grant designed to help the primary care giver provide for the basic needs of the child. The present value of the grant is R180 per month. A person is eligible for the CSG for her/his children, if he/she: is the primary care giver (PCG) of a child under the age of 14 years and passes the means test set out in the social assistance regulations. The means test is aimed at ensuring that the grant is received by poor families who require financial assistance in order to meet the basic needs of the child[2]. The caregiver of the child for whom the grant application is being made also needs to supply his/her identity document, the birth certificate of the child, proof of income and, where applicable, a marriage certificate. The caregiver does not need to be the biological parent; he/she simply needs to have proof that he/she is the primary person providing for the daily needs of the child.[3] A caregiver may apply for a CSG grant for any number of her/his biological children. However, the maximum number of non-biological children that the grant may be applied for by a primary caregiver is six. When the programme was introduced in 1998, the cut off age for age eligibility was 6. In 2003/04 the age of eligibility was raised to 14, staggered over a three year period. 7 and 8 year olds were made eligible in 2003/04, 9 and 10 year

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[1] The most recent law governing the eligibility and administrative criteria for the grants is the 2004 *Social Assistance Act* and its associated regulations and 2004 *Social Security Agency* Act.

[2] Currently the means test is as follows: The caregiver and child qualify if they live in: (i) An urban area in a formal dwelling and the personal income is below R9 600 per annum or in an informal dwelling and the personal income is below R13 200 per annum; or a rural area in a formal or informal dwelling and the personal income is below R13 200 per annum. The means test has not be adjusted for inflation since it was introduced in 1998!

[3] Proof can be supplied through for example a sworn affidavit.

olds in 2004/05 and 11, 12 and 13 year olds in 2005/06. The National Department of Social Development is not advocating actively for extension of the age of eligibility for the CSG to children between 14 and 18 years. Instead, it is focusing on how to develop more sustainable income-earning opportunities for youth and families struggling due to poverty (Benjamin, Deputy Minister of Social Development, Goedgedacht Forum Debate, June 11 2005, cited in Streak, 2005a).

FCG purpose and eligibility

The FCG is designed to provide assistance to children who have been defined as "in need of care" (due to abuse and/or neglect) and placed in the custody of foster families by the Children's Court in terms of the Child Care Act. The grant was initially designed to complement child protection services. The present value of the grant is R560 per month, R380 more than the CSG. This creates an incentive for non-biological caregivers of orphans to seek the FCG rather than the CSG. A foster parent is eligible for the foster child grant if the child is placed in the custody of a foster parent in terms of the Child Care Act (Act No.74 of 1983). A grant is not payable if the income of the child exceeds twice the annual amount of a foster child grant determined by the Minister, with the concurrence of the Minister of Finance. A foster parent qualifies for a foster child grant regardless of such foster parent's income. Whilst the grant is not supposed to be to assist people affected by poverty, in practice it is being used in this way: thousands of caregivers who have taken in children orphaned by HIV/AIDS are applying for and receiving the FCG to help them gather sufficient income to meet the basic needs of the child. This practice is problematic in that the children's court process is costly and the number of social workers and magistrates has not been increased to meet the extra demand for foster grants. Child protection services are suffering terribly due to social workers having too heavy loads and children are children desperately in need of placement with families, are having to wait very long periods in institutions (Streak 2005a&b)

CDG purpose and eligibility

The CDG is designed to provide support for caregivers caring for children with physical and mental disabilities, who are living at home in their families. The present value of this grant is R780. A person is eligible for this grant if he/she is a parent, PCG or foster parent of a child who requires and receives permanent care or support services due to his or her physical or mental disability. A person is not eligible for the grant if the child resides for more than six months in an institution funded by the state. The combined annual income of the applicant and his or her spouse after all the deductions referred to in the social assistance regulations have been made must not exceed an amount determined by the Minister by notice in the Gazette. For the purpose of this grant, a child who requires and receives permanent home care is defined as a child between 1 and 18 years. There is no policy direction on whether children chronically sick with HIV/AIDS can access the grant.

Social assistance for adults

In addition to the three grants designed specifically to promote the survival, protection and development of vulnerable children, children have also been benefiting – through pooling of household resources - from the social assistance paid to adults. Most notable in this regard are the: older person's grant, war veteran's grant and disability grant (which are all currently R780 per month).

Shortcomings in social assistance policy

The shortcomings and problems to be addressed cover both the child specific provisioning and the provisioning for adults. They include:

- The problem that children with chronic illness (such as HIV/AIDS related infection and asthma) are not eligible for any special income support from the state to help poor caregivers finance their special needs.
- That children age 15-18 whose caregivers pass the income means test do not qualify for the CSG.
- That the CSG incomes means test has not been adjusted to take into account inflation.
- That the foster child grant is being used as a poverty relief grant and this is draining resources from the child protection system (which is already under-resourced).
- The huge gap in the social assistance net for adults in the form of the absence of a grant for vulnerable adults age 18-60 (women) and age 18-65 (men) who are affected by poverty and not eligible for another grant (such as the disability or war veterans grant).

1.2 Financing mechanism and budget process

Prior to the creation of the conditional grants which are presently carrying funds for payment of social assistance to provinces, the primary financial mechanism for social assistance financing was the provincial equitable shares (Jehoma, personal correspondence). Provincial equitable shares are the allocations made to provincial treasury departments from the National Revenue Fund (NRF), through the annual division of revenue, set out in the Annual Division of Revenue Act.

The division of revenue works as follows:

- Step 1 involves the deduction of debt payment costs and the contingency reserve.
- Step 2 involves splitting the remaining amount between the three spheres of government (known as the vertical division).
- Step 3 involves allocating each of the nine provinces its “equitable share” of the provincial share and local government’s their “equitable share” of the local government share. The Constitution sets out criteria to guide the equitable share allocations to provinces (section 214(2)). The allocations have been based on formula which reflects, in a broad way, the relative demand for services (particularly statutory ones like social assistance) across provinces and municipalities as well as income capacity and redress needs. Critically, once the provincial equitable shares have been allocated to provinces, they have discretion over how to allocate them across different programmes.

Before 2001/02 the amounts allocated to provinces through the equitable share for financing social assistance were, for most programmes, insufficient to meet demand. Provinces were therefore required to supplement the equitable share revenue with own revenue collections (which were and still are extremely small) to meet the demand for social assistance. Often, they did not have the capacity to add enough, and grants claims were not process and paid due to insufficient budgets (Jehoma, personal correspondence). The state began to experience litigation for non-delivery of grants, which are statutory benefits.

The period 2001/02-2004/05 saw improvement in the budget process and social assistance budget capacity in provinces. The provincial equitable shares and social assistance budgets increased substantially, driven by the use of a model, developed by the National Treasury, that estimated the demand for, and costs of, social assistance programmes in each province. This change needs to be seen in the context of the Financial and Fiscal Commission’s call, in its 2000 submission to

Parliament on the Division of the National Revenue Fund, for social assistance transfers to provinces to be increased, informed by costing of the demand for grants (Jehoma, in personal correspondence and Financial and Fiscal Commission, 2000).

The amounts allocated to the provincial social assistance conditional grants in 2005/06 through the conditional grant mechanism were determined, by National Treasury, social development and Financial and Fiscal Commission representatives (in forums such as the Budget Council meetings) using the same model informing social assistance budgets over the provincial financing responsibility period (*ibid*).

The general view is that for the most part – i.e. for most provinces and for most programmes – the model used to generate cost estimates for social assistance and allocate budgets is yielding good outcomes (*ibid*). However, the following problems regarding the budget process and size of social assistance remain at the time of transition to SASSA service delivery responsibility.

- Some provinces, for example Limpopo, Mpumalanga and KwaZulu Natal are still (in 2005/06) finding that their budgets are too small for paying the older persons grants. Migration into these provinces, not reflected in the modeling process used to inform the budgets, is the suspected reason for the shortage of funds problem.
- The disability grant programme budget required to support demand is turning out to be much bigger in many provinces, and in particular in KwaZulu Natal, than the model predicts. Fraud and corruption are suspected to be responsible (*ibid*).
- In many of the provinces, the budgets allocated for the foster child grants are still turning out to be way less than what is needed. This is due to the growing number of orphans being left by AIDS related deaths, the practice of families taking in orphans applying for and being awarded the foster child grant as well as difficulty associated with estimating the demand for the FCG in the model being used by National Treasury.
- Under the conditional grant financing mechanism there is the problem that it is not possible to transfer unspent allocated funds for social assistance in one province to another province which is experiencing shortage.

Table 1 provides information, from the 2005 provincial budget statements, on the size of allocations, through the conditional grant mechanism for the child social assistance programmes. It also shows the allocations for child social assistance as a share of Gross Domestic Product (GDP) and the National Revenue Fund (NRF).

Table 1: Child grant budgets provided for in conditional grants, 2005/06-2007/08 MTEF

	Medium term estimates		
	2005/06	**2006/07**	**2007/08**
R billion			
Child support grant	14.02	16.07	17.20
Foster child grant	2.04	2.37	2.71
Care dependency grant	0.93	1.03	1.11
All three child grants	17.00	19.48	21.11
Gross domestic product	1 528.6	1 674.0	1 847.3
National revenue fund	369.9	405.4	444.6
Percentage			
Child grant budget to GDP ratio	1.1	1.1	1.1
Child grant budget to NRF ratio	4.5	4.8	4.7

Source: Provincial Estimates of Expenditure, 2005 for child grant budget date and Budget Review 2005 for GDP and NRF data.

Table 2 illustrates the budget projections for the conditional grant allocations to social assistance presented in the 2005 *Medium Term Budget Policy Statement* for the MTEF period 2006/07-2008/09.

Table 2: Projected size of conditional grants for social assistance, 2006/07-2008/09 MTEF

	Revised estimate	Medium term estimates		
R billion				
Social assistance administration grant	3.382	3.584	3.774	4.130
Social assistance transfers grant	52.023	57.720	62.630	68.354
Both social assistance grants	55.405	61.304	66.404	72.484

Source: National Treasury, MTBPS 2005 for budget data on conditional grants for social assistance and Table 1 above for NRF and GDP data.

1.3 Service delivery progress and problems

Government has, during the period of provincial responsibility for social assistance service delivery, made significant progress in expanding access to child grants, particularly the child support grant[4]. Table 3 presents data from National Treasury's recently released *Provincial Budgets and Expenditure Review* (2005) on child beneficiaries of the grants.

Table 3: Child beneficiaries of the child grants, April 2001-April 2005

	April 2001	April 2002	April 2003	April 2004	April 2005
CSG	974 724	1 907 774	2 630 826	4 309 772	5 633 647
FCG	85 910	95 216	138 763	200 340	256 325
CDG	28 897	34 978	58 140	77 934	85 818
Three child grants	1 089 531	2 037 968	2 827 729	4 588046	5 975 790

It is very difficult, due to problems in acquiring good date on the eligible population in provinces, to make accurate statements about the extent to which the three grants now reach the eligible population in the nine provinces. With regard to the FCG and CDG there is no data easily available amongst the community of researchers in the country on numbers of eligible children. The most recent data available on CSG eligibility – which is for national level - is from Budlender et al 2005[5]. Using the 2003 general household survey data and a means test that has been adjusted upward for inflation, they estimate 9 308 547 children age 0-14 eligible. Using a means test that has not been adjusted for inflation, they find 8 791 705 children age 0-14 eligible.

[4] Much progress has also been made in expanding access to the grants designed for vulnerable adults. In April 2001, the beneficiary number of the elder person's grant was 1 877 548. By April 2005 it had risen to 2 093 075. Disability beneficiaries are recorded at 627 481 in April 2005 and by April 2005 they stood at 1 307 459. Taking all grants together, the number of beneficiaries in April 2001 was 3 610 215 and by April 2005 it was 9 402 795. (National Treasury, Provincial Budgets and Expenditure Review, 2005).

[5] See *At all Costs – Applying the means test for the Child Support Grant*, Budlender, D., Rosa, S., and Hall, K.., Children's Institute, Centre for Actuarial Research and Save the Children, 2005.

Encouragingly, the same study finds that all provinces have been performing equally well in extending access to the CSG amongst eligible children.

The administration of grants (including processing grant applicants, deciding eligibility and capturing new beneficiaries to be paid on the SOCPEN data system) has, during the period of provincial responsibility, been conducted by officials in the provincial social development departments. The payment of grants to beneficiaries has been put to tender and contracted out to private providers.

At the time of transition to SASSA control, the following service delivery problems plague the child social assistance system (Jehoma and Ramsden in personal correspondence):

- Poor quality of service delivery at most pay-points. This includes long queues and insufficient infrastructure.
- Slow turn-around from the time of application for a grant to payment.
- High administration costs relative to other countries. This is a waste of scarce resources, that could be allocated elsewhere (such as to under-financed developmental social welfare services).
- Extensive fraud in the system, which not only eats up resources, but also gives benefits to people who are not entitled to them.
- Extremely slow throughput process for the FCG as well as overloaded magistrates and social workers working in foster child placement and the child protection system.

2. How the budgeting and service delivery system is set to change when SASSA takes charge of social assistance

Budgeting

When SASSA takes over the service delivery function from provinces – which may be as early as 1 April 2006 - the provincial conditional grants will be replaced by a new financial mechanism for financing social assistance. Exactly how funds will be transferred from the NRF to SASSA for administration and payment of social grants is still being debated (Jehoma, in personal correspondence). There are two views: the one is that the funds should be transferred (perhaps as a conditional grant) to the National Department of Social Development which will then transfer them to SASSA. The other is that the funds should be transferred directly by National Treasury to SASSA. Whichever option is chosen, there will be no recognizable affect on determination of the size of budgets for social assistance programmes. The size of budgets will continue to be driven by the demand for grants (as reflected in the demand estimation model and adjusted up-ward if necessary by unexpected additional demand in practice).

Service delivery

SASSA is currently embarking on a recruitment process to hire people who will become responsible for administering social grants. However staff with responsibility for SASSA grant administration will include both new employees and individuals currently working on grant administration in provinces: a proportion of provincial social development employees are being transferred. It is hoped that the following initiatives will reduce corruption and fraud in the system and ensure better targeting of grants to the eligible population:

- The operations an anti-corruption unit, which is to operate in SASSA (Jehoma, personal correspondence).

- Extensive investigation of all individuals being transferred from provincial social development departments to SASSA (*ibid*).
- Extensive training of staff in SASSA on social assistance administration, informed by international best practice (*ibid*).
- The provision in the recently promulgated Social Assistance Act (2004) for the Agency to appoint a procurator to apply or receive social assistance on a beneficiary's behalf[6].
- The operations of the Inspectorate for Social Assistance, which has been created by the Social Assistance Act of 2004. The Inspectorate for Social Assistance is an organization with oversight responsibility in relation to social assistance which functions independently of both the National Department of Social Development and SASSA. The Minister of Social Development exercises final responsibility over the Inspectorate. Box 1 below sets out the functions of the Inspectorate for Social Assistance.

Box 1: Functions of Inspectorate for Social Assistance

27. (1) The Inspectorate must –

(a) conduct investigations to ensure the maintenance of the integrity of the social assistance frameworks and systems;
(b) execute internal financial audits and audits on compliance by the Agency with regulatory and policy measures and instruments;
(c) investigate fraud, corruption and other forms of financial and service mismanagement and criminal activity, within the Agency and in connection with its functions, duties and operations;
(d) establish a complaints mechanism; and
(e) in general, do everything necessary to combat the abuse of social assistance.

Source: Social Assistance Act of 2004.

The payment of social grants to beneficiaries is going to be contracted out by SASSA to the private sector. A tender is to be put out and then the contractor(s) is to be selected based on consideration of cost and quality of service. There are arguments in favor of appointing more than one contractor to prevent the creation of a monopoly.

3. Benefits - plus one critical challenge

SASSA taking over the reins of social assistance service delivery should bring a number of benefits to social development service delivery to vulnerable children. The benefits included the following:

- There should be a better quality of service provided to children and care-givers applying for grants on their behalf. This should happen via the following: more favorable conditions being created at pay-points (as new providers are provided and are closely monitored by the Inspectorate for Social Assistance); centralization making it possible for beneficiaries to collect

[6] For details for how the beneficiary - including a child who is having access difficulties – or Agency can appoint a procurator, see section 15 of the Social Assistance Act (2004).

payment throughout the Republic, regards of where they applied; and administration being conducted by better trained staff.

- There should be public savings. This should occur through reductions in fraud and corruption in the system (facilitated by the work of the Inspectorate for Social Assistance and the special anti-corruption unit that is to be created in SASSA). Of course, exactly what benefit this will bring to vulnerable children depends on how savings are spent.

- The problem experienced in the past, of grants not being paid due to too little funds being available in budgets should be overcome. This is because with the termination of the conditional grant for provinces to pay social assistance, and SASSA being given one big pool of funds for paying social assistance, it will be possible to transfer funds from programmes and areas where too much seems to be have been budgeted for, to programmes and areas where demand is exceeding expectations.

- The establishment of SASSA and Inspectorate for Social Assistance, as well as the new laws created as part of the SASSA establishment process, should reduce the level of abuse of grants by “care-givers” of children and promote the flow of money transferred to children’s care givers, to children. This benefit will result through SASSA working with its power to investigate cases where abuse of grants is expected and take actions punish people found to be abusing the children’s grants[7].

- Finally, a most positive benefit is that social welfare service budgeting and service delivery should improve. This benefit will arise for the following reasons: First, because now that the provincial social development departments are being left with the non social assistance part of the social development package, they are being forced to take stock of and develop this critical, but neglected category of services; Second, because with the provinces having to finance expansion and improvement in social development welfare services, the National Department of Social Development is being pressured (for example by the Financial and Fiscal Commission) to improve the policy framework (including norms and standards) for these services.

What challenges will centralization of social assistance bring to delivery for vulnerable children? The primary visible challenge confronting government is how to develop mechanisms to ensure that social assistance and social welfare services are delivered to vulnerable children and their families in an integrated, developmental way, as envisaged in the White Paper for Social Welfare (1997). The institutional separation of the social assistance and social welfare service financing and delivery functions seems to work against the integrated service delivery vision put forward in the White Paper for Social Welfare (1997) and more recently released (2004), Service Delivery Model for Developmental Social Services. It is critical for the well-being and rights of vulnerable children that mechanisms are found to overcome this challenge.

[7] See section 19 of Social Assistance Act of 2004 for details on the powers given to the Agency to investigate and take action against abuse of grants.

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Oral

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