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# SOUTH AFRICA

## Social Assistance Programs and Systems Review

### Policy Brief



## Report highlights:

**South Africa's social assistance system represents a major intervention by government in addressing the deprivation amongst the country's population. The system is extensive in terms of both the number of people it covers, directly and indirectly, as well as in terms of the amount of scarce resources it consumes.** Approximately one in three South Africans is a direct beneficiary of a social grant, while nearly two-thirds of the population (64.0 percent) are either direct or indirect beneficiaries of the system. This is one way in which the South African society demonstrates, through government, the value placed on providing support to its poorest and most vulnerable members. Evidence shows that social assistance transfers have significant positive impacts on reducing poverty and inequality in South Africa and boosting development outcomes.

**In the medium term there is an opportunity for the social assistance system in South Africa to link beneficiaries to other Government services and programs that help advance access to the labour market and earnings.** South Africa spends more on social assistance than most other countries globally - 3.31 percent of Gross Domestic Product (GDP). Yet, social assistance is not available for a large share of the working-age members of the population and unemployment benefits are only available for those who work in the formal sector. The social assistance system may also benefit from greater integration of technology-based solutions in the application, eligibility testing, and payment processes, as well as from addressing the fragmentation of the social assistance system at the institutional level.



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## Background

**Despite being an upper-middle income country, South Africa's high inequality and the long-lasting legacies of apartheid means that the country is faced with numerous development challenges, many of which are characteristic of countries with much lower incomes.**

Poverty and inequality remain two of the country's most pressing concerns. While money-metric poverty rates in 2015 were lower than those observed in 2006, there are some indications that the latter part of the period saw deterioration. Inequality, as measured by the Gini coefficient, fell marginally over the same period, although it remains extreme by any measure. Alongside extreme inequalities, South Africa struggles with high unemployment, low labour market participation rates, and widespread poverty, including pockets of deep deprivation. In this context, social assistance is a critical policy response on the part of government, and represents one of the more important successes of the post-apartheid era.

***This brief summarizes findings and recommendations from a study that assesses the performance of South Africa's social assistance programs and systems, based on recent national household survey data and program administrative information, in three broad thrusts.*** Firstly, the study provides a sense of the operation of the social assistance system, the types of benefits it provides through its key programmes, and the tools and administrative systems that support its functioning. Secondly, it reviews the performance of the social assistance system in terms of coverage, targeting, benefit incidence, adequacy, cost-effectiveness, and outcomes. Thirdly, it assesses the extent to which the system is aligned with and equipped to address the so-called "triple challenge" of poverty, inequality, and unemployment as shown by data, and reviews some limitations in the design, delivery systems, and institutional coordination at different administrative levels.

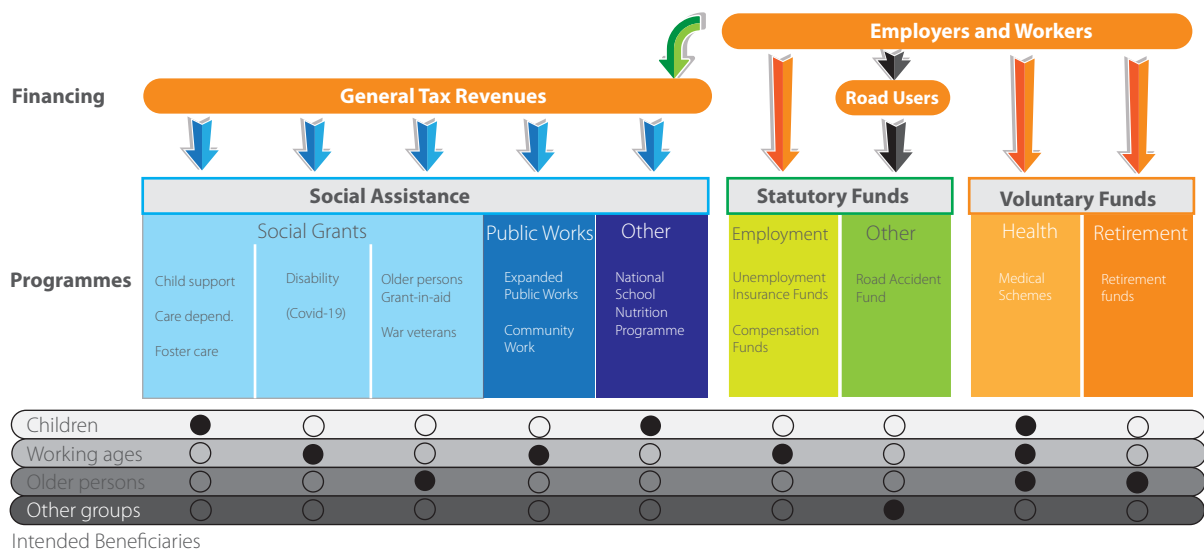


## South Africa's social assistance system

It is within this context that social assistance and social protection policy is implemented in South Africa. **The country's broader social security system consists of three main pillars: social assistance, the statutory funds, and the voluntary funds (Figure 1).** Social assistance, broadly defined, covers three sets of government interventions: i) social grants - the responsibility of the Department of Social Development (DSD) and administered by the South African Social Security Agency (SASSA); ii) public works - such as the Expanded Public Works Programme (EPWP), coordinated by the Department of Public Works and Infrastructure, and the Community Work Programme

(CWP), which falls under the auspices of the Department of Cooperative Governance and Traditional Affairs; and iii) other programmes such as the National School Nutrition Programme within the Department of Basic Education. The statutory funds include the Unemployment Insurance Fund and the Compensation Funds which fall under the Department of Employment and Labour, and the Road Accident Fund which falls under the Department of Transport. Finally, the voluntary funds are comprised of medical schemes and retirement funds, which are regulated by the relevant government authorities.

**Figure 1. Social Protection in South Africa**



Source: Adapted from National Treasury, 2010. Budget Review 2010, p.102.

**South Africa's social assistance system represents a major intervention by government in addressing the deprivation amongst the country's population. The system is extensive in terms of both the number of people it covers, directly and indirectly, as well as in terms of the amount of scarce resources it consumes.** According to official data, the number of grants paid out by government has increased from 12.02 million in 2006/07 to 17.81 million in 2018/19. This excludes the temporary beneficiaries of the special COVID-19 social relief of distress grant introduced in 2020. Of these, child support grants are the vast majority (12.45 million children), followed by the older persons' grant (3.55 million people), and the disability grant (1.05 million people). These three grants also dominate spending on grants; of the total of R162.7 billion spent on grants in 2018/19, the older persons' grant accounts for R70.6 billion, the child support grant for R60.6 billion, and the disability grant for R22.0 billion. Together, these three grants account for 94 percent of total spending on grants and nearly 96 percent of all grants. While

the employment-linked statutory and voluntary funds are financed through contributions by employers and workers, social assistance is financed from general tax revenues.

**Social assistance in South Africa relies on an intricate network across the three spheres of government, its agencies, and partnership with implementers** such as state-funded institutions, Non-Governmental Organisations, Community-Based Organisations, and Faith-Based Organisations to deliver services to vulnerable people and communities. As noted above, the national DSD has the overall responsibility and accountability for provision of social assistance to reduce poverty, vulnerability, and the impact of HIV/AIDS. It also has the responsibility for national legislation, the overall policy environment, and to coordinate. DSD established SASSA mandated by the South African Social Security Act of 2004 to ensure an effective and efficient administration, management, and payment of social assistance.



## Objectives

**This study brief, based on the full study “South Africa Social Assistance Programs and Systems Review”, examines the performance of South Africa’s main social assistance programs.**

The core focus of the study is on social assistance and, specifically, the system of social grants in South Africa. Five key questions guide the analysis. These are:

1. What is the landscape of social protection and social assistance in South Africa, and what risks and vulnerabilities do the policies and programmes aim to address?
2. How is South Africa’s social assistance system performing in terms of providing adequate support to the poorest, as well as addressing and preventing vulnerability and inequality?
3. What is the value for money, spending efficiency, and future fiscal sustainability of the current social assistance landscape?
4. How well are the current social assistance programmes aligned with South Africa’s development challenges, and to what extent is South Africa’s social assistance system set up to mitigate the structural causes of poverty and inequality and improve the economic inclusion and human capital of the poorest?
5. Are the current governance and coordination arrangements, the level of coordination and capacity, and integration of systems appropriate for social assistance programmes to effectively address the country’s development challenges?

**To answer these questions, the study brings together a variety of data,** including household survey data, administrative and official data, information from discussions with Government officials, and data from global databases to describe and compare the South African social assistance system with that of other countries.

1. **What is the landscape of social protection and social assistance in South Africa and what risks and vulnerabilities do the policies and programmes aim to address?**

**Social grants are by far the largest facet of the social protection system in terms of the number of people covered,** with 17.8 million grants paid out by SASSA on a monthly basis in the 2018/19 financial year. The National School Nutrition Programme reaches upwards of nine million learners. Social grants encompass eight key programmes, excluding the COVID-19 social relief of distress grant implemented in 2020, namely: the older persons’ grant, the child support grant, the disability grant, the care dependency grant, the foster child

grant, the war veterans’ grant, grant-in-aid, and social relief of distress. **The system is dominated in numerical and budgetary terms by the older persons’, child support, and disability grants.** The grants are designed to address specific lifecycle risks, with a particular emphasis on children (the care dependency, child support, and foster child grants) and the elderly (older persons’ and war veterans’ grants, and grant-in-aid). The temporary COVID-19 social relief of distress grant was implemented to address the impact of the national lockdown in response to the COVID-19 pandemic, targeting working-age individuals with no income and no access to other forms of assistance.

**The three compulsory contributory social security funds—the Unemployment Insurance Fund (UIF), the Compensation Funds, and the Road Accident Fund (RAF)—provide conditional income for eligible individuals.** The UIF provides unemployment insurance immediately after the loss of employment, including where this is the result of illness, maternity, or adoption, and is the largest of the three funds in terms of claims. The Compensation Funds provide compensation for disablement or death caused by occupational injuries or diseases sustained or contracted by employees. However, both UIF and Compensation Fund benefits are available only to formal sector employees.

**The Expanded Public Works Programme (EPWP) and Community Work Programme (CWP) are key interventions targeted at the working-age population, which aim to provide income, work experience, and training to the unemployed.** In 2019/20, the EPWP provided 838 000 work opportunities or 267 000 full-time equivalent jobs, while in 2018/19 the CWP provided 280 000 work opportunities. These programmes target the working-age population as part of government’s broader efforts to address joblessness in South Africa. In 2020 the Government also launched the President’s Employment Stimulus program, which in mid-2021 has provided support and temporary public employment and other support to over 700 000 people – many of which unemployed youth.

2. **How does South Africa’s social assistance system perform in terms of providing adequate support to the poorest, as well as addressing and preventing vulnerability and inequality?**

**By any measure, the South African social assistance system is extensive.** Approximately one in three South Africans is a direct beneficiary of a social grant, while nearly two-thirds of the population (64.0 percent) are either direct or indirect beneficiaries of the system. Transfers are equivalent to 7.3 percent of households’ expenditure nationally and 60 percent of expenditures in quintile 1, the poorest 20 percent of the population. This is one way in which the South African

<sup>1</sup> Based on the full report: World Bank, 2020. “South Africa Social Assistance Programs and Systems Review”.



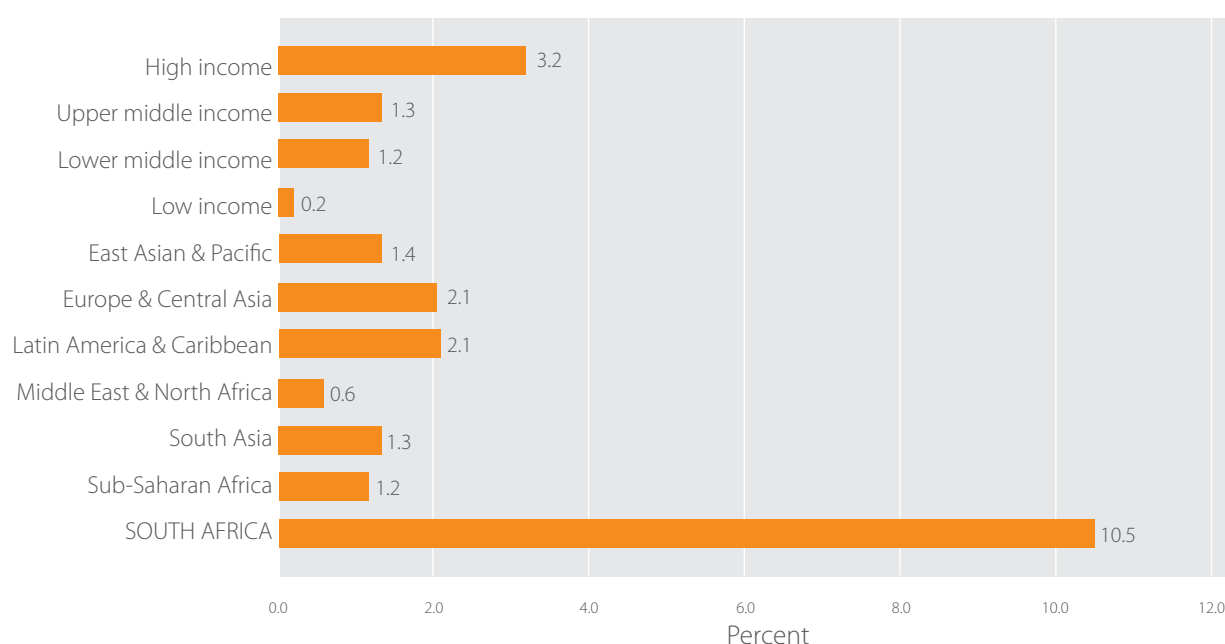
society demonstrates, through government, the value placed on providing support to its poorest and most vulnerable members. High coverage rates are primarily the consequence of the size of the programme of child support grants - children receiving a child support grant represent almost one-quarter of all South Africans according to the Living Conditions Survey (LCS) of 2014/15.

### Impacts on poverty and vulnerability

The data presented in **the study demonstrates that the system performs well in addressing both poverty and inequality.** Social assistance transfers are estimated to have

reduced the poverty headcount rate and poverty gap in South Africa by 45.7 percent and 73.4 percent respectively. This is a substantially larger impact than is observed for any of the country groupings (Figure 2). For example, amongst upper-middle income countries, the poverty rate is reduced by 9.3 percent on average, while the poverty gap is reduced by 20.2 percent. Similarly, the post-transfer Gini coefficient (i.e. income including social grants) is 6.7 percent lower than the pre-transfer Gini coefficient (i.e. income excluding social grants). Over the years numerous impact evaluations of social grants have also shown the impact of the grant system on human capital outcomes.

**Figure 2. Simulated Inequality Reduction (%) Associated with Social Assistance Programmes Globally**



Source: World Bank 2020, 'World Data Bank.' Retrieved from <http://databank.worldbank.org/>  
 Note: Estimates for South Africa are the estimates published in the ASPIRE database.

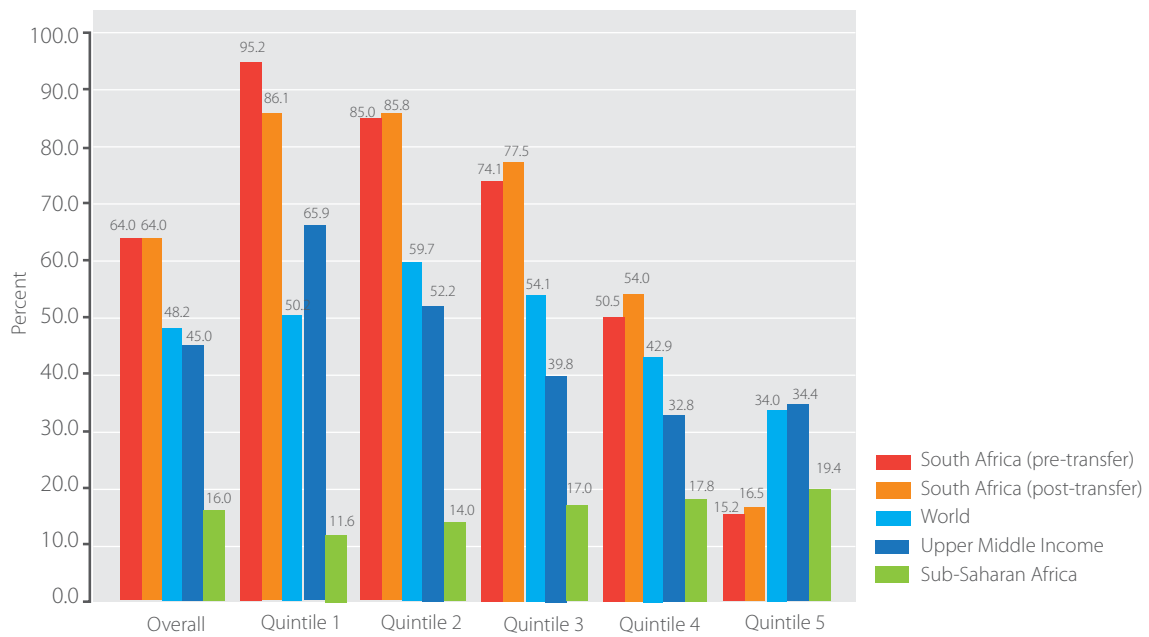
### Coverage and targeting

**These strong effects on poverty and inequality are the benefits of a system that is well-targeted at those who most need support. Coverage, including indirect beneficiaries, is almost universal in the poorest pre-transfer quintile (95.2 percent) and is as high as three-quarters (74.1 percent) in the third quintile (Figure 3).** Indeed, more than half (56.1 percent) of the population in the poorest pre-transfer quintile alone are direct grant beneficiaries, while coverage for the child support and older persons' grants of the age-eligible population in the bottom quintile is 86.9 percent and 96.6 percent respectively.. As a result, the poorest 60 percent of

the population account for almost 80 percent of all direct and indirect grant beneficiaries, and a similar proportion of social assistance benefits. Quintile 1 alone accounts for 29.8 percent of direct and indirect beneficiaries and 33.1 percent of benefits. One-third of social assistance benefits accrue to the poorest 20 percent of the population, and a further 26.4 percent accrue to those in the second-poorest quintile (Figure 4).



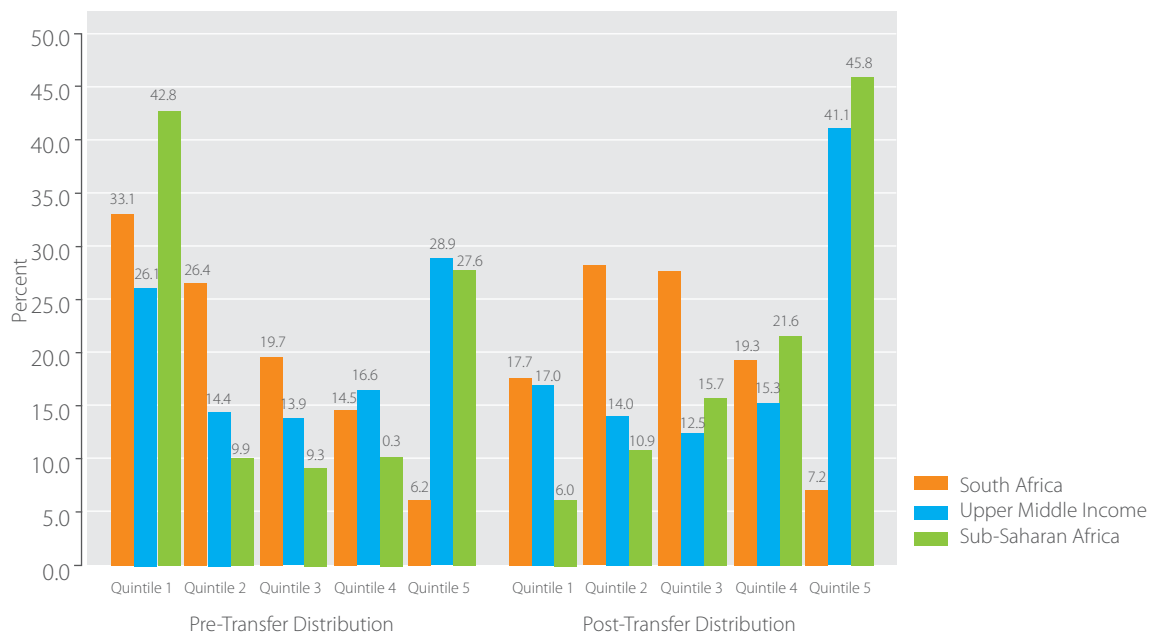
**Figure 3. Coverage of Direct and Indirect Social Assistance Beneficiaries across Quintiles**



**Source:** World Bank 2020, ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity.' Online database., Retrieved from <http://datatopics.worldbank.org/aspire/> and own calculations, Statistics South Africa 2015 'Living Conditions Survey 2014/15.' Statistics South Africa, Pretoria. Dataset, Retrieved from [www.statssa.gov.za](http://www.statssa.gov.za).

**Notes:** (1) Data for regional averages are for the 2008-2016 period; data for South Africa are for 2014/15.

**Figure 4. Distribution of Social Assistance Benefits Across Quintiles**



**Source:** World Bank 2020, ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity.' Online database., Retrieved from <http://datatopics.worldbank.org/aspire/> and own calculations, Statistics South Africa 2015 'Living Conditions Survey 2014/15.' Statistics South Africa, Pretoria. Dataset, Retrieved from [www.statssa.gov.za](http://www.statssa.gov.za).

**Notes:** (1) Data for regional averages are for the 2008-2016 period; data for South Africa are for 2014/15. (2) The ASPIRE database does not include estimates for the World.





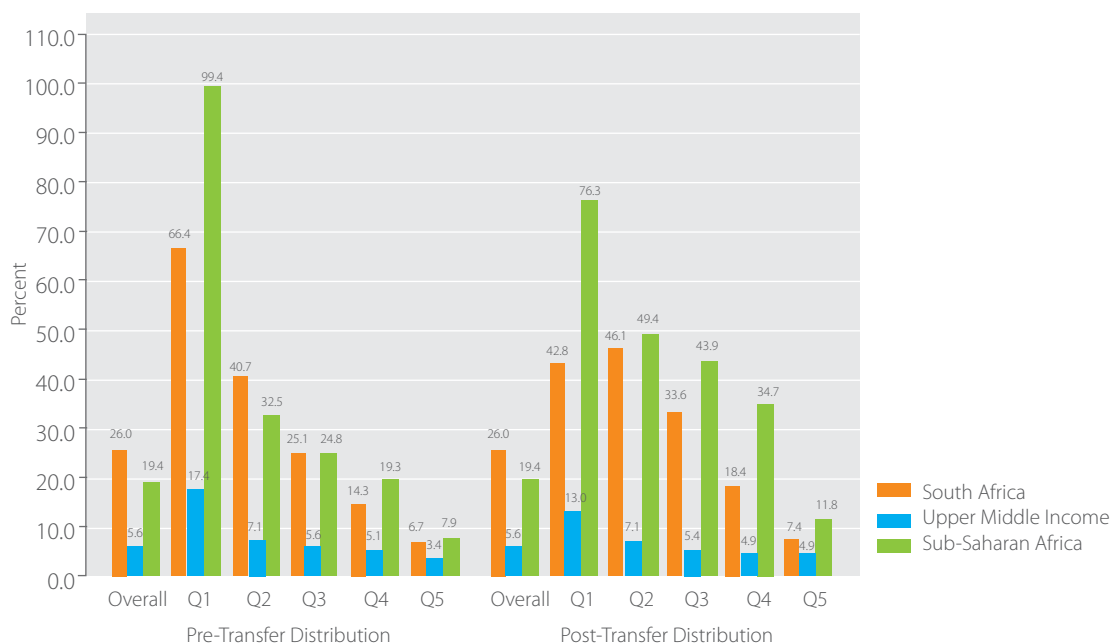
## Adequacy

**Importantly, while grants are small in value in absolute terms, the extent of inequality among the population means that they are relatively large for a significant proportion of households.**

The average transfer per capita for beneficiary households in 2014/15 is estimated to have been only R3 279, or around R273 per month. However, compared to beneficiary households' per capita household expenditure,

this amount is significant. Averaged across all beneficiary households, grant income is equivalent to roughly one-quarter of per capita household expenditure. Although this figure is as high as two-thirds for beneficiary households in quintile 1 and 40 percent for beneficiary households in quintile 2. Overall, social assistance transfers in South Africa are equivalent to 26.0 percent of beneficiaries' expenditure. This is a higher proportion than in Sub-Saharan Africa (19.4 percent) and is almost five times the proportion in upper-middle income countries (5.6 percent) (Figure 5).

**Figure 5. Social Assistance Benefits as a Share of Total Expenditure (Adequacy of Social Assistance Benefits) across Quintiles**



Source: World Bank 2020, *ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity*. Online database., Retrieved from <http://datatopics.worldbank.org/aspire/> and own calculations, Statistics South Africa 2015 'Living Conditions Survey 2014/15.' Statistics South Africa, Pretoria. Dataset, Retrieved from [www.statssa.gov.za](http://www.statssa.gov.za).

Notes: (1) Data for regional averages are for the 2008-2016 period; data for South Africa are for 2014/15. (2) For South Africa, the welfare measure is per capita household expenditure as recorded in the survey. (3) The ASPIRE database does not include estimates for the World.

## Effectiveness

**South Africa's social assistance system is therefore effective in providing support to the poorest segments of the population.**

Social grants provide resources to poor households which, at the very least, significantly reduces the depth of poverty and inequality. Further, by providing regular and dependable income, they ameliorate vulnerability. This is particularly true if the effects of social grants on other outcomes such as health, education, and labour supply are considered.

**A modern set of administrative delivery systems are used for administering social grants.** All social grants (except the foster child grant) are means tested in different ways using the national ID number and income or assets as a basis and comparing the applicants' documentation against the national databases, such as the South African Revenue Service (SARS). Grant applications are currently being made manually by

visiting a local SASSA office, but with the introduction of the COVID-19 social relief of distress grant in 2020 SASSA piloted online grant applications. The vast majority of payments are made electronically via SASSA debit cards which can be used at any ATM or major retailers, or to the applicants' own bank accounts. Payments are made timely, on a monthly basis, during the first days of each month.

**The study identified two main weaknesses of the delivery systems.** Firstly, there is no real functioning social registry with the ability to link all social services together for the citizens in South Africa. However, the National Development Plan proposes the development of a National Integrated Social Protection Information System (NISPIIS). Secondly, despite an electronic payment system, grant recipients stand in line at different payment points every month and most cash-out their full grant at the beginning of the month.



**Another shortcoming of the system, identified by a number of authors, is the system's blind spot around working-age adults.** While there are several programmes within the social protection system that cover working-age adults, each of them is limited in terms of their coverage. The only regular social grant accessible to working-age adults is the disability grant which is predicated on disability, and unemployment insurance and the Compensation Funds are only accessible to formal sector workers.

**In the absence of a grant available for working-age unemployed people, the EPWP and CWP are the only interventions available to the majority of working-age adults. While these interventions can potentially play an important role in establishing a minimum level of income, their current coverage is limited.** As with interventions aimed at children, these programmes may benefit from greater integration in order to encourage the unemployed to re-join the labour market. Indeed, there is scope for integration with labour market interventions through, for example, the Department of Employment and Labour to strengthen overall outcomes. **The result of weak coverage of working-age adults, however, has important implications for other social assistance interventions, as benefits received by children and the elderly are shared with working-age adults who have no other means of support.**

#### South Africa's Social Protection Response to COVID-19

During the time that this report was written, the COVID-19 outbreak rapidly escalated to a global pandemic. The ensuing responses from governments around the world—to partially or totally restrict individual movement and economic activity—have led to large scale economic disruption, massive job losses, widespread uncertainty, and increases in poverty levels. In South Africa, a National State of Disaster was declared on 15 March 2020, and the country went into a complete national lockdown—one of the strictest globally—on 26 March 2020 for five weeks, which was then gradually eased to lower levels of restrictions. While the lockdown had some success in delaying the infection curve and providing time for government to prepare for the predicted rise in COVID-19 infections, it had devastating economic impacts. While National Treasury predicted a 0.9 percent growth in real GDP for 2020, in October 2020 the World Economic Outlook (International Monetary Fund) projected that the GDP growth for South Africa would slow down to -8.0 percent.

In response, in April 2020 President Ramaphosa committed a R100 billion package aimed to provide economic stimulus, jobs, and social support to the poorest. As part of this package, the government announced a boost of R300 per beneficiary for the child support grant for May 2020, to be followed by an increase of R500 per month per recipient (i.e. caregiver) for the child support grant in the following months, as well as an increase of R250 per beneficiary per month for all other grants. In addition, the R350 per month COVID-19 social relief of distress grant was also introduced. Importantly, this ambitious social grant scale up was just one component of the much broader policy response.

Subsequently, the Presidential Employment Stimulus was launched in October 2020. Its aim is to support livelihoods while the labour market recovers – investing in public goods and services, enhancing skills and employability, and boosting demand in the economy at the same time. The vision of the program is to build a South Africa that works – counteracting job losses and creating new opportunity for growth and renewal.

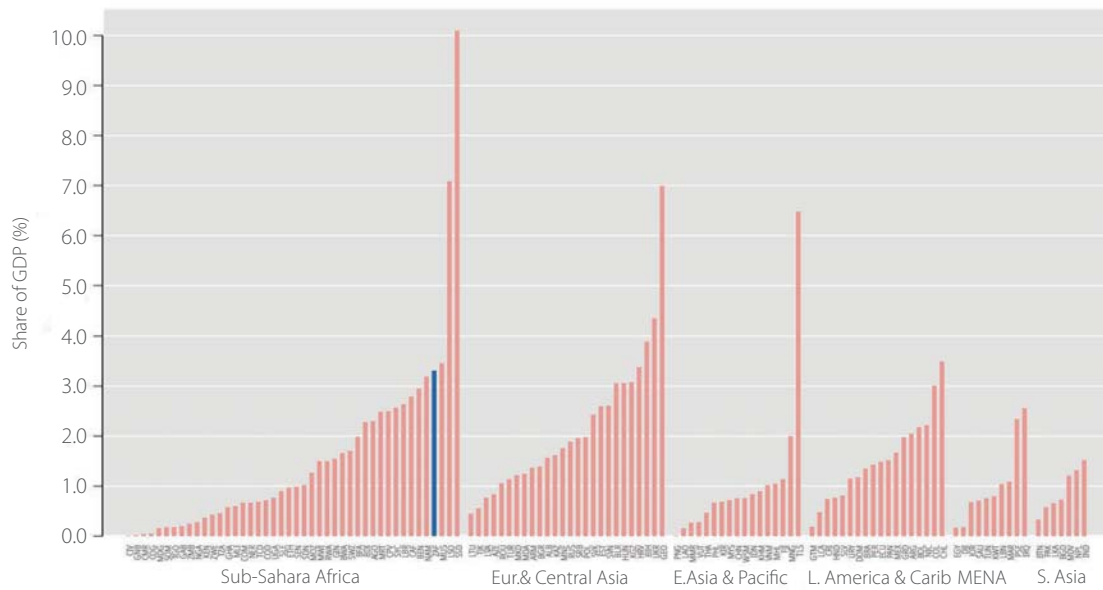
### 3. *What is the value for money, spending efficiency, and future sustainability of the current social assistance landscape?*

South Africa spends more on social assistance than most other countries globally, at 3.31 percent of GDP, it ranks as the fourth-highest spender on the continent and tenth amongst all countries with data (Figure 6). Given the competing demands in terms of government spending, it is therefore important to understand the cost efficiency of programs.





**Figure 6. Spending on Social Assistance as Share of GDP, 2009-2016**



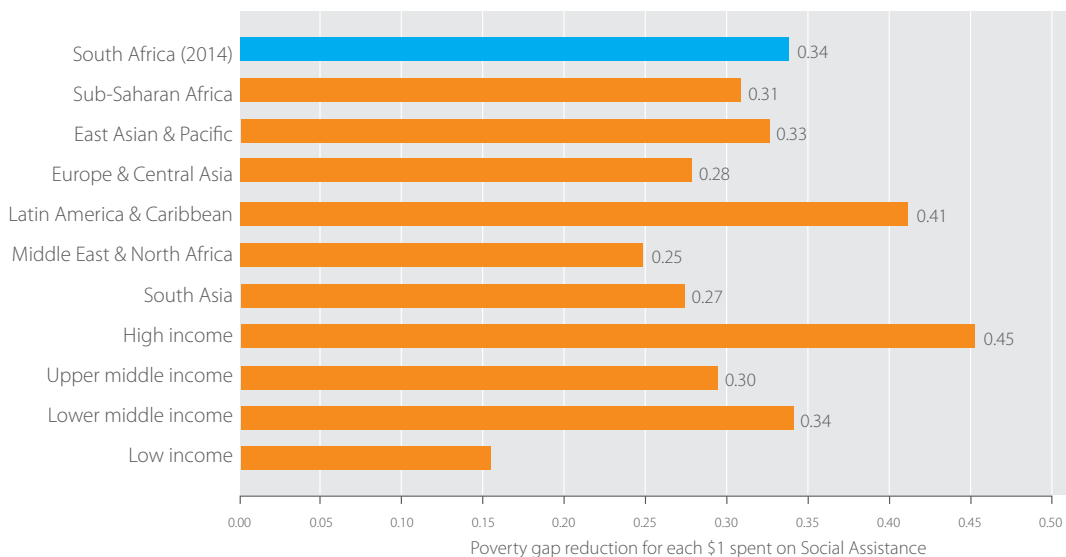
Source: World Bank 2020, ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity. Online database., Retrieved from <http://datatopics.worldbank.org/aspire/>.

Note: Most recent estimates for 2009-2016 for 124 countries.

From the perspective of value-for-money, estimates of the benefit-cost ratio for social assistance in South Africa reveal that, while the country performs around ten percent better than the average for Sub-Saharan African countries and is on par with upper-middle income countries overall, its performance is almost one-fifth weaker than the average for countries in Latin America and the Caribbean (Figure 7). **Given South Africa's strong performance in terms of the poverty-reducing**

**impact of social assistance, the value-for-money performance is lower than expected and suggests that the costs of South Africa's system are relatively high compared to other countries.** Given the relatively sparse information in the public domain on the costs associated with administering social assistance in South Africa, understanding the cost structures and cost drivers in different settings is an area for future research.

**Figure 7. Benefit-Cost Ratio of All Social Assistance**



Source: World Bank 2020, 'World DataBank.' Retrieved from <http://databank.worldbank.org/>

Note: The figure calculates a benefit-cost ratio across countries that relates the simulated reduction in the poverty gap (the pre-transfer poverty gap less the post-transfer poverty gap) to total spending on social assistance. In this calculation, poverty is defined to be the poorest 20 percent of the income distribution. Thus, the higher the benefit-cost ratio, the greater the benefit for a given cost. Estimates for South Africa are the estimates published in the ASPIRE database.



Nevertheless, the evidence suggests that the efficiency of the system has been improving. The average cost to pay out a grant has decreased in real terms from around R57 in March 2020 prices during the 2005/06-2009/10 period, to R36.70 in the 2019/20 financial year. Similarly, the proportion of the budgeted social assistance transfers that is allocated to administration has fallen from 7.8 percent in 2008/09 to 4.4 percent in 2019/20.

Between health, education, and social protection, roughly half of consolidated government spending is accounted for. At the same time, spending on social protection increased by 3.7 percent per annum in real terms during the 2010s, which is somewhat more rapid than the rate of growth of total spending (3.3 percent). Total spending on social grants, excluding administration costs, increased by 3.2 percent per annum on average in real terms between 2008/09 and 2018/19. **While the level and pace of spending growth is not problematic on its own, the country's fiscus has been under significant strain for some time.** This is the result of a decade of particularly slow economic growth, diminished state capacity and other effects of state capture, and an inability to rein in spending, all of which are exacerbated by the COVID-19 pandemic. **Thus, while there are not particularly pressing concerns regarding the long-term financial sustainability of the social assistance system on its own, it seems clear that government's ability to further expand the system will be constrained for the foreseeable future.**

**4. How well are the current social assistance programmes aligned with South Africa's development challenges, and to what extent is the social assistance system set up to mitigate the structural causes of poverty and inequality and improve the economic inclusion and human capital of the poorest?**

In answering these questions, the study focuses primarily on the triple challenges of unemployment, poverty, and inequality. Economic growth in South Africa has been weak since the global financial crisis. Low growth has constrained job creation and consequently the ability of the economy to absorb new jobseekers into employment. This has made it difficult for households to support themselves and invest in their human capital. Further, growth has been relatively capital-intensive, and where job creation has occurred it has been biased towards higher skilled occupations.

**Even before the national lockdown aimed at slowing the COVID-19 pandemic, unemployment in South Africa was close to all-time highs** with the narrow unemployment rate having reached 30.1 percent in the first quarter of 2020<sup>2</sup>. The labour market is one of the arenas in which the fault lines of disadvantage and exclusion—across race, gender, age, educational attainment, and location, amongst others—are

clearly evident. Spatially, the effects of apartheid have been to locate many jobseekers far from work opportunities, with the result that transportation costs have become a significant barrier to poorer jobseekers. These spatial distortions have been largely unaddressed and have, in some instances, been compounded in the post-apartheid era.

**Although there is limited data available on the longer-term effects of the COVID-19 response and lockdown, it is clear that the labour market has been deeply impacted as employers have been forced to reduce wages or retrench workers.** Along with the total shutdown of informal sector activity during the initial (Level 5) lockdown, the poverty impact has certainly been substantial and immediate, prompting government to announce a series of interventions aimed at cushioning the blow. Amongst these interventions has been the implementation of the COVID-19 social relief of distress grant.

**Social assistance has a significant impact on both poverty and inequality.** Based on the Living Conditions Survey 2014/15 data, it was shown that social assistance significantly reduces poverty across a broad range of poverty lines. The impact is stronger for measures, such as the poverty gap and poverty gap-squared, that place greater emphasis on individuals furthest below the poverty line. Thus, while social grants may be insufficient to lift the poor completely out of poverty, they do go some way towards ameliorating the deepest poverty in the country.

**In terms of the design of the social grants, however, there appears to be no overt consideration of or attempt to align them with South Africa's systemic development challenges, apart from poverty.** Indeed, the emphasis is very much on the amelioration of deprivation—as illustrated by the DSD's and SASSA's stated objectives and mandates, which mention poverty and vulnerability, but not inequality—so the impact on inequality is almost incidental. South Africa does not make use of conditional cash transfers, which can be used to encourage or discourage specific behaviours such as increasing household investment in health and education, a policy choice that aligns to government's rights-based approach. Improving the integration of the social protection system into a broader response to the underlying causes of socio-economic inequality – lack of opportunity, unequal access to and level of human capital, unemployment, and economic exclusion – would allow for the development of a package of services available to individuals and households, especially for poor children, based on their particular situations.

**This is not to say that social grants do not have broader impacts that may address key development challenges.** There is a growing literature that points to broadly beneficial impacts of social grants—either a specific grant or grants generally—on a wide variety of outcomes in the areas of poverty and inequality, nutrition and food security, education, health,

<sup>2</sup> Statistics South Africa, 2020, 'Quarterly Labour Force Survey (2020Q1)'. Statistical Release P0211. Statistics South Africa: Pretoria, Retrieved from <http://www.statssa.gov.za>.



labour supply and livelihoods. **This body of research points to the ways in which social grants have enabled poor households to invest in and build their human capital through improvements in educational attainment, and nutrition and health, and also suggests the potential for the grant system to have positive effects that play out intergenerationally and over the long-term. All these positive impacts could be further strengthened if they would be made more explicit in their pursuit to shape the design of the system of social grants.** The evidence also suggests that, while negative impacts on labour supply may be observed, these may be explained by changes in household structure and by their location. This research also highlights the importance of having regular household surveys that collect sufficient data to explore these cross-cutting issues. It is also important that SASSA and the DSD regularly publish performance data, not just on the numbers of grant recipients, but on aspects of administration such as costs and modes of payment.

South Africa is typically not affected by shocks in the way that many other countries tend to experience weather-related cyclical shocks. However, the COVID-19 crisis and national lockdown has arguably plunged the country into the deepest economic, unemployment, and poverty crisis seen in a long time. **Parts of the social protection system were able to effectively scale up as social grants quickly increased the benefit levels, and payments from the UIF could be channelled on to furloughed or laid-off formal sector workers. However, the crisis exposed other parts of the system that were not able to respond quickly to the crisis.** There was no effective way of identifying new shock-affected people to provide them with support, whether through cash grants or food parcels. The National Integrated Social Protection Information System (NISPIIS) project should be fast-tracked to address the lack of central social registry. Moreover, limitations in payment withdrawal caused delays, confusion, and social crowding at pay-points. Further research could investigate alternative payment modalities which would allow recipients to retrieve and use their social assistance payments closer to where they live and in markets where they normally shop.

**5. Are the current governance and coordination arrangements, the level of coordination and capacity, and integration of systems appropriate for social assistance programmes to effectively address the country's development challenges?**

**Unfortunately, integration across programmes and government agencies and departments is not particularly strong. This represents a lost opportunity to build the types of synergies that could lead to strong positive impacts for programmes, both individually and collectively. Such integration may be particularly beneficial for the child support grant, which has already been shown to have important positive effects on human development.** Setting up a unified social registry, such as the NISPIIS, linking together and making a number of government

databases interoperable will be a large step in the right direction. Given the long-term consequences of investment (or lack thereof) in children's human capital, there is strong incentive to do as much as possible to strengthen impacts. This is particularly true within the current fiscally constrained environment.

**The South African social protection system is highly capable and benefits from strong delivery systems for targeting, data administration, and payments.**

However, there is room for improvement, especially in terms of coordination and integration, starting with the interoperability of databases across government departments as well as last-mile payment services. Mthethwa<sup>3</sup> notes the lack of integration of the institutional and administrative frameworks related to social security. At the very least, this leads to duplication of work, of processes, and of function, all of which drive up the cost of the system. This type of fragmentation and duplication is not unique to SASSA and the DSD but is widespread across government. Moreover, while the payment system is highly digitised and large number of grants are paid out on a timely basis and accounted for every month, beneficiaries still struggle to access funds queuing at retailers and other pay-points month-after-month.

## Main recommendations

**In sum, to better align the social protection system, especially the social assistance system, and to more effectively address the structural causes of socio-economic inequality in South Africa, a number of adjustments are suggested over the next five years.**

### Strengthening delivery systems, integration, and coordination:

- Continue to improve the interoperability of databases and registries in the government departments, in order to serve as a social registry to identify groups of vulnerable individuals and households.
- Strengthen the overall coordination and integration of social grants with the system and services in other departments, including the Departments of Basic Education, Health, Employment and Labour, Home Affairs, and Public Works and Infrastructure.
- Improve the last mile accessibility of social grants to quickly and efficiently get funds to recipients by, for instance, engaging the vast network of informal 'spaza' shops.

### Programme-level adjustments:

- Prioritise strengthening the quality and reach of public and non-government employment service programmes to be able to more effectively link social assistance beneficiaries to the labour market. As noted in the beginning of this report, a review of active labour market programmes, especially youth employment programmes, is being conducted separately.
- Strengthen the links for social grants to other social services

<sup>3</sup> MTHETHWA, R., 2019, 'Challenges and dilemmas in implementing the child support grant policy in South Africa.' *International Journal of Management Practice*, 12(1): 94–108.



via case management in order to facilitate households' access and invest in the human capital of their children.

It must be recognised, however, that **the South African government faces severe fiscal constraints that are likely to impact on the flexibility of policy to address the country's challenges in the post-COVID environment.** While revenue shortfalls, rising expenditure, and rapidly growing public debt are problems that have longer-term roots, they have been exacerbated by the impact of the lockdown and the cost of interventions that the COVID-19 pandemic and the lockdown itself have necessitated. Given government's stated commitment to rein in public spending in order to stabilise public debt<sup>4</sup>, all departments have come under pressure to cut spending. **We would argue that enforcing such cuts on social assistance would have significant negative impacts across a wide range of potential outcomes, and**

**that the cost would be borne by those households who are least able to weather such shocks,** undermining the system's objectives of preventing and alleviating poverty in both the short- and long-term.

That said, the analysis does suggest South Africa's average benefit-cost ratio of social assistance is driven by relatively high costs. In this respect, **the system may benefit over the medium-term through greater integration of technology-based solutions in the application and payment processes, and through addressing the fragmentation of the social assistance system at the institutional level.** With technology solutions safety and security measures need to be in place to minimize fraud.

4 National Treasury, 2020, Supplementary Budget Review 2020. National Treasury, Republic of South Africa, Pretoria





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