

Submission to the Ministers of Finance, Social Development, and Women on the social grant component of the disaster relief package.

27 April 2020

On Tuesday, 21 April 2020, the President announced social relief package that included pro-poor measures to support families facing increased poverty and food insecurity during and after lockdown. We support these measures as they will assist households to pay for essential goods such as food, health and transport. The breakdown of the package announced was as follows:

- Child support grant (CSG) beneficiaries will receive an extra R300 in May and from June to October they will receive an additional R500 each month.
- All other grant beneficiaries will receive an extra R250 per month for the next six months.
- A special Covid-19 Social Relief of Distress grant of R350 a month for the next 6 months will be paid to individuals who are currently unemployed and do not receive any other form of social grant or UIF payment.

Many people celebrated this news, in particular all the caregivers who understood the message to mean that they would receive an extra R500 per child, and millions of unemployed people who understood they would soon each receive a modest R350 per month.

However, subsequent briefings by SASSA, the Minister of Social Development, and the Minister of Finance, indicate that the relief package is not as pro-poor or as extensive as it initially appeared.

We now understand that from June the R500 increase attached to the CSG is a single increase for the caregiver (the recipient of the money) rather than the beneficiary (the child for whom the money is intended). We also understand that it is the intention of government that CSG recipients will be excluded from accessing the Covid-19 grant.

The R500 increase to the CSG is *either* a caregiver grant *or* it is a CSG. If the latter, then the adult recipient should be eligible for a Covid-19 grant and exclusion from it is unjustified. If the former, then the question is why the CSG, unlike other grants, is not being increased – which in turn raises the question as to whether the state has taken adequate measures to mitigate the closure of the school feeding scheme.

We are concerned that the package, as currently announced, is inequitable, punitive to women and children, and needs revision before the inequity is entrenched via further public announcements.

Child Support Grant

In the case of the Child Support Grant, Minister Zulu stated, the day after the President's speech, that the additional amount is not 'per child beneficiary'. This was also stated clearly in Minister Mboweni's media briefing which followed a day later. This is a serious backtracking from the President's announcement.

Minister Zulu stated that there would be an additional payment of R300 to each grant (per child) in May, because SASSA's payment system cannot be upgraded in time for a caregiver payment. From June to October the method would change: an additional amount of R500 would be paid per caregiver irrespective of how many children are financially dependent on that caregiver, and the CSG would revert to its earlier value of R440.

There are two main problems with this unexpected approach:

a) A lost opportunity for pro-poor distribution of disaster relief

Attaching the CSG increase to the caregiver rather than the child substantially reduces the pro-poor power of the proposal to add R500 to every CSG. This proposal was recommended as the best vehicle to quickly get cash into the majority of the poorest households, including around 80% of those that were reliant on informal sector income. It was understood that the CSG increase on its own would not reach all households that fall into extreme poverty, but that its poverty targeting was better than any of the existing social grants and any supplementary grant, including a new Covid-19 grant, would take longer to develop and roll out at scale. The CSG increase was therefore a first, urgent course of action, as nearly 13 million beneficiaries (children) were already registered within the existing system.

The original proposal, to increase every CSG, was not only to protect the children who receive them, but to use the CSG as a conduit to protect the poorest households. For this reason, it was important that every CSG was increased substantially, as the starting value of the CSG was already well below the per capita food poverty line.

Given the increases that have now been announced for the other grants, **modelled estimates show that if the R500 CSG increase is attached to the caregiver rather than each grant, this will leave 2 million more people below the food poverty line than would be the case if the increase were attached to every CSG.** The additional amount to the CSG will have the greatest impact on poverty if allocated 'per grant', as is the case with the other grant increases, rather than per caregiver.

In the case of other existing grants (the old age grant, disability grant, foster child grant and care dependency grant) the increases of R250 will certainly be welcomed by those who receive them. But the broad impact of the CSG should not be lost, namely being central to the pro-poor emergency relief proposal.

Other grants are not subject to the same low means test as the CSG. The CSG means test ensures that this grant is particularly targeted to poor households. There is also far greater overlap between CSGs and households with vulnerable adults of working age (informal sector and unemployed) than there is in the case of other grants.

b) Inequitable and punitive to women and children

In addition to the importance of being pro-poor, the CSG is essential for the survival and development of children. It is shown to be well spent on essential needs and has proven developmental impacts. Importantly, it improves nutritional outcomes – in a country where one in every four children is stunted, and where food insecurity is an immediate pressing problem.

It is our understanding that the state's intention is to exclude 7.1 million caregivers¹ who receive the R500 CSG top-up from being eligible for the special Covid-19 grant, as the Covid-19 grant is only going to be available to those who do not already receive any form of social grant.

We then need to ask for clarity on the following questions, as it seems that whatever the rationale for this decision, it is punitive to women or children or both:

- *Is the R500 caregiver portion a grant intended to support the caregiver, and not targeted to children?*

A caregiver grant is a good idea, because those who care for children also need to survive and look after themselves, and care work is unpaid. If the full R500 is intended for the caregiver, then caregivers will receive a slightly higher amount than other Covid-19 grant beneficiaries, who will only receive R350 per month. But if this is the intention, then it means that children do not receive any increase at all.

The relief package needs to acknowledge and cater for the fact that, in addition to job losses and rising food costs, around 10 million children have since March lost their daily main meals due to the closure of the school and ECD feeding schemes. It is still unclear when schools and ECD centres will re-open, and when they do it will be in a phased manner with the children under 5

¹ The vast majority of these caregivers, around 6 million, were either unemployed or working in the informal sector before lockdown. Many others may have been in precarious or low paying employment such as domestic work and may subsequently have lost their jobs. We can therefore conclude that at least 6 million would be in need of the special Covid-19 grant for unemployed people.

unlikely to start before September. Many children will therefore remain out of school and ECD centres over the next five months. The amount of the current CSG (R440 per child per month) is well below the food poverty line of R581 per person per month and cannot provide even basic nutrition for one person.

- *Is the R500 caregiver portion effectively a Covid-19 grant for the caregiver plus a small CSG top-up for the child?*

If this is the case, then in effect it means that the caregiver's portion (equivalent to the Covid-19 grant) is R350 and only the remaining R150 is an increase to support the children in her care. If she has one child, this is substantially lower than the R250 increases received to all other grants. If she cares for two children (which is just above the average ratio of children to caregivers receiving the CSG), she effectively receives an increase of only R75 per child per month. If three children, the increase is R50 per month.

Compared with the across-the-board increases of R250 per grant for the other social grants, none of these scenarios are fair and equitable, nor are they in keeping with UN human rights bodies recommendations that families with children should be prioritised in material relief programmes.² Instead, all other grants are effectively receiving substantial increases while the CSG, the state's primary cash transfer for poor children, receives a negligible increase. In effect, children receive the least from the relief package.

- *Is the R500 caregiver portion a grant top-up that is meant to be in line with the other grant increases?*

It could be argued that the R500 caregiver component is the equivalent of a R250 top-up to two CSGs (as each caregiver receives nearly two CSGs on average) and that the CSG increase is therefore indeed equitable when compared with other grant increases.

If this is the case, why not increase the individual CSGs in the same way that other grants have been increased? It would be simpler, and less punitive to households that carry responsibility for more than two children. It would also mean that the increase is attached to the child.

Importantly, if the rationale for the R500 increase is to increase the CSG for children, then it means that the majority of CSG caregivers, who are by definition poor and overwhelmingly women, are even more prejudiced because there is no disaster relief for them at all: no allowance in the CSG (which is meant to be spent on children), and no recourse to the Covid-19 grant if they are unemployed.

² United Nations (April 2020) Policy Brief: The Impact of COVID-19 on children. Pg 14

- *Is the R500 caregiver portion simply a way of reducing the cost of disaster relief?*

It may be that allocating a single caregiver grant was a way of appearing generous while actually reducing the disaster relief budget. By allocating the increase to the caregiver rather than per-child, the state has achieved a “saving” of R13 billion. If this was the intention, then the decision is untenable, particularly as it adversely affects children and the women who care for them.

It would be contrary to the imperative of this moment to save money by depriving the most vulnerable members of the population of social assistance. Substantial cash transfers to households will be essential to safeguard people’s health, nutrition and welfare, and to support local economies, particularly the informal sector. The President promised that “we will not spare any effort, or any expense, in our determination to support our people and protect them from harm”.

In order to assess the equitability of the grant increases, we need to understand the rationale for the decision to allocate a single CSG increase to the caregiver rather than increasing child support grants.

Special Covid-19 grant for the unemployed

The special Covid-19 grant is, according to the President’s announcement, for unemployed individuals who do not have access to a social grant or UIF payment. Based on a feasible targeting approach, where the formally employed, UIF eligible and direct grant recipients are excluded, there were 15.1 million³ such individuals aged 18-59 in 2017 (best available data from the National Income Dynamics Study, calculations by SALDRU). We understand that the plan is to reduce the number by additional targeting mechanisms such as some kind of income threshold – for example, the grant could exclude those in the top three deciles, reducing the number of eligible people to around 10 million. However, the logistics of income targeting still need to be resolved. It is also possible that this is an underestimate of the current situation as, since 2017, both population numbers and unemployment rates have increased (unemployment had risen even before the lockdown).

There are some concerns and questions about this special grant:

- R350 per month is even lower than the CSG, less than a third of the value of Stats SA’s upper bound poverty line (R1267 in March 2020 Rands), and substantially below even the food poverty line (R581). It is also lower than the value of the SASSA food parcels currently being distributed per household. It cannot support even one person to live.

³ The calculation excludes caregivers receiving CSGs.

- If CSGs are not individually increased (per child) then the caregiver herself should be eligible for a Covid-19 grant in addition to the CSG top-up which, as discussed above, only just keeps the CSG increases in line with other grant increases. There would need to be a mechanism in SOCPEN to bypass the rule that grant beneficiaries are automatically excluded from the Covid-19 grant.
- Importantly, the eligibility criteria and the rationale for targeting the Covid-19 grant need to be scrutinised to ensure they are evidence based, reasonable and possible to implement. They also need to be transparent and well publicised. Failure to do so may over-burden the application and background verification systems, slowing down the delivery of the relief.

We urge government to share its projections and allow informed engagement in defining eligibility criteria and mechanism for widespread, equitable and rapid uptake.

Total value of the distress relief package

The total distress relief package for households – announced at R50 billion, is only 10% of the total economic response package, announced as R500 billion.⁴

The increases to existing grants, will cost around R30 billion. It is not clear how much the Covid-19 grant will cost as the targeting criteria are not yet known. If the eligible population is limited to below 10 million, with a full 6-month payout for those whose access is delayed, then the cost would be around R20 billion.

The “saving” on not increasing every CSG is R13 billion. Given the urgent need to provide as much support as possible to households struggling for survival, and the effectiveness of the way in which the CSG is targeted, the withholding of this component of the relief appears unjustifiable. It is relatively small amount relative to a R500 billion package, but will make a substantial difference to households and can be effected immediately.

⁴ R200 billion of the total amount is allocated to loan guarantees, so effectively it is not a real disbursement but simply protects financial institutions in case of loss. A further R70 billion is predominately in the form of deferments and therefore not a net increase to economic spending.

In summary:

We call on Cabinet to reconsider the manner in which the allocation of grants will occur, bearing in mind the necessity of an urgent pro-poor response that protects children, the unemployed, and the informal sector.

- We specifically call for the increase to the CSG to be attached to each grant paid. This is what was initially implied in the President's announcement, and it is the pro-poor mechanism that was proposed with widespread support from civil society and academic organisations and the public, through a petition that gathered nearly 600,000 signatures. The state has provided no justification for the about-turn on this proposal, which arose from work commissioned by the Presidency.
- We also call for unemployed caregivers who receive CSGs on behalf of children, and who are not eligible for UIF, to remain eligible for the Covid-19 grant.
- We urge government to share its projections for the Covid-19 grant for unemployed people and allow informed engagement in defining the eligibility criteria and mechanism for widespread, equitable and rapid uptake.
- If the decisions on the Covid-19 grant have already been finalized, we request that the eligibility criteria for the Covid-19 grant be made transparent to all potential beneficiaries.
- We ask for a clear explanation of the rationale for each of the support measures.

Yours sincerely

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