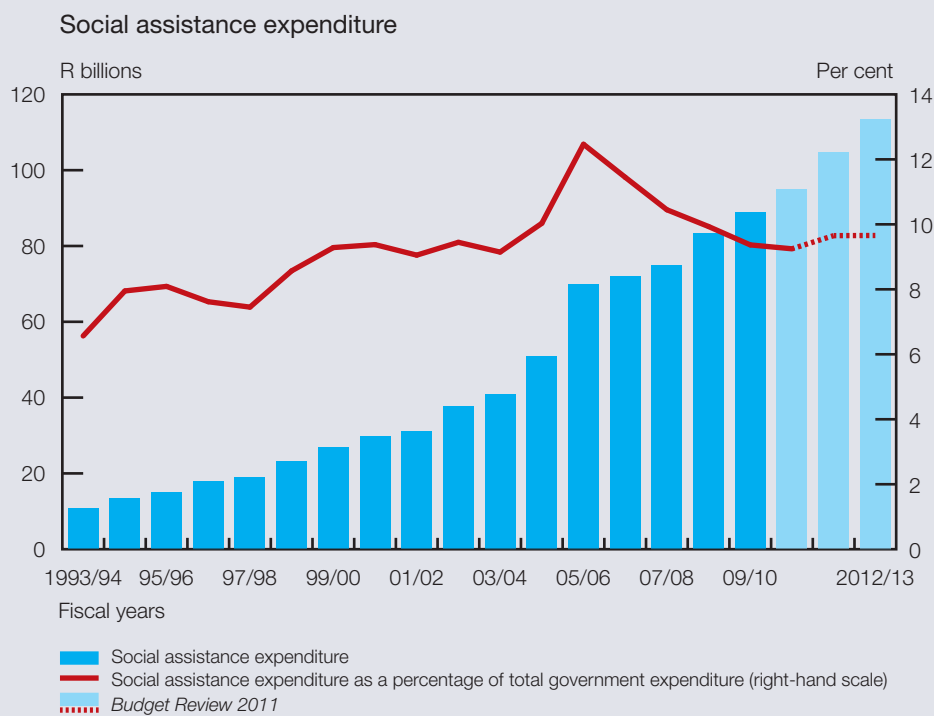


Box 1: Social grant expenditure in post-democratic South Africa

South Africa is a country characterised by high unemployment, a skewed distribution of income and a large number of the population living in poverty. As such, social security grants are seen as a means of alleviating poverty and countering some of its long-term effects. In fiscal 1994/1995, after the country's first democratically elected government had been voted into power, expenditure on social grants amounted to R10 billion or 6,6 per cent of total general government expenditure. At the time, social grants were distributed to some 2,9 million recipients, and included the State Old Age Grant, War Veterans' Grant, Maintenance Grant, Care Dependency Grant, Foster Child Grant and Grant-in-Aid. By fiscal 2009/2010 expenditure on social grants amounted to R89 billion or 9,4 per cent of total general government expenditure. The Child Support Grant was introduced in the late 1990s and the Maintenance Grant was phased out.



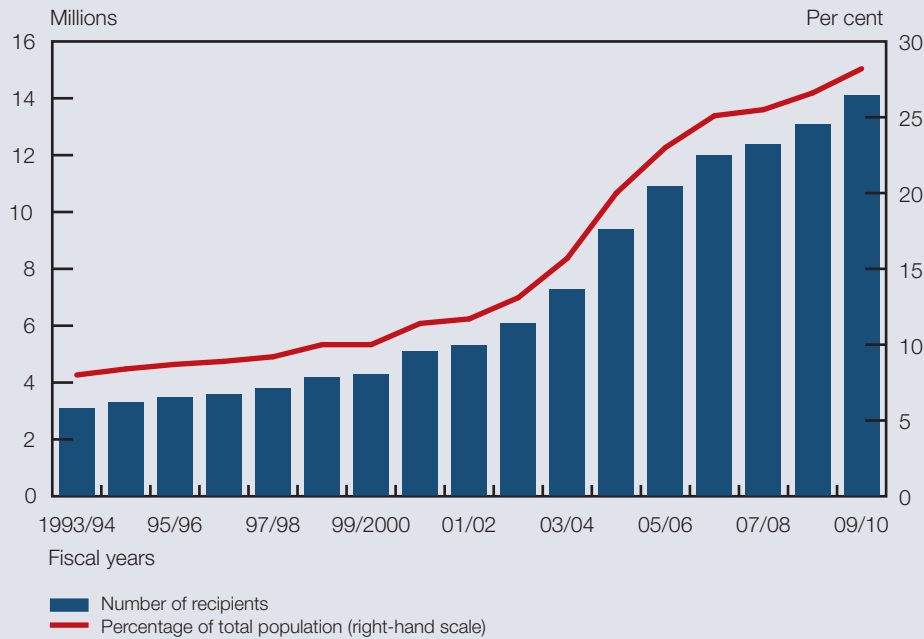
The sizeable increase in social grant expenditure and the number of recipients can be attributed to the following factors:

- Amendments to the qualifying age of men for the State Old Age Pension, which was lowered from 65 to 60 in 2010.
- Changes to the *means test* threshold, which is used to determine eligibility for social grant assistance.
- The gradual extension of the eligible age for the Child Support Grant; as of fiscal 2013/14 children will be eligible for the grant up to their 18th birthday.

By December 2010 over 14 million people were receiving social grants in South Africa, amounting to 28,2 per cent of the total population and more than four times the number of recipients in 1994. The average growth rate in the number of beneficiaries exceeded 10 per cent per annum over this period.

In fiscal 2010/11 the Child Support Grant was the largest by number of recipients, involving over 10 million children who represented about 69 per cent of the total head count of social grant beneficiaries. The Old Age Grant involved 3 million recipients but was the largest in terms of expenditure at R33,8 billion in fiscal 2010/11. In the *Budget Review 2011* expenditure on social assistance grants was projected to increase at an average annual rate of 10,6 per cent between fiscal 2010/11 and 2013/14.

Number of social grant recipients



Source: South African Social Security Agency and Statistics South Africa

The accompanying table details the monthly grant amounts at five-yearly intervals. A comparison with the headline consumer price index indicates that the increases in grants have generally kept up with inflation.

Grant amount per month

Rand				
Type of grant	Jul 1995	Apr 2000	Apr 2005	Apr 2010
Grant for the aged.....	410	520	780	1 080
Grant for the disabled.....	410	520	780	1 080
War veterans' grant	428	538	798	1 100
Maintenance: Parent.....	410	107,5	0	0
Maintenance: Child.....	127	33,5	0	0
Care dependency	410	520	780	1 080
Foster child.....	288	374	560	710
Grant-in-aid	66	94	170	250
Child support grant.....	0	100	180	250
Memo: Headline consumer price index	100	136	177	244

Source: National Treasury, Budget Review (various issues); Statistics South Africa; and South African Reserve Bank calculations.

Over the period under review, social grant expenditure as a percentage of gross domestic product has been rising gradually, from 2,1 per cent in 1994 to 3,3 per cent in 2010. This stood in contrast to interest payments on government debt which have been declining gradually, from a peak of 5,5 per cent of gross domestic product in 1999 to 2,3 per cent in 2010.

Social grants represent a crucial safety net for millions of South Africans living in poverty. Nevertheless, caution must be exercised to ensure that the growth in social assistance expenditure is sustainable in the context of society's tax burden and economic growth potential.

While government should guard against fostering a society that is dependent on these grants for subsistence rather than engaging in economic activity to earn a living, a sustainable system distributing social grants to the most vulnerable people is an important element of a caring society.

Social assistance expenditure and interest payments

