

**NATIONAL COUNCIL OF PROVINCES**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER 533 (CW637E)**  
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**Mr D. Feldman (COPE - Gauteng) to ask the Minister of Finance:**

Whether the National Treasury had taken any measures to shield the poor against negative economic factors as their ability to absorb future economic shocks is much lower than their richer counterparts; if not, what is the position in this regard; if so, what are the relevant details?

CW637E

**REPLY:**

Government recognises the vulnerability of the poor to negative economic shocks such as rising unemployment or high inflation. The policy framework and allocations recently proposed in the MTBPS highlight the importance placed on shielding the poor from these shocks. The strategy rests on four pillars:

1. A continued commitment to fund the social wage
  2. A commitment to increase job creation, through targeted support and the proposed economic competitiveness package
  3. Continued commitment to the inflation targeting mandate.
  4. Continued commitment to countercyclical and prudent fiscal policy
1. **The social wage** encompasses social security spending, such as grants, and access to social services, like education, health care, water, sanitation, housing, transport and municipal infrastructure. Total allocations are summarised in the table below. Relevant departments will provide further details of their activities in their strategic plans and presentations to Parliament for the 2012 Budget and MTEF.

R billions	2010/11	2011/12	2012/13	2013/14	2014/15
Total:Health & Social Protection	233.1	262.7	282.5	303.9	320.0
<i>Of which: Health</i>	102.1	114.6	123.3	131.9	139.9
<i>Social Assistance (grants)</i>	93.4	103.7	112.5	120.9	128.1
<i>Social security</i>	26.3	31.2	32.7	36.2	36.4
<i>Social development &amp; welfare services</i>	11.3	13.2	14.0	14.7	15.6
<i>Of which Welfare services (From ENE, no estimates for 2014/15 available)</i>	0.41	0.45	0.47	0.50	
Free basic services to the poor					
<i>Of which: Energy</i>	8.5	9.5	10.5	11.2	
<i>Water</i>	5.8	6.5	7.2	7.6	
<i>sanitation</i>	4.7	5.6	6.8	6.5	
Refuse removal	4.6	5.5	6.1	6.5	
Human settlements programmes		21.4	23.4	25.1	26.6
Urban settlements grant		6.3	7.4	8.1	
Education support for most vulnerable			12.3	13.0	13.8
<i>Of which: No fee school allocations</i>			7.4	7.8	8.3
<i>National school nutrition programme grant</i>	3.7	4.6	4.9	5.2	5.5

1.A. The **health and social protection budget** includes all spending on health, social security, social assistance (i.e. grants) and social welfare. Allocations over the MTEF amount to R282.5 billion in 2012/13, rising to R320 billion in 2014/15.

- South Africa has a free health care service for pregnant mothers and children less than six years. There is a section of the population who do not pay hospital fees (H0 patients), including pensioners. Further benefits to the poor are expected to be announced by the Department of Health as more information on the NHI comes to the fore. Health spending allocated over the MTEF is R124 billion, R133 billion and R143 billion.
- Social grants constitute 10.9 per cent of total budget, supporting about 15.2 million South Africans (up from 2.5 million in 1998). Grant payments mainly go to pensioners (38 per cent), children in poor households (35 per cent) and the disabled (19 per cent). The grants have been expanded in recent years by raising the threshold for the child support grant to a child's 18th birthday and equalising the eligibility age for the old age grant for men and women at age 60. The social relief programme provides temporary income support, including food parcels to those facing undue hardship. Amounts allocated over the MTEF are R160 million, R175 million and R190 million.

- Social security provides conditional income support or compensation for workers or road users, including the Road Accident Fund, the Unemployment Insurance Fund and the Compensation Fund and Reserve Fund. Various proposals are underway to expand access. The Department of Labour and the UIF are working on proposals to extend the UIF benefit period from the current maximum of eight months to a year, with the last four months paid at a flat benefit and a formal announcement on this is expected in due course. Cabinet has approved the no-fault policy that has been proposed by the Department of Transport, which is meant to provide health care benefits to all the victims of road accidents, irrespective of whether they have medical aid or not.
- Government is working to finalise a discussion paper on reforms to the social security and retirement industry, with the aim of providing a safety net in old age for the low-income earners and the unemployed. The reforms further aim to ensure efficient and effective use of funds to ensure that the workers get the most returns from their savings and investments.
- Welfare services cover a wide scope of policies and programmes designed to address the needs of vulnerable members of society, particularly children, older people, victims of violence and people with disabilities. Government currently subsidises about 500 000 children in Early Child Development centres. The Social work scholarship programme was implemented in 2006 to create job opportunities in the social work field and address the social worker shortages. Budget grows from R244 million in 2011/12 to R270 million in 2013/14.

1.B. Basic household services are an important component of the social wage. Total spending on **free basic services** will amount to R122 billion in 2011/12, rising to R138 billion in 2013/14.<sup>1</sup> Of the R27.1 billion made available in 2011/12, R9 505.7 million is provided for free basic electricity, R6 493.7 million is provided for free basic water, R5 593.5 million is provided for free basic sanitation and R5 513.4 million is provided for free basic refuse removal. Specific departments can provide details on how inefficiencies in the various programmes are being strengthened.

- The Free Basic Water policy entitles households up to 6000 litres of clean water every month at no cost.

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<sup>1</sup> The local government equitable share which is intended to provide municipalities with funds to be able to provide free basic services to their poor households as well as subsidise the costs of running a basic municipal administration, amount to R30 billion in 2010/11, R34 billion in 2011/12, R38 billion in 2012/13 and R40 billion in 2013/14.

- The Free Basic Energy policy entitles households to up to 50Kwh of electricity.<sup>2</sup> In addition, in areas where it is not possible to provide connections with the grid, residents should be provided with free basic alternative energy, the sources of which include paraffin, liquefied petroleum gas, coal and bio-ethanol gel.

1.C. **Housing** is another important component of the social wage. Government runs 17 programmes to help provide the poor security of access to housing. All of this is funded through conditional grants to provinces and metropolitan municipalities.

- These programmes range from the provision of free housing through the integrated residential development programme for households earning less than R3 500 a month, to a targeted rental initiative that provides support households earning between R1 500 and R7 500 per month. A subsidy for informal settlement upgrading which includes access to services and secure tenure for approximately 1.2 million households living in informal settlements living across the country (according to 2009 GHS). The urban settlements development grant enables municipalities and larger cities to speed up delivery of serviced land for poor households.

1.D. **Education spending** that has a specific focus on protecting the poor includes:

- Education spending on no fee schools was expanded in 2010 to the poorest 60 per cent of learners. As a result 8.1 million learners in 20 000 schools did not have to pay school fees.
- The school nutrition programme contributes to the alleviation of poverty by providing meals to learners in quintile 1 to 3 primary schools (15 843 learners) and quintile 1 to 3 secondary schools (4 814 learners). The number of learners fed a meal each day has increased by 921 839 to a total of 9 052 551, up from 8.1 million in 2009/10.

2. Lasting protection from economic vulnerability, however, will only be achieved if we are successful at expanding employment. Direct **efforts to support job creation** include:

2.A. The R9bn **jobs fund** that provides support for projects with the potential to create large numbers of jobs (in particular for younger workers) – of which a total of 2 651 applications were received by the deadline for the first call for proposals of 31

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<sup>2</sup> There is no prescription as to how the municipalities implement this free 50kWh.

July 2011. As at October 2011 the Investment Committee approved seven projects, with a total grant allocation of R352 million and 115 226 projected jobs.

- 2.B. The **expanded public works and community work programmes** play an important role in poverty alleviation through the creation of short term jobs while providing a wide range of services to communities, funding for which amounts to R73 billion over the MTEF period. The recently established Community Work Programme, which guarantees two days of work per week to about 250 000 participants by 2014/15.<sup>3</sup>
  - 2.C. The **proposed youth employment incentive**, which seeks to offer a subsidy to lower the relative cost of young employees to improve long-term employment prospects;
  - 2.D. Strengthened **small business financial and advisory support** and a **job seekers support programme**
3. The **commitment to inflation targeting** helps the poor who are least able to protect themselves from sharply rising prices. Nearly 50 per cent of their income is spent on food, clothes and transport compared to just 35 per cent spent by the richest segments of society.<sup>4</sup> Higher prices mean less of what the poor need – not less of what they like. Inflation also erodes the real value of money that is saved. This disproportionately affects poorer South Africans, who are less able to access financial products that help grow savings faster than inflation.
  4. National Treasury continues to maintain the framework for **countercyclical fiscal policy** and has proposed in the MTBPS to limit new debt for investment, in order to limit the expansion of interest spending and the cost of borrowing, to free up government resources for the provision of basic resources.

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<sup>3</sup> Details of all these programmes and job creation targets and performance can be sourced from the Expanded Public Works Unit at the national Department of Public Works.

<sup>4</sup> This is based on Stats SA income and expenditure survey. Income groups are divided into equally weighted quintiles. As of the latest results, very low incomes are from 0 to R14,564; low from R14,565 to R23,287; middle from R23,279 to R36,755; high from R36,756 to R79,152; and very high from R79,153 or more.