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P A P E R S

An Evaluation Of Existing and Past Poverty Alleviation Programmes

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**AN EVALUATION OF EXISTING AND PAST POVERTY ALLEVIATION
PROGRAMMES**

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Abstract

Poverty is multi-faceted and can be manifested in hunger, unemployment, exploitation and lack of access to clean water, sanitation, health-care and education. Poverty is not confined to any one racial group in South Africa, but it is concentrated amongst Blacks, particularly Africans. There is a need to monitor poverty and the poverty alleviation programmes (PAPs) that are in place, to see that the needs of the poor are addressed with the urgency the situation demands and to take corrective actions where mistakes have previously occurred.

Some of the policies of the past, such as segregation and discrimination, left a legacy of poverty and inequality. Up to the early 1990s the apartheid system of the government had PAPs that were biased towards providing health, education and housing services to the White minority to the detriment of the Black majority of the South African population. The post-apartheid government's agenda is to address poverty and redress inequality amongst all societies. Through its poverty policy framework, the Reconstruction and Development Programme and its macro-economic prescriptions of Growth, Employment and Redistribution policy, the government has implemented new PAPs and extended some of the past programmes to address poverty.

It is essential to evaluate these existing and past PAPs to see if they are reducing the poverty gap. This paper would review past PAPs and how effective they were in alleviating poverty and compare this to existing and even the proposed programmes to see if they are reducing poverty. In doing so, the paper will be highlighting the successes and failures of these programmes with a view of coming up with recommendations on how to effectively implement such programmes in future and to avoid repeating the mistakes that occurred previously.

1. INTRODUCTION

There is a need to monitor poverty and the poverty alleviation programmes (hereafter PAPs) that are in place, to see that the needs of the poor are addressed with the urgency the situation demands and to take corrective actions where mistakes have previously occurred. There are a number of governmental PAPs such as social security, social assistance programmes and transfer grants aimed at the alleviation of poverty and at assuring the needy of a minimum living level.

Some of the policies of the past, such as segregation and discrimination, left a legacy of poverty and inequality. Up to the early 1990s the apartheid system of the government had PAPs that were biased towards providing health, education and housing services to the White minority to the detriment of the Black population. This has widened the poverty gaps amongst the different racial groups of South Africa.

The post-apartheid government's agenda is to address poverty and redress inequality amongst all societies. Through its poverty policy framework, the Reconstruction and Development Programme (RDP) and its macro-economic prescriptions of Growth, Employment and Redistribution policy (GEAR), the government has implemented new PAPs and extended some of the past programmes to address poverty.

This paper first gives an insight into what poverty alleviation programmes are, especially social assistance programmes, and briefly describes the different types that were and are available to South African citizens from pre-1994 to date. Secondly it looks at the success and failures of these programmes to help reduce poverty. Lastly recommendations are made on how government can effectively alleviate poverty given its resources.

There are limitations to this discussion stemming from the fact that before 1996 the different departments were disjointed and duplicated since national government had four provinces and four homelands. These were later amalgamated to form the New South Africa with its nine provinces. The then Department of Welfare (DoW) now known as

the Department of Social Development (DSD) does not have all the information on social assistance and its beneficiaries from 1990 to 1994.

2. POVERTY ALLEVIATION PROGRAMMES

Social security is defined as government actions aimed at decreasing the economic uncertainties of individuals by ensuring them a minimum living level (MLL), (van der Merwe, 2000). Thus all statutory and non-statutory allowances by government, aim to help the individual to maintain the living standards and or to ensure that at least certain minimum levels can be reached. These allowances, also known as social security measures, are classified under social insurance, social assistance and categorical transfers, (van der Merwe, 1996) and they are part of poverty alleviation programmes.

Social insurance consists of programmes that insure employees in the formal sector in the form of unemployment insurance and pensions, amongst others. These programmes are usually financed through employee and employer contributions and governed by statute and regulation. Social assistance may be in the form of social grants such as the old age grant, the disability grant, the grant for war veterans, the foster care grant, the child support grant, the state maintenance grant, the grant-in-aid for the carer of the aged and disabled and the social relief fund. For the purpose of this study I will focus on social assistance programmes as they target the most vulnerable and impact directly on government expenditure unlike social insurance where both the employer and employee make contributions.

The old-age pension is payable to men over the age of 65 and women over the age of 60 until death. Disability grants are payable to all severely physically and mentally challenged persons between the ages of 18 years and 60/65 when they start receiving the old-age pension. The foster care grant is payable to those who are temporarily charged with the care of children who are not their own. The state maintenance grant was payable to woman with small children as a child allowance.

The care-dependency grant is received by the primary care-giver of severely disabled people who are younger than 18 years if the child or beneficiary requires full time care and the family's combined income does not exceed R48 000 per annum. A grant-in-aid is paid over and above the disability grant or the old-age grant to adults who require assistance with everyday activities. The war veteran grant is payable to those who took part in the World War I and II and the Korean Wars.

A number of authors have conducted studies on social assistance programmes and a few have looked at the impact of these on poverty and economic development in South Africa. Haarmann (2001a), van der Merwe (2002) and van der Berg (2003) state that prior to 1990 the social pension programme, in the form of old-age pension, which is part of PAPs, differed between the population groups but parity was reached between 1993 and 1994. This raised the expenditure by government on social assistance by 30% between 1983 and 1991, (van der Merwe, 2000). This increase in government spending cannot be sustained in the 2000's as economic growth rates are still relatively low in South Africa.

Van der Berg and Bredenkamp (2002) state that South Africa's social security system, though advanced, still has pervasive gaps in its coverage and it is close to the limits of its capacities yet the country's constitution obliges the government to provide social assistance. Other available evidence suggests that despite Government's endeavours to alleviate poverty, poverty is getting worse with the number of households without employment in the formal sector rising dramatically between 1995 and 1999. In 1999 an estimated 4, 6 million of South Africans were living in abject poverty of which about 2, 9 million were receiving social security grants totalling about R16, 2 billion, (Aliber, 2001).

2.1 PAST PAPs

The past policies of segregation and discrimination left a legacy of inequality and poverty. During the apartheid era, the two main pillars of social security system were occupational insurance and social assistance programmes which were introduced by government, to cater for those who were not covered by occupational insurance and who were mostly White. Over a number of decades, benefits were extended to Coloureds, Asians and Africans, on significantly lower benefit levels, (Aliber, 2001) and (Woolard, 2002).

In South Africa occupational insurance was in the form of multiplicity of occupational schemes that operate along similar actuarial lines to funded private insurance. Some of these schemes were for the White workers who received compensation for unemployment and injuries sustained in the work environment where their jobs were especially reserved for them. Social assistance programmes included the old-age grant, the disability grant, the war veteran grant and the state maintenance grant.

In 1928 the Whites only received old-age pension and in 1946 they received disability grants. Urban Blacks started receiving old-age grants in 1943 and rural Blacks only received these from 1965, (Wilson and Ramphele, 1986). The average old-age pension for Blacks increased in real terms from R14 monthly in 1970 to R45 monthly in 1985 and for Whites this increased from R97 monthly to R136 monthly during the same period.. in 1993 about 89% of old-age pensions were claimed mainly by Blacks with nearly a quarter of Black households receiving an old-age pension.

The old-age pension was payable to men over the age of 65 and women over the age of 60. The take-up rate varied because of disparities between racial and gender groups and geographical location, (van der Berg and Breidenkamp, 2002).

The state maintenance grant was initially meant for Whites but was later extended to Indian and Coloured families who could benefit up to R700 for single parents with two children. This grant was phased out because government reckoned parity would be

unaffordable, (Aliber, 2001). It would have cost the government an estimated R13, 7 billion per year or 15 times the actual budget for the state maintenance grant for 1997 to reach parity.

The period after the introduction of political (1960) saw ruling government's distributive stance being retrogressive with the benefits of spending becoming more concentrated on Whites than other racial groups, (van der Berg, 2003). The gaps in social spending by government widened despite favourable economic circumstances. From 1975 there was a rise in social spending to reduce social gaps. To reach parity in individual social pension, Blacks benefits rose whilst White benefits were decreasing in real terms.

During apartheid and just before the 1994 elections it must be noted that many Black pensioners, in rural and urban areas, could not receive the old-age pension because of illiteracy and the fact that some did not have proper identification in the form of identity documents. There was inconsistency on the values of benefits as some of the beneficiaries were in the homelands whilst the others were in the four provinces of the Republic of South Africa. The fact that there were disparities in terms of the actual amounts received by the different racial groups must also be borne in mind.

EXISTING AND PROPOSED PAPs

Haarmann (2001a) states that the democratic South Africa inherited a fragmented social security. Social security grants include the Road Accident Fund (RAF), the Unemployment Insurance Fund (UIF) and two compensation funds. The RAF pays compensation to victims of road accidents caused by other parties and the UIF provides short-term relief in the event of unemployment, short-term illness, death, maternity or adoption of a child. The two compensation funds are the Workmen's Compensation Fund and the Miner's and Worker's Compensation Fund, which pay compensation for injuries, disease or death in the course of employment.

There is a compulsory insurance under the Compensation for Occupational Injuries and Disease Amendment Act of 1997, which protects formal sector employees against injury

and disease arising in the work environment through risk-related assessment paid for by their employer.

Currently, social assistance programmes include the past old-age grant, the disability grant, the war veteran grant, the foster care grant, the grant-in-aid for the carer of the aged and the disabled, the care dependency grant, the recently introduced child support grant and the social relief fund.

The CSG basically replaces the state maintenance. The child support grant (CSG) commenced in April 1998 at R100 per month payable to the primary care-giver of children up to six years but this has since February 2003 been extended to fourteen years.

The social relief grant or the poverty relief fund, established in 1997 by the then DoF, provides additional assistance to government departments that wish to undertake community-based poverty relief programmes. This grant is aimed at bridging a temporary situation of crisis for individuals or families with no other support or insurance. The receipt thereof is discretionary and not always guaranteed. The grant is payable for up to R430 per month and cannot be received for longer than three months in successive months, (Haarmann, 2001a).

The funds for poverty relief are administered through the Independent Development Trust (IDT) and channelled through government institutions and non-profit organisations. Some support is provided for income generating activities that focus especially on women and women who are breadwinners. The poverty relief fund aims to provide jobs and involve the community in self-help projects, (Prenzee, 2003).

The DSD has played a role in establishing income-generating opportunities for the poor and driving short-term food-relief and caring for those infected and affected by HIV/AIDS. The DSD is also involved in developmental activities such as income-generation and home-based care. Boadway (2002) points out that a high percentage of the

DSD's expenditure includes transfer grants of which 89% consist of provincial equity shares.

After the 1994 elections the government committed itself to redirect resources, hence spending was redirected towards the social sectors and within social spending where racially discriminatory spending had to give way to patterns that better reflected the population's needs, (van der Berg, 2003).

From 1997, all the grants were funded by the provinces, with the actual payments taking place through agents, such as the Post Office and private cash payment contractors.

In 1998, Cosatu, the Congress of South African Trade Unions, proposed a grant called the universal basic income grant (BIG) which was also championed by the DoW. The grant would support the unemployed and the poor with a benefit of R100 per month combined with some form of job creation and training, (Bhorat, 2002) and (Haarmann, 2001b). This was supposed to be funded by a "solidarity tax" of R1 200 per year paid by all South Africans earning over R3 000 per month.

A household grant was also proposed as another option where payment was to be made per household instead of per individual. This was meant to keep the cost low, (Haarmann, 2001b).

3. AN EVALUATION OF THESE PROGRAMMES

Haarmann (2001b) stated that before 1993 about 62, 8% of the South African population lived below the poverty line but the poverty gap was closed by 41, 5% by 2000. The old-age pension is deemed as the most effective grant amongst the poverty alleviation programmes. Over the last five years the social security net has expanded with the introduction of the CSG and this is one of the successes of the post apartheid government, (National Treasury, 2003b).

Table 1 below shows the value of the different social grants, which have increased over time. Examples include the value of the old-age grant, which has increased from R470 in 1997 to R700 in 2003 and the CSG, which has increased from R100 at inception in 1998 to R160 in 2003.

Table 1 showing the value of social grants, by grant type from 1997-2003

Type of grant/amount received in Rands	1997	1998	1999	2000	2001	2002	2003
Old-age	470	490	520	540	570	640	700
War veteran	488	508	538	558	588	658	718
Disability	470	490	520	540	570	640	700
State maintenance	-	-	-	436	-	-	-
Foster care	340	350	374	390	410	460	500
CSG	-	100	100	100	110	140	160
Care dependency	470	490	500	540	570	640	700
Grant-in-aid	80	90	90	100	110	130	150

Source: National Treasury 2003b

Many unemployed young and old people living with beneficiaries of any social grant are benefiting from these grants making them better off in their poverty. This is because amongst the Black population living with extended family is usual and many recipients live like this. These grants facilitate job search among working-age family members, pay for municipal services such as water and electricity, pay school fees and puts food on the table for both the beneficiaries and their family members. Duflo (2003) conducted a study on the impact of the grants extended to pensioners and found that pensions received by women have led to an improvement in children's health.

Bhorat (2002) raises the fact that the impact of these grants must thus be understood at the household level and the schemes or grants are part of society's household social safety net hence these grants perform a welfare function for some of the unemployed. The grants reduce poverty but are not sufficient to raise the household above the poverty line. A study conducted by Bertand et al (2003) points out that the grants have a tendency to reduce the supply of labour by Black household members who are between 16 and 50 years because of the intrahousehold resource allocation.

Table 2 shows government expenditure on social development. The table shows that government expenditure on social development has more than doubled over the past six years from R16, 127 million in 1997 to R37, 808 million in March 2003. This may be attributed to the government's endeavours to reach parity amongst the different racial groups and the recent introduction of the child support grant. Haarmann (2001b) points out that the percentage transfer to rural areas is 64, 7% and 86, 2% for urban areas under the current system. About 87% of Africans, 6, 6% Coloured, 1, 2% Indians and 5, 2% Whites are reached by PAPs.

Table 2 showing expenditure by social development on social assistance from 1997-2003

	R million (budgeted)
1997	16 127
1998	-
1999	19 374
2000	20 897
2001	23 837
2002	31 437
2003	37 808

Source: Second Economic & Social Rights Report 1998-1999 and National Treasury 2003b

The number of social grant beneficiaries has increased over the years as shown in Table 3. This increased from 2, 5 million in 1997 to 5, 6 million in March 2003. This change can be attributed to the introduction and extension of the CSG in 1999. Though there is an increase it is due to about R11, 8 million being spent on old age grants for about 2 million pensioners compared to about R48 million being spent on the child support grant.

Table 3 showing the trends in beneficiary numbers from 1997-2003

Type of grant/No of beneficiaries	1997	1998	1999	2000	2001	2002	2003
Old-age	173768 2	170264 7	181269 5	186071 0	187753 8	1903042	200004 1
War veteran	12047	10525	9197	7553	6175	55266	4629
Disability	732322	660528	633778	612614	627481	694232	897050
State maintenance	150000	198715	192930	-	-	-	-
Foster care	41865	43520	71901	79937	85910	95216	133309
CSG	-	-	34471	352617	974724	1907774	251369 3
Social relief	-	200	-	-	-	-	-
Care dependency	2895	8172	16835	24438	28897	34987	56150
Grant-in-aid	10082	9183	8496	8748	9489	10332	12279
	253689 3	263349 0	278030 3	294661 7	457432 0	4650584 0	561715 1

Source: Report of the Auditor-General and National Treasury 2003b.

War veteran beneficiary numbers have declined by approximately 15%, on average, from 1998 to 2002, National Treasury (2203) and this might be attributed to the increase in the

old age grant. The most widely distributed grant is the CSG. Foster care has increased threefold between 1998 and 2003 from 43 520 to 133 309 and the care-dependency grant increased fivefold from 8 172 to 56 120. This may be due to the social and economic impact of HIV/Aids in society.

An analysis on poverty by Haarmann in 2001 showed that in 2000 of the total population of about 40, 5 million people about 21, 5 people were deemed poor and only 2, 9 million received grants in the same year. This shows that only a small percentage of about 10% were benefiting from social assistance. This is confirmed in Table 4, which shows the annual growth of beneficiary numbers from 1998 to 2002. The average annual growth rate is 12, 9%. The total percentage growth increased from -4% in 1998 to 25, 4% in 2002.

Table 4 showing the annual growth in beneficiary numbers from 1998 to 2002

	1998	1999	2000	2001	2002	Annual average
Old-age	-2.0%	6.5%	2.6%	1.0%	1.3%	1.8%
War vets	-13.3%	-11.9%	-17.9%	-17.9%	-14.7%	-15.0%
Disability	-9.8%	-4.0%	-3.3%	2.7%	10.4%	-1.1%
Grant-in-aid	-9.6%	-6.8%	3.0%	9.3%	8.0%	0.5%
Foster care	4.9%	63.8%	11.2%	8.2%	10.1%	17.9%
Care dependency	249.8%	66.8%	45.2%	20.1%	19.2%	64.6%
CSG	–	–	922.9%	203.6%	78.2%	–
Total	-4.0%	6.2%	13.9%	25.9%	25.4%	12.9%

Source: DSD 2002

If one adapts the crude measure of determining the extent to which South African PAPs address poverty by van der Merwe (20002) one can determine if the PAPs are addressing the needs of the poor. This measure involves dividing the funds available for social

development by the number of beneficiaries, assuming that inflation is not factored and there are no administration costs and corruption in the system. This shows that there is a small increment of about R30 over a six-year period. This measure is of course fraught with inconsistencies because the grants received are not equal, they ranged from R80 to R488 in 1997 and from R150 to R718 in 2003.

The DSD has repeatedly failed to spend all its allocated funds, (Idasa, 2003). An example is that the former DoW could not spend all their funds of R204 million, allocated to them, which also led to public outcry. The funds allocated for poverty relief have not been fully utilised as there is an ability to implement poverty relief programmes. In their Budget Relief, Idasa state that the poverty relief fund is seen as a political vehicle than a reflection of government's commitment to poverty alleviation.

National Treasury noted in the Budget Review that R205 million allocated to poverty relief was unspent by the DSD in 1999 and it was rolled over to 2000 where an amount of about R49 million was also unspent. It is still unclear what happened to an unspent amount of R109 million. National Treasury has not allocated nor budgeted any more funds for 2003/2004 as this fund is under review.

It was noted by Boadway in 2002 that the existing social assistance transfers leave sizeable gaps in the coverage of needy groups resulting in a substantial proportion falling beneath both the absolute poverty line and the destitution line.

4. RECOMMENDATIONS

Most of these PAPs cater for the vulnerable and very little caters for unemployment induced poverty thus the government must consider the BIG or the household grant as proposed by Cosatu and others.

The grants have an element of promoting dependency from both the beneficiaries and those who live off them thus government must strengthen programmes that promote job creation and economic development.

Government still lacks capacity in its implementation of policy and evaluation of PAPs so this should be enhanced through strategies such as outsourcing, partnerships and others.

The transformation and implementation process may have been too quick for some of the new programmes thus government departments should be careful about implementing change too fast.

Women should be given priority in poverty relief funds as poverty has a woman's face in South Africa (60% of female headed households were living in poverty in 1995).

Local economic development programmes and rural development programmes must strive to empower both the vulnerable communities and the unemployment induced poor. There is an element of extravagance in the allocation of funds, which end up being unspent, which must be curbed as it is a cost to the economy and there are other forms of government spending which end up suffering.

Social assistance programmes must be implemented by national government to avoid maladministration and corruption. This is in view of grants in KwaZulu-Natal recently being given to political party members at the expense of the targeted households to solicit votes.

5. CONCLUSION

An overview of the poverty alleviation programmes in South Africa reveals that the previous programmes were biased towards the White minority to the detriment of the Black population, which shows that the past programmes were only alleviating poverty amongst the poor White with nothing accruing to the Blacks. The existing programmes have bridged the disparities between the different racial groups though it is not enough it helps to alleviate poverty.

Government spending on poverty alleviation is commendable when one looks at the fact that some racial groups, which were excluded from PAPs have since been intergrated to receive the grants. This is shown by the increase in beneficiary numbers. It must also be noted that there were differences in terms of value of the different grants received but this has been addressed as there is parity.

The current PAPs provide some social security for certain sectors of the South African population but some of the poor such as the elderly, the disabled and the children who are orphaned, are still living below a minimum acceptable standard. It is unfortunate that social security addresses the symptoms of poverty and not the cause of the problem. It also only provides a limited income security to individuals.

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