

Social development

Introduction

The social development sector supports the poor and vulnerable through direct income support and social welfare services. Income support payments (grants) are administered and funded by provinces with actual payment taking place through agents such as the Post Office and private cash payment contractors. Welfare services – such as probation and adoption services, child and family counselling and support services, and home and secure centres (including places of safety) for children and older persons – are delivered both by departments of social development and non-governmental organisations subsidised by the social development departments.

Supporting the poor through income support and welfare services

In recent years, departments of social development have been playing a bigger role in establishing income-generating opportunities for the poor, driving short-term food relief and caring for those infected and affected by HIV/Aids through the support of home-based care programmes. Provinces currently perform the bulk of Government's social security support programmes and welfare services. Local Government supports poor households by providing free basic services, while National Government formulates policy and norms and standards to guide the implementation of policies.

Social development departments have an expanding mandate

In the context of the high prevalence of poverty, exacerbated by the impact of HIV/Aids, these various areas of support are all critical to the protection of the vulnerable in our society.

Over the last five years, the social security safety net has expanded with the introduction of the Child Support Grant for children between the ages of 0 and 7 and improving access to a range of other grants. Further expansion of the Child Support Grant began on 1 April 2003 with the extension of the Grant to older children. Initially the extension is to 7 and 8 year-olds but by 2005/06 all poor children up to their 14th birthday will qualify for grants.

Extension of safety net

The extension of the safety net is one of the post-apartheid government's greatest successes. It has seen the number of social grant beneficiaries increase from 2,5 million in April 1997 to 5,6 million in March 2003. This, together with the increase in grant

Increasing beneficiary numbers and expenditure

values over the period, has seen unprecedented and unparalleled growth in provincial social development expenditure. This growth is set to accelerate further in coming years, with a rapid increase in the relative size of social development budgets. This resulted in a sharp rise in the share of social development budgets in total provincial expenditure, from 19,4 per cent in 1999/00, to 21,6 per cent in 2002/03, rising to over 25,8 per cent by 2005/06.

Service delivery improvement a key focal area

In addition to the extension of the safety net and greater involvement in developmental activities such as income generation, food relief and home-based care, improvement in social grant delivery has been a key focal area. The strengthening of the capacity of the national Department of Social Development to support and monitor delivery and a range of other initiatives, especially the introduction of norms and standards for grant administration and payment, is becoming evident. This process was taken forward by Cabinet's in-principle approval of the establishment of a national public entity to take over the function of grant administration and delivery. To give effect to this decision, institutional and fiscal reorganisation will be a central process in the coming years. Co-operation on and standardisation of budget formats and strategic planning have also been introduced and will advance in coming years in order to support service delivery.

This chapter reviews government expenditure and the service delivery record in relation to direct income support, welfare services and other support to the poor, and focuses on the prospects for budgets going forward.

Provincial social development expenditure trends

Strong expenditure growth to 2002/03

Social development expenditure, and spending on social grants in particular, has grown very rapidly in recent years to accommodate the extension of the system of social grants and to strengthen other components of social welfare activities. While some of this growth was planned, some factors, such as the rapid increase in the number of disability grant beneficiaries after December 2001, have exerted unexpected pressure on grant budgets.

Accelerating growth after 2002/03

This rapid growth is projected to continue over the medium term, and even accelerate, given the further widening of the social safety net. The continued growth in expenditure reflects primarily the annual increases in social grants to protect the real value of social grants against inflation and the extension of the Child Support Grant. Aspects other than social grants, such as welfare services and care for those affected by HIV/Aids, add further pressure to social development budgets.

New growth trend

This trend of high real growth in budgets contrasts significantly with the trend reported in the *2001 Intergovernmental Fiscal Review*, namely marginal growth in social development budgets between 1997/98 and 2000/01.

Expenditure up to R31,2 billion in 2002/03

Table 6.1 shows that provincial social development expenditure grew from R19,4 billion in 1999/00 to an estimated actual R31,2 billion in 2002/03, an annual average expenditure growth of 17,3 per cent.

Growth rates are inflated by a special allocation of R2,0 billion in 2002/03 to pay arrears to beneficiaries. This follows an agreement by Government that beneficiaries should be entitled to grants from date of application, rather than date of approval of application. Excluding projected expenditure on this conditional grant (R1,2 billion), leads to an average annual growth rate over the period of 15,8 per cent per year.

Table 6.1 Provincial social development expenditure

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Estimated actual	Medium-term estimates		
Personnel	832	921	1 031	1 195	1 447	1 550	1 656
Transfer payments	17 700	18 970	21 554	28 391	33 951	39 740	46 248
Other	842	1 006	1 252	1 662	2 410	2 845	3 344
Total	19 374	20 897	23 837	31 247	37 808	44 135	51 248
percentage change (average annual)	1999/00 – 2002/03			2002/03 – 2005/06			
Personnel	12,8%			11,5%			
Transfer payments	17,1%			17,7%			
Other	25,4%			26,3%			
Total	17,3%			17,9%			

Source: Provincial budgets

By 2005/06 expenditure is expected to grow to R51,2 billion. Excluding expenditure on the special allocation for arrears from the base year, growth in projected expenditure accelerates at an average of 17,9 per cent per year over the three years to 2005/06. The strongest growth is in 2003/04, averaging 21,0 per cent across provinces.

Budgets increase to R51,2 billion in 2005/06

A significant proportion of the growth in social development budgets going forward is due to the new conditional grant to provinces for funding the extension of the Child Support Grant to children up to their 14th birthday. This grant is R1,1 billion in 2003/04, R3,4 billion in 2004/05 and R6,4 billion in 2005/06. Excluding this addition to baselines, social development budgets would have grown by an annual average 14,3 per cent over the medium term.

Impact of extension of Child Support Grant

The growth in social development budgets will see a significant social development expenditure growing to 25,8 per cent of total provincial expenditure in 2005/06, compared to 19,4 per cent in 1999/00 and 21,6 per cent in 2002/03.

Growing relative importance of social development budgets

As Table 6.1 shows, growth is very rapid for all economic categories, but highest for other expenditure. Personnel expenditure is projected to grow substantially in real terms over the medium term. This may accelerate further as capacity is built for the extension of the Child Support Grant.

Personnel expenditure projected to grow

Table 6.2 Social development expenditure by economic classification

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Estimated actual	Medium-term estimates		
Current expenditure	19 320	20 838	23 737	31 100	37 623	43 929	51 023
Transfer payments	17 700	18 970	21 554	28 391	33 951	39 740	46 248
<i>Of which social security</i>	<i>16 120</i>	<i>18 039</i>	<i>20 510</i>	<i>27 259</i>	<i>32 438</i>	<i>38 158</i>	<i>44 593</i>
Other current	1 620	1 868	2 183	2 709	3 671	4 188	4 775
Capital	54	59	100	147	185	206	225
Total	19 374	20 897	23 837	31 247	37 808	44 135	51 248
Percentage share							
Current expenditure	99,7%	99,7%	99,6%	99,5%	99,5%	99,5%	99,6%
Transfer payments	91,4%	90,8%	90,4%	90,9%	89,8%	90,0%	90,2%
<i>Of which social security</i>	<i>83,2%</i>	<i>86,3%</i>	<i>86,0%</i>	<i>87,2%</i>	<i>85,8%</i>	<i>86,5%</i>	<i>87,0%</i>
Other current	8,4%	8,9%	9,2%	8,7%	9,7%	9,5%	9,3%
Capital	0,3%	0,3%	0,4%	0,5%	0,5%	0,5%	0,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Social grant transfers

Growth in transfer payments has been fuelled primarily by growth in social grant expenditure. This has led to an increase in the relative expenditure on social security transfers, including arrear payments. Table 6.2 indicates that 87,2 per cent of social development expenditure in 2002/03 was for social security transfers. After declining somewhat in 2003/04, the proportion will rise again as the Child Support Extension Grant is phased in.

Dominance of social security expenditure in larger poor provinces

While social grant transfers dominate in all provinces, they absorb a much larger proportion of available resources in the larger poor provinces such as Eastern Cape (90,8 per cent in 2002/03), KwaZulu-Natal (88,4 per cent) and Limpopo (91,8 per cent). In fact, in these provinces, the Social Grants programme, including both transfers and administration, absorbs around 95 per cent of budgets.

Other transfers

Other transfers, which are mostly transfers to organisations for the delivery of welfare services and those related to poverty relief and home-based care, grew only marginally over the three years to 2002/03. They are, however, projected to grow more rapidly over the medium term, as support is extended to community and faith based organisations.

Strong growth in all provinces to 2002/03

Overall rapid expenditure growth between 1998/99 and 2002/03 was underpinned by similarly high rates of growth in all provinces individually. Growth accelerated towards the end of the period, the Child Support Grant was more widely accessed, with the average across provinces increasing from 7,9 per cent in 2000/01, to 14,1 per cent in 2001/02 and 31,1 per cent in 2002/03. Average annual growth over the period ranged from 9 per cent in Northern Cape to 21,2 per cent in Mpumalanga. Growth was significantly higher in some poorer provinces than in wealthier provinces, namely Gauteng and Western Cape, and in those with historically higher levels of coverage, namely Eastern Cape and Northern Cape.

Table 6.3 Social grants as percentage of total social development expenditure

	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Estimated actual	2003/04	2004/05	2005/06
					Medium-term estimates		
Eastern Cape	87,7%	90,5%	90,4%	90,8%	88,3%	88,5%	89,1%
Free State	76,2%	81,7%	83,6%	83,1%	81,9%	82,8%	84,3%
Gauteng	72,3%	77,1%	77,4%	82,4%	80,4%	82,5%	84,4%
KwaZulu-Natal	85,7%	87,4%	88,0%	88,4%	87,5%	87,6%	87,7%
Limpopo	90,1%	91,9%	91,5%	91,8%	89,2%	89,1%	88,7%
Mpumalanga	86,6%	89,6%	89,5%	87,8%	88,1%	88,4%	88,5%
Northern Cape	77,6%	83,8%	82,1%	82,7%	77,4%	77,1%	78,0%
North West	83,9%	90,4%	84,6%	84,6%	85,7%	87,1%	87,3%
Western Cape	78,8%	79,1%	79,5%	84,4%	82,5%	84,3%	85,2%
Total	83,2%	86,3%	86,0%	87,2%	85,8%	86,5%	87,0%

Higher growth in poorer provinces confirms the trend, already identified in the *2001 Intergovernmental Fiscal Review*, towards improvement in inter-provincial equity and towards equalisation of access to grants. The high average annual growth rates of around 20 per cent (17 per cent excluding arrear payments) in Free State, KwaZulu-Natal, Limpopo, Mpumalanga and North West also reflect more entitlement to the Child Support Grant in these provinces, given the larger proportions of young children and greater poverty.

Greater equity and equalisation of access

Behind an average expenditure growth for all provinces of 21 per cent in 2003/04, there is substantial provincial diversity. Growth is significantly above the national average in the Eastern Cape (29,7 per cent), North West (27,5 per cent) and Limpopo (24,4 per cent). Budget growth in Northern Cape is low, with the 2003/04 budget for transfers below estimated actual expenditure.

Growth by province to 2003/04 varies

All provinces, except Northern Cape, show strong growth over the medium term, averaging 17,9 per cent per year, even after excluding conditional allocations for the Child Support Grant. Most of this growth is, however, concentrated in 2003/04, with the average growth rate excluding the Child Support Extension Grant, coming down from 22,1 per cent in 2003/04 to 10,1 per cent in 2005/06. Nonetheless, there is significant real growth in individual provincial budgets in the third year, even after excluding the additional funding for the Child Support Extension Grant.

Strong medium-term growth in almost all provinces

Table 6.4 Provincial social development budgets: 2002/03–2005/06

R million	2002/03		2003/04 ² Budget	2004/05 ² 2005/06 ² Forward estimates		% Growth rates	
	Adjusted budget	Estimated actual ¹				Estimated actual	
						2002/03 - 2003/04	2003/04 - 2005/06
Eastern Cape	6 136	5 758	7 465	8 320	9 779	29,7%	19,3%
Free State	2 183	2 045	2 442	2 848	3 299	19,4%	17,3%
Gauteng	3 889	3 988	4 589	5 607	6 754	15,0%	19,2%
KwaZulu-Natal	6 782	6 765	7 944	9 455	11 014	17,4%	17,6%
Limpopo	4 399	4 004	4 980	5 912	6 923	24,4%	20,0%
Mpumalanga	2 097	2 057	2 464	2 856	3 254	19,8%	16,5%
Northern Cape	831	900	926	1 032	1 133	2,9%	8,0%
North West	2 612	2 530	3 225	3 776	4 356	27,5%	19,9%
Western Cape	3 213	3 200	3 773	4 328	4 737	17,9%	14,0%
Total	32 142	31 247	37 808	44 135	51 248	21,0%	17,9%
Transfer payments							
Eastern Cape	5 728	5 390	6 818	7 592	8 950	26,5%	18,4%
Free State	1 918	1 798	2 134	2 496	2 925	18,6%	17,6%
Gauteng	3 453	3 550	4 040	5 000	6 100	13,8%	19,8%
KwaZulu-Natal	6 163	6 157	7 185	8 543	9 915	16,7%	17,2%
Limpopo	4 080	3 715	4 498	5 323	6 194	21,1%	18,6%
Mpumalanga	1 874	1 857	2 237	2 597	2 959	20,5%	16,8%
Northern Cape	706	777	750	832	920	-3,5%	5,8%
North West	2 310	2 237	2 899	3 429	3 970	29,6%	21,1%
Western Cape	2 922	2 909	3 392	3 928	4 315	16,6%	14,0%
Total	29 155	28 391	33 951	39 740	46 248	19,6%	17,7%

1. Includes R1 995 million Social grant arrears grant.

2. Child support extension grant of R10,9 billion over the period 2003/04 to 2005/06 included.

Relatively bigger welfare budgets in poor provinces

Table 6.5 shows that the increase in relative importance of social development expenditure as a proportion of provincial budgets is true for all provinces except Northern Cape. There are, however, substantial differences in the proportion of budgets going to social development between provinces. The projected ratio for 2005/06 ranges from 20,5 per cent in Gauteng to 29,6 per cent in Eastern Cape. Poorer provinces generally spend a larger proportion of their budgets on social development than wealthier provinces.

Poorer provinces have more pensioners, disabled persons and young children

Differences in proportional spending on social development are to be expected, given the means-tested nature of benefits and demographic differences – poorer provinces have more poor pensioners, disabled persons and young children. Differential entitlement is accommodated through the redistributive nature of the equitable share formula, especially the welfare component. The rapid rise in the proportion of spending on social development, however, requires an assessment of the adequacy of redistribution through the formula, if the function remains with the provincial sphere.

Table 6.5 Social development as percentage of total provincial expenditure

	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Estimated actual	2003/04 Medium-term estimates	2004/05 Medium-term estimates	2005/06 Medium-term estimates
Eastern Cape	23,6%	22,4%	23,8%	24,0%	26,7%	27,8%	29,6%
Free State	17,4%	17,0%	18,0%	20,3%	22,1%	23,3%	24,7%
Gauteng	14,4%	14,5%	14,9%	16,5%	17,0%	18,9%	20,5%
KwaZulu-Natal	20,9%	19,9%	20,1%	23,3%	24,1%	26,0%	27,7%
Limpopo	18,2%	18,2%	19,0%	21,7%	23,3%	25,2%	26,9%
Mpumalanga	17,7%	18,8%	18,1%	21,0%	21,7%	22,8%	23,8%
Northern Cape	27,6%	24,5%	23,7%	26,3%	23,6%	23,9%	24,1%
North West	18,1%	19,3%	20,6%	22,3%	24,4%	25,7%	27,1%
Western Cape	20,5%	19,2%	19,1%	21,9%	23,0%	24,6%	25,0%
Average	19,4%	18,9%	19,4%	21,6%	22,9%	24,4%	25,8%

Provincial social development budgets saw significant upward adjustment in the 2002/03 provincial adjusted estimates from approximately R28 billion to R32 billion. This was to accommodate the payment of arrears and to fund the second adjustment to grant values in October 2002. Funding for these outlays was provided through increased allocations to provinces through a special national appropriation in March 2002 and through the national 2002 Adjusted Estimates.

2002/03 adjusted estimates go up to accommodate arrears and grants

Table 6.6 Social development estimated expenditure as at 31 March 2003

R million	Adjusted Budget	Estimated Actual Expenditure	(Over)/Under Expenditure	% (Over)/Under Expenditure
Eastern Cape	6 136	5 758	378	6,2%
Free State	2 183	2 045	138	6,3%
Gauteng	3 889	3 988	(100)	-2,6%
KwaZulu-Natal	6 782	6 765	17	0,3%
Limpopo	4 399	4 004	395	9,0%
Mpumalanga	2 097	2 057	40	1,9%
Northern Cape	831	900	(69)	-8,3%
North West	2 612	2 530	82	3,1%
Western Cape	3 213	3 200	13	0,4%
Total	32 142	31 247	895	2,8%

Projected underspending for 2002/03 of R900 million relates mostly to the conditional grant for social grant arrears. It is anticipated that only R1,2 billion will be spent of the nearly R2,0 billion appropriated for this purpose. This reflects unforeseen delays in processing more complex cases and a need for verification of a range of system-generated payments. While expenditure for this purpose will continue in 2003/04, there is a likelihood of savings on this grant, implying that arrears payable were initially overestimated.

Projected underspending related to conditional grant for social grant arrears

Service delivery trends: social grant beneficiaries

Beneficiary numbers are determined by:

- Demographic factors (growth rates of population in target groups)
- Poverty and income distribution (determining the numbers qualifying in terms of the means test)
- Policy or rule changes (determining eligibility)
- Efficiency in providing access to the intended target groups.

Range of factors driving beneficiary growth

In recent years, policy or rule changes have been the major factor behind a substantial increase in grant beneficiaries. Growth in beneficiaries over the last five years can be largely attributed to the introduction of the Child Support Grant. Certain other rule changes, particularly in relation to disability, also seem to be playing a role. However, other factors have also contributed: the South African population is ageing, leading to relatively faster growth of the elderly population; and there is evidence from the 2000 Income and Expenditure Survey that there has been a worsening of income distribution since 1995. Social development departments have also been marketing grants more proactively and there are, at least in some provinces, signs of improving administration.

Relatively large number of beneficiaries overall

In March 2003 just more than 5,6 million individuals received social grants (See Table 6.7). This implies that around 12 per cent of South Africans receive non-contributory, means tested income support. While many poor South Africans do not receive income support, a large and probably unique proportion in the context of the developing world, do receive such support.

Increasing number of beneficiaries of Child Support Grant

The most widely distributed grant at this stage is the Child Support Grant, with 2,5 million South African children under the age of seven receiving the Grant. While some provinces have not yet reached the estimated number of eligible children, the Western Cape and Gauteng have exceeded their eligibility targets. This grant was first introduced for poor caregivers of children between the ages of 0 and 7 in 1998 and replaced the state maintenance grant. The state maintenance grant, with about 400 000 child and parent beneficiaries in April 1998, was phased out between 1998 and 2000.

Other grants include Old Age, Disability and Care Dependency

Two million elderly women and men (over the age of 60 and 65 respectively) receive the Old Age Grant. Nearly 900 000 people receive the Disability Grant. Other, less frequent grants are the Foster Care Grant (133 309 beneficiaries), the Care Dependency Grant (56 150 beneficiaries) and the Grant-In-Aid (12 279 beneficiaries).

High coverage of Old Age Grant

Coverage of intended beneficiaries is generally high for the Old Age Grant, with nearly 76 per cent of all elderly people (women 60+ and men 65+) in receipt of grants. Recent work based on the 2000 Income and Expenditure Survey estimates that nearly 100 per cent of the eligible number of beneficiaries were receiving the Old Age Grant in 2003.

Given the difficulty in clearly defining and measuring disability, there are a range of views on the extent of coverage of the Disability Grant. These difficulties also hold for the Special Care Grant, the Care

Dependency Grant and the Foster Care Grant. Currently about 3,5 per cent of the population between the ages 17 and 66 receive the Disability Grant. About 18 per cent of the estimated number of orphans receives the Foster Care Grant. Four years after being instituted, the Child Support Grant goes to 2,5 million children against an estimated 3,4 million that are eligible.

In March 2003 some 55 per cent of beneficiaries were in three provinces, namely Eastern Cape, KwaZulu-Natal and Limpopo, against a population share of these provinces of about 47 per cent, according to population and income estimates. Although Gauteng has nearly one-fifth of the country's population, only 12 per cent of its citizens receive grants – reflecting the demographic structure, high levels of economic activity, and income levels.

Provincial distribution of beneficiaries reflects demographic structure and levels of income and economic activity

Significant increases in beneficiary numbers between 1998 and 2003 show that, despite widespread criticism of the effectiveness of social development departments, they have succeeded in driving a very large expansion of the social safety net. In addition to the 2,5 million new Child Support Grant beneficiaries, nearly 300 000 additional old age beneficiaries and 237 000 disability beneficiaries gained access over the five-year period. After declining between 1997 and 2000, disability grants have been growing strongly, particularly towards the end of 2001/02 and during 2002/03. This is due to general economic conditions, regulatory change, changes in administrative practice and more intensive marketing of grants. Some of the less numerically strong grants have also expanded rapidly. The number of foster care beneficiaries expanded more than threefold between 1998 and 2003 and care dependency beneficiaries more than fivefold.

Growth in beneficiary numbers

Given uncertainty about demographics, socio-economic conditions, economic prospects and administrative capacity, it is difficult to gauge future grant demand:

Great potential for further growth in beneficiary numbers

- Current policies with regard to the Child Support Grant will see significant growth in numbers: at least another 1 million children below the age of 7 are entitled to grants but have not registered. It is further estimated that about 3,2 million children between the ages of 6 and 14 will become eligible for the Child Support Extension Grant by March 2006.
- Given the pattern of ageing of South African society, the number of elderly is growing significantly faster than the rest of the population, at about 3,3 per cent per year over the next decade. This will result in continued growth in the number of old age beneficiaries.
- Partly depending on policy decision, eligibility for disability, foster care and care dependency grants will in all likelihood expand as the social and economic impact of HIV/Aids is felt more widely throughout society. Current regulatory uncertainty around the Disability Grant will also drive numbers upward and has to receive urgent attention.

Table 6.7 Trends in beneficiary numbers

	Apr-98	Apr-99	Apr-00	Apr-01	Apr-02	Mar-03	Average annual growth over period
Grant Type							
Old Age	1 697 725	1 812 695	1 860 710	1 877 538	1 903 042	2 000 041	3,3%
War Veterans	10 525	9 197	7 553	6 175	5 266	4 629	-15,1%
Disability	660 528	633 778	612 614	627 481	694 232	897 050	6,3%
Grant in Aid	9 183	8 496	8 748	9 489	10 332	12 279	6,0%
Foster Care	43 520	71 901	79 937	85 910	95 216	133 309	25,1%
Care Dependency	8 172	16 835	24 438	28 897	34 978	56 150	47,0%
Child Support Grant	–	34 471	352 617	974 724	1 907 774	2 513 693	192,2%
Total	2 429 653	2 587 373	2 946 617	3 610 215	4 650 840	5 617 151	18,2%
Province							
Eastern Cape	510 926	517 929	599 578	722 440	903 975	1 035 763	15,2%
Free State	160 719	157 204	164 717	205 003	275 018	356 518	17,3%
Gauteng	297 902	304 390	359 078	425 615	517 070	682 156	18,0%
KwaZulu-Natal	543 385	566 480	621 494	792 144	1 024 408	1 285 463	18,8%
Limpopo	251 909	324 550	395 284	491 680	646 972	784 082	25,5%
Mpumalanga	155 286	159 368	195 656	250 849	314 734	387 071	20,0%
Northern Cape	73 670	89 031	90 682	100 271	124 021	134 260	12,8%
North West	187 841	202 936	242 938	304 075	411 123	450 712	19,1%
Western Cape	248 015	265 485	277 190	318 136	433 520	501 126	15,1%
Total	2 429 653	2 587 373	2 946 617	3 610 215	4 650 840	5 617 151	18,2%

Historical numbers adjusted i.r.o. the phasing out of the state maintenance grant.

Source: Socpen

Social Grants Arrears

Regulation change and social grants arrears entitle beneficiaries to claim from date of application

The setting aside of certain regulations in terms of the Social Assistance Act (59 of 1992) meant that retrospectively to 31 March 1998, grant beneficiaries were entitled to benefits from date of application and not, as had been the practice, only from the date of approval. An amount of R2 billion was made available through a Special Appropriation Act and money flowed as a conditional grant to provinces.

Good progress being made in payment of arrears

The payment of social grant arrears is well on track. Payment was staggered by grant type to allow administration to cope with arrears as well as regular payments. Up to the end of December 2002, 1,4 million beneficiaries had been paid their arrears. Partly because of apparent initial overestimates of arrears and dedicated verification of payment instructions by provinces, there will be some savings on this allocation.

War Veterans Grant

War veterans beneficiary numbers (for those who took part in the World War I, World War II and the Korean wars) decline strongly by approximately 15 per cent, on average, from April 1998 to March 2003, a decline from 10 441 to 4 628 beneficiaries.

Social grant value adjustments

Since July 1997, social grants have been increased at least annually, and sometimes more often, to compensate for inflation. On 1 April 2003 the maximum value of the larger grants (Old Age, Disability and Care Dependency) increased by R60 to R700. The Child Support Grant increased to R160, significantly up from its original value of R100. While there was some decline in the real values of grants during the 1990s, increases in recent years have compensated fully for inflation.

Recent increases have compensated for inflation, maintaining the real value of grants

Table 6.8 Value of social grants, by grant type

Type of Grant	Rand value of grants, per month, with effect from ...							
	07/97	07/98	10/98	07/99	07/00	07/01	10/02	04/03
Old Age	470	490	500	520	540	570	640	700
War Veterans	488	508	518	538	558	588	658	718
Disability	470	490	500	520	540	570	640	700
Grant in aid	80	90	90	94	100	110	130	150
Foster Care	340	350	360	374	390	410	460	500
Care Dependency	470	490	500	520	540	570	640	700
Child Support Grant	–	100	100	100	100	110	140	160

Social grant administration and payments

In 1997, under the Social Assistance Act, the administration and management of social assistance was assigned to provinces. Provinces are responsible for administration, financing and payment of social grants. Although this is aligned with the decentralised nature of Government, it has in certain instances caused fragmentation of the national social grant administrative and management system and uneven access to grants between provinces.

Improvements in grant administration

To overcome further fragmentation and improve service delivery, national and provincial social development departments have invested in:

- A grant administration and management improvement programme, driven through enhanced monitoring and support by the national Department of Social Development and through the implementation of norms and standards for grant payment and administration
- Continuous enhancement of the social payment and information system (Socpen)
- Expansion of the social grant administration and management units
- Development of an assessment tool for disability grants to assist community-based panels in the assessment and approval of these grants.

In 2002 Cabinet gave in-principle approval for the establishment of a public entity at the national level to take responsibility for administration and payment of grants. Work is currently proceeding to fully investigate the implications of this function shift to the national level and delivery through an entity at arm's length from Government.

National public entity proposed for grant administration

A key motivation for the establishment of such an entity is to reduce fragmentation and differential access between provinces; to allow for economies of scale; to establish a contracting relationship between government department and service provider; and to enhance flexibility in procurement and staffing. Such a step will also allow for a clear separation of the functions of policy making and delivery, enabling increased focus.

Growth in personnel expenditure

Table 6.9 shows that personnel expenditure in provinces grew from R0,8 billion to R1,2 billion over the period 1999/00 to 2002/03, an annual average growth of 12,8 percent. Personnel expenditure is projected to grow significantly over the three years to 2005/06 from R1,0 billion to R1,7 billion, at an annual average rate of 11,5 per cent. These high rates apply to almost all provinces and reflect some expansion of capacity to deal with increasing demands. In recent years there has also been a growing tendency towards the outsourcing of the payment function.

Table 6.9 Social development personnel expenditure by province

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
R million	Actual	Actual	Actual	Estimated actual	Medium-term estimates		
Eastern Cape	124	140	160	191	209	218	227
Free State	94	102	103	120	162	179	188
Gauteng	134	152	175	194	233	254	276
KwaZulu-Natal	149	166	183	202	243	255	268
Limpopo	62	67	73	92	118	113	120
Mpumalanga	36	39	49	62	76	82	88
Northern Cape	37	44	49	53	75	85	95
North West	84	95	110	131	154	166	183
Western Cape	113	115	129	150	176	198	211
Total	832	921	1 031	1 195	1 447	1 550	1 656

Diverse mechanisms for payment of grants

Table 6.10 illustrates the mechanisms and costs for grant payment. All provinces have now outsourced payment to either the Post Office or third-party contractors. In December 2002, 4,8 million payments were made. The bulk of these (74 per cent) were through private payment contractors as identified in the table. Another 11,5 per cent of payments was done through the Automated Clearing Bureau (Banks) and 7,3 per cent through the Post Office.

Costs of payment vary from province to province

As is evident from the table, costs per transaction (calculated on the maximum value of the old age grant) vary widely between provinces, from R30 in KwaZulu-Natal to about R17 in Western Cape. A range of initiatives is ongoing to reduce the cost associated with payment. Among these are discussions with banks in an attempt to shift a larger proportion of beneficiaries to banks, and negotiating public-private partnerships, which ensure increased risk-sharing and competitive pricing.

Table 6.10 Number of pay-points, cost to administer a grant and operating contractor

	Number of Pay-points	Costs to administer a grant per province (R/c)			Contractor operating in province
		3 rd party contractor	Post office	Bank: 1 day service	5 day service
Eastern Cape	2 175	31,50	14,27	0,74	All Pay and CPS
Free State	215	28,35	N/A	0,75	All Pay
Gauteng	166	24,61	N/A	1,09	All Pay
KwaZulu-Natal	2 598	30,14	30,14	0,90	CPS
Limpopo	1 964	17,52	12,92	0,63	CPS
Mpumalanga	289	23,22	12,52	0,72	Empilweni
Northern Cape	205	22,70	N/A	0,75	CPS
North West	854	23,78	12,98	0,88	CPS
Western Cape	293	16,73	9,00	1,54	All Pay
Total	8 759				
Average		24,28	15,31	0,89	

Developmental social welfare services and developmental and support services

Traditional welfare services focus on a continuum of care, ranging from preventative counselling services, to treatment or care in facilities or community-based care centres and after-care services. Programmes are commonly organised in terms of specific target groups, leading to programmes for treatment and prevention of substance abuse; care of older persons; crime prevention, rehabilitation and victim empowerment, services to the disabled; and child and youth care and protection. Service delivery is either by Government directly or through the subsidisation of non-profit organisations.

Social welfare services organised around specific target groups

In recent years social development departments have also started to play a more important role in poverty relief through income-generating projects, food relief and dealing through home and community-based care with those infected and affected by HIV/Aids.

Focus on developmental, community and relief activities

Given a lack of uniformity, to date, in the classification of welfare services as well as weak information systems, it is difficult to be conclusive about spending and service delivery trends for welfare services across provinces. Because of the greater need for specialised care and the fact that it is largely unmet, it is commonplace to argue that social welfare services require greater priority and funding in future. Demand for these services will grow because of the impact of HIV/Aids on communities and households, and an increase in reported cases of child abuse, neglect and exploitation.

Lack of clarity about spending and service delivery trends

While growth is moderate for welfare services (Programme 3 in the new budget structure), growth has been more substantial for developmental and support services (Programme 4). Welfare services in provinces expand by an average of 13,2 per cent between 2002/03 and 2005/06, and are projected to exceed R2 billion by 2005/06.

Real growth in welfare services and developmental support

Although from a low base, Programme 4 is expected to have expanded by nearly 21 per cent per year over the same period.

Children in conflict with the law transferred to social development facilities

Over the period 1999/00 to 2002/2003, the national and provincial departments of social development assessed an estimated 1 500 cases of children awaiting trial in police cells and in correctional services facilities. Some of these children were returned to their family while others were either placed in diversion programmes or transferred to social development facilities. In order to reduce the number of children awaiting trial in adult facilities, provinces have: expanded child and youth justice diversion programmes and the Community-based Supervision Programme; increased the number of secure care facilities and one-stop justice centres; assisted in the reprioritisation of children's cases in court; and supported the improvement of legal representation for children and probation services. Once new legislation is in place there will be budgetary implications for building the new system.

Diversion and places of safety for children in conflict with the law

In January 2002, 41 secure care centres and places of safety were operational. These can accommodate 3 239 children but are currently accommodating only 1 767 children. Legislative and policy changes such as the introduction of the Child Justice Bill, 2002, have been effected to facilitate the transformation of welfare services and to divert children in conflict with the law away from the criminal justice system into alternative mechanisms.

Shelters for abused women,

Provincial departments facilitated the development of a strategy on shelters. There are currently 46 shelters across the provinces accommodating abused women and their children for between one week and six months. Less than half of the centres are currently subsidised by the provincial departments.

Other institutions include homes for the disabled, children's homes and drug treatment centres

Other institutions either run or subsidised by social development departments are homes for the disabled (96 across all provinces), children's homes (179), homes for the aged and drug treatment centres. Some provincial departments also continue to support day care centres for children.

Provinces manage the majority of victim empowerment projects

Provincial departments also co-ordinate the inter-departmental Victim Empowerment Programme, established in 1999. There are now 119 victim empowerment projects, of which the provinces manage 104. In 2001, the Department conducted an audit of the projects as a first phase of an impact assessment. Forty-five per cent of the projects are in rural areas. It is estimated that the programme has reached 247 560 people, with volunteers playing an important role in support to victims.

Home-based care for HIV/Aids victims

Provinces have established pilots for the Home-Based Care/Community Care Programme for children and families infected and affected by HIV/Aids, targeting 55 sites. This programme aims to implement effective and affordable home/community based care and support models integrated with poverty alleviation programmes, in order to meet the basic needs of families and children living with HIV/Aids.

To mitigate the food crisis experienced in 2002/03, Government allocated R230 million in that year and R400 million for each of the next three years. Initially the programme is focusing on social facilitation and distribution of food parcels to the most vulnerable. Delivery is taking place in co-operation with the Independent Development Trust, the National Development Agency, a range of relief organisations and provincial social development departments. In future, direct provision of food would be complemented by the support of food production in poor households through production starter packs' and community production centres. Direct provision of food is seen as providing short-term support to households, while processes are activated to link them to other mechanisms for poverty relief, such as food production, social grants and income-generating projects. Over the medium term the food relief programme will be managed through a conditional grant to provinces (see Table 6.11).

Food relief programme administered in partnership with relief organisations and social development departments

During 2001/02, a total of four disasters were declared covering 16 areas in the provinces of Western Cape (Cape Flats, Macassar, Wallacedene, Mooitrap, Khayelitsha C and Kalbaskraal); KwaZulu-Natal (Estcourt and Ladysmith); Eastern Cape (Mt Ayliff, Mt Frere, Maluti and Umzimkulu); and North West (Naledi and Huhudi Township in Vryburg). A total of 20 537 claims were processed from these disasters (excluding KwaZulu-Natal where claims are still outstanding). The 19 671 victims of the floods in Western Cape were given financial assistance during the reporting period.

Disaster relief victims given financial assistance

Key issues

A range of key issues with regard to welfare services and developmental support is currently receiving attention. The most central factor is the consideration of appropriate service delivery and funding models. Given the increasing poverty and vulnerability challenges in the country, these are high priorities.

Conditional grants in social development

Table 6.11 shows the conditional grants channelled to provinces via the national Department of Social Development for the delivery of specific development and delivery of services in provinces. The most prominent are the nearly R2,0 billion for arrears in 2002/03, the new Child Support Extension Grant, totalling R10,9 billion, over the medium term, and the Food Relief Grant of R388 million per year over the medium term.

After initial sluggishness, spending on the grant for community and home-based care has accelerated. There will be significant savings on the grant for arrear payments mostly because of the overestimate of arrears payable.

Table 6.11 Transfers and spending of conditional grants

R million	2000/01	2001/02		2002/03		2003/04	2004/05	2005/06
	Actual	Transfers	Actual	Transfers	Estimated actual	Medium-term estimates		
Child Support	13	–	–	–	–	–	–	–
Criminal Justice System	1	–	–	–	–	–	–	–
Financial management	14	10	14	11	12	–	–	–
HIV/Aids	2	13	14	48	47	66	70	74
Victim empowerment	0	–	–	–	–	–	–	–
Women flagship	2	1	1	–	–	–	–	–
Food security	–	–	–	–	–	388	388	388
Child support extension grant	–	–	–	–	–	1 100	3 400	6 400
Social grant arrears grant	–	1 995	–	–	1 183	–	–	–
Total	32	2 019	30	58	1 241	1 554	3 858	6 862
Under-spending	–	–	2 003	–	817	–	–	–
Roll overs	–	13	–	1 999	–	–	–	–

Conclusion

The extension of the safety net from 2,5 million beneficiaries in 1997 to 5,6 million at the end of the 2002/03 financial year represents one of government's greatest successes in the fight against poverty.

Social grants however comprises over 87 per cent of total provincial social development budgets, and the very success of this programme has led to a lower or declining share of their budget for social welfare services. Apart from their funding needs for these services, there is little information on the type of services offered by provincial departments, on their relationship with, and support for, non-governmental or welfare organisations, and on their need with regard to social and other welfare professionals. Much work needs to be done to improve information in this area.

Need to improve financial management

A further area of improvement is in the area of financial management. Apart from the social development department in Mpumalanga which received an unqualified audit report for its 2001/02 financial statements, all other provincial social development departments received qualified reports, with seven of these being severe qualifications.

The social development sector also faces significant challenges over the coming years:

- The need to efficiently implement policy changes regarding grants and particularly the extension of access to grants, which involve very large numbers of new beneficiaries. Administrative and information systems capacity must be strengthened.
- The improvement of grant service delivery, partly through improving current practices but in the medium term also through establishing the appropriate institutional framework that is envisaged, including the public entity for grant administration and delivery.

- Building an enhanced social development sector response to the impact of HIV/Aids on communities.
- Clarifying and building service delivery models and financing mechanisms for welfare services, to ensure evaluation and monitoring of the sector.
- Ensuring sustainability of the grant system through eliminating fraud and inefficiencies, and establishing regulatory certainty in a range of areas such as disability and foster care grants.