

ACCESS pre-budget alert February 2005

Dear ACCESS members and friends

Our National budget will be delivered by the Minister of Finance on Wednesday 23 February 2005. The budget is important for us as it will reveal the extent to which promises made over the last twelve months to deliver children's socio-economic rights are actually being kept. It also provides important insight into government's future plan for assisting the poor and promoting development.

All agree, our economy is doing really well. The State President points out in his State of the Nation Address that "real domestic output growth accelerated through last year to reach an annualized 5, 6 per cent in the third quarter, a rate last seen in 1996", and that "the current economic upswing, which began in September 1999, is the longest upward phase of the business cycle in the post-WWII period". Despite this growth the economy is however still struggling to draw a significant proportion of the labour force into formal employment or informal employment at a decent wage. All is not lost though. The economic upswing does create the financial space for government to provide meaningful assistance to those left outside of the employment loop through a comprehensive social security system. To echo the sentiments of the State President, the upswing in the economy, especially in view of its capital intensity, is of little value unless the rewards of that upswing are used to make a real difference to the lives of the poor who have been "marginalized in the wilderness of the Second Economy". Economically the time is right for government to meet its promise of a better life for all.

This briefing document aims to:

1. Discuss ACCESS's key demands and what is required from the budget to meet those demands.
2. Discuss the realistic potential this year's budget holds for realization of those demands, given the healthy growth in our economy.
3. Discuss whether we are likely to see the budget realize that potential and deliver on our expectations.

On the one hand we can look to the Minister's budget speech for an overview and some contextual explanation of decisions about how to divide up the budget pie. On the other hand we can also look to the actual slicing of the pie to evaluate government's priorities and assess its delivery on children's socio-economic rights. Through these two budget components we are given an immediate term and medium to long term view of government's social security policy within the context of the country's broader economic and development policies.

We hope that this document will assist and encourage all of our members to review the budget and the Minister's speech by asking whether they go far enough toward meeting the need for a comprehensive social security system made up of a package of grants, services and benefits. We further hope that this document will encourage you not only to identify any budget shortcomings and limitations, but also to publicly air those budget concerns in the next few days and weeks through the media by writing to the press and phoning in to the many radio talk shows which will latch onto the budget as a topical issue for debate.

Further, we hope that where possible, you will find the space to advocate for appropriate social security budget allocations through the many parliamentary public participation processes, especially those that arise in the run up to, and after the provincial budgets.

ACCESS and IDASA will be working together on developing a more detailed, but similar document ahead of the provincial budgets. The provincial document will provide more guidance on the key provincially relevant issues, what questions should be asked and what advocacy messages should be focused on in the run up to the various provincial budgets.

ACCESS's demands summarized

A comprehensive social security system which prioritizes and realizes children's socio-economic rights so that they may survive and develop to their full potential. That system to be made up of a package of grants, services and benefits, alongside to other poverty alleviation and reduction initiatives such as employment creation through public works, skills development, support for small and medium enterprise development, and land reform and restitution.

The child specific comprehensive package must consist of

A. Cash Grants

1. A child support grant for all poor children up to the age of 18, as the first phase of a BIG for all.
2. Access to children's grants by all poor children. At present many poor children fall outside of the outdated means test income limit which determines grant eligibility.
3. A cash grant for all poor children with special needs, such as children who are chronically ill (for example children with HIV/AIDS) or moderately disabled, and not only for severely disabled children.
4. A foster care grant for children in court ordered foster care.

B. Benefits

1. Assistive devices for all poor children with special physical needs.
2. Free quality education (including educare for children between the ages of 0-6) so that all children may survive and develop to their full potential (including the services necessary to access schools such as subsidized transport and uniforms).
3. Free quality health care for all children in need.
4. Adequate nutrition for all children so that they may survive and develop to their full potential.

C. Services

1. Access to basic services such as water, electricity and sanitation.
2. Access to non social security welfare services such as children's homes for children in need of alternative care, services for children involved in court processes, and counseling for children and families in need.

The context: Economic growth – not enough to make inroads into poverty

The President commits to the "eradication of poverty and underdevelopment, within the context of a thriving and growing First Economy and the successful transformation of the Second Economy". The policy choices and emphases made in realizing that commitment are problematic for the following reasons:

1. The poverty alleviation and development strategies all relate to training, job creation, job growth and business development, all of which ultimately seek to solve poverty through employment.
2. The President overestimates the extent to which the economic upswing will be able to address poverty in any meaningful way by drawing the estimated 40% unemployed into sustainable livelihoods.
3. This in turn creates a blind social security spot. The plans to "eradicate poverty and underdevelopment" do not include any further and better social security provisioning, particularly not for children in South Africa.

The President ultimately seems to prioritize (as does our Minister of Finance in his Medium Term Budget) promoting a “thriving and growing First Economy and the successful transformation of the Second Economy” at the expense of further social security growth and development. The unavoidable conclusion to be drawn from this setting of priorities is that the President and the Minister of Finance believe that further social security growth and development is incompatible with the goal of further economic growth.

This conclusion is premised on the absence of any further social security development in the President’s programme outlined in his State of the Nation Address. His proposals to address poverty are limited to traditional and conservative labour and business development programmes such as public works programmes, greater training and education and greater investment in small and micro-enterprises. These initiatives are to be applauded and are of value. However they are not enough, in the absence of a complimentary and parallel comprehensive social security system, to make any meaningful inroads into the level of poverty in South Africa. The public works programmes have been shown to be able to make only as little as a 1% difference to our staggering 40% unemployment rate in the country, small and micro businesses can only survive in communities with access to disposable cash, and education and training will only make a difference to the extent that those who are trained will find employment – i.e. on significant growth in the job market. Even though our economy is booming, it is unrealistic to expect that level of job growth in the short-to medium term.

This does not bode well for the budget. Given the fact that the President’s approach echoes the Minister of Finance’s in his Medium Term Budget, we can expect a similar and further endorsement of this approach in the 2005 national budget.

What are the poor to do in the interim for support until more benefits flow from economic growth?

The President’s programme does not provide a constructive answer. The implication of his proposed strategy which we expect to be reiterated in the Budget is that they must simply wait. They must wait silently and patiently for some relief at some future unspecified time. During that time the only guarantee from government is that “our country does not have the resources immediately to meet, simultaneously, all the admittedly urgent needs of the poor.” The unavoidable conclusion to be drawn from these warning and promises is that these “admittedly urgent” needs will not feature in the allocation of the country’s resources in this budget or the budgets in the short-to-medium term future.

ACCESS’s budget vision

Current economic growth is not enough to make significant inroads into poverty through employment, but it does realistically hold the potential for making such inroads through increased allocation of resources to a better and more comprehensive social security system. Specifically there is space to meet many of ACCESS’s demands for our country’s poor children in the immediate term, and the balance of the demands in the short-to-medium term.

Specifically we would like to see:

Grants for the benefit of children:

1. In the immediate term - sufficient money allocated to social development for the increase of the value of children’s grants in accordance with inflation, to allow for increased take-up by children who already qualify, and the take-up of those within the extended age group of 14 who will qualify for the CSG from 1 April 2004,

2. In the medium term – a recognition within the budget policy statement of the urgent and priority need to extend the CSG to all poor children up to 18. This requires a commitment to freeing up or allocating future funds within a reasonable period of time:
 - i) to extend the CSG to 18; and
 - ii) also to allow more poor children within the relevant age group access to the CSG on the basis of a revised means test that is in line with the real current cost of living.
3. In the immediate term – an increase in funds to allow for an extension of the Care Dependency Grant to reach all children with health related needs, whether that be a chronic illness such as HIV/AIDS or a moderate and/or severe disability. At present only children with severe disabilities in need of permanent care are eligible.
4. In the medium-to-long term – a commitment to a budget policy which includes a BIG for all as a nationally valuable economic goal.

Education:

5. In the immediate term - increased budget priority to be given to children’s education and which provides for the delivery of functioning schools that provide an environment conducive to learning. For example, the dedication of funds to building of schools and classrooms at a national level through conditional grants if necessary.
6. In the immediate term – a decisive step toward addressing the cost barriers that are preventing children from attending school. These are fees, transport and uniforms. This means there must be sufficient funds allocated in this budget process to implement the promises made by the Department of Education in the proposed amendments to the South African Schools Act and other documents, which purport to address a number of the cost barriers which prevent children from going to school such as fees, transport and uniforms. Through the proposed amendments to the SA Schools Act the Department is seeking to make certain schools fee free. This requires an increased allocation of funds sufficient to prevent an untenable situation arising for fee free schools whereby they do not have enough resources (previously generated by fees) to provide quality education in an environment conducive to learning. This requires not only the allocation of enough funds to Education, but given the dismal track record within some provinces on delivering on the development of the school environment (recognized by the President in his State of the Nation address) that allocation must be earmarked in the national budget for the specific intended purpose, either as a conditional grant or through some other appropriate mechanism. There must be a guarantee that when the provinces draw up their budgets these funds are guaranteed to be used for the specified purpose.
7. In the medium term – in keeping with the Constitutional obligation on government, education must be given far more priority than it has up until now. We need to see free quality schooling for all poor children recognized as a top priority and we need to see a fiscal vision for realizing that goal.

Nutrition for children

8. In the immediate term - more money to school feeding schemes which would guarantee that poor children in educare, primary and secondary schools get at least one meal every day of the year, rather than only during term time, and not only those in certain geographical areas.

Welfare services for children

9. In the immediate term – significant increases in the allocation to social development for dealing with the financial crisis that has been developing over a long period of time in non governmental organizations delivering critical statutory and other developmental welfare services to children and their families. The past extension of social assistance and the necessary ballooning social assistance budgets have led to the shrinking of the non social security part of social development expenditure. In 1997 the non social security part of the provincial social development budgets were on average 12% (White Paper). At present it is at an average of 6% (in some provinces more and others less. For example 4% in Limpopo). Slow (and at times negative) growth in non social security budgets together with the growing

need for services and a desire by government to include previously disadvantaged NGOs in the service delivery nexus has translated into a situation where many well established NGOs are struggling to afford to deliver their services to existing children they service, let alone meet the need to assist growing numbers of children in need. Statutory services are being undermined as well as other services. This places very vulnerable children in desperate situations and is against rights principles. Social welfare must not be left behind in the development of a comprehensive social security system.

The ACESS budget vision: Investment in social security as a valuable and legitimate developmental programme

The ACESS budget vision is a realizable and realistic goal. It does however require a shift in fiscal attitude and development policy priorities. It requires a greater recognition of the intrinsic social and economic developmental value of social security. It requires a fundamental recognition that social security is compatible with, and complimentary to economic growth and development, as much, if not more than traditional developmental steps such as job creation programmes. It is very interesting to note that the kernel of a precedent for compatibility already exists. In South Africa our economy has grown dramatically in the last few years and that has been, not in spite of the most liberal social security programme this country has seen to date, but precisely and largely because of that programme. A recent research report by the Economic Policy Research Institute (EPRI), commissioned by the Department of Social Development shows unequivocally that increased spending on social security is not only of immense social value, but of significant economic value. Further investment in social security is as valuable a development step which is more likely to yield guaranteed returns of economic inclusion, education and skills development – the ingredients identified by the President for continued economic growth – than some of the planned job creation and training programmes.

The EPRI report found that:

- South Africa's system of social security successfully reduces poverty.
- The household impact of social grants is developmental in nature – they reduce poverty, they promote job search and increase school attendance and performance.
- Poverty ferments a vicious cycle of destitution. It prevents children from going to school because of costs involved and poor communities provide lower quality educational services which negatively affects enrolment rates. Social security counters this. Children in households which receive grants are more likely to enroll and attend school.
- Social grants address hunger and other basic needs effectively. Spending in households that receive grants spend more money on basics like food, fuel, and housing and less on luxuries like tobacco and debt.
- This improved spending on food is directly linked with improved nutritional outcomes. Households receiving grants have lower prevalence of hunger for young children, older children and adults.
- Receipt of social grants is linked with less spending on health care because of the positive outcomes. For example, the World Bank found that improved education is directly linked with stemming the spread of HIV/AIDS. Social grants are linked with access to piped water and improved nutrition.
- Social grants do not undermine employment activity. In South Africa receipt of social grants has a direct positive impact on participation in employment and improved wage rates.
- Social grants provide potential labour force participants with the resources and economic security necessary to invest in high risk job search.
- Living in households receiving social grants is linked with higher success rate in finding work.

- Workers in households receiving grants are better able to improve their productivity and as a result earn higher wage increases.

ACCESS's budget vision – realistic, realizable and necessary

The ACCESS vision is valid, valuable and very possible, given the political will to realize this vision and priorities the poor. Practical steps towards realizing this vision include:

1. Placing social security at the top of not only the poverty eradication programme, but also at the top of the economic development programme alongside other identified steps, and allocating social security a much bigger portion of the pie.
2. By recognizing that claims that there are currently not enough funds to meet the pressing poverty related needs are misleading and overstated. By way of example, there is going to be more in the pie this year than anticipated. Economic growth has led to increased unexpected tax revenue generated by greater spending and fixed property transactions over the past financial year. Once again there are mutterings about tax relief out of these funds. Why tax relief rather than dedicating these funds to improving children's social security?
3. Decision makers must be mindful at all times when setting their priorities and making their decisions of children's rights and needs. A budget in which children are far more visible and their needs far more visibly prioritized and met speaks loudly to government accepting and meeting its Constitutional obligation to the children of South Africa.
4. Through systematic financial management and oversight of existing funds decision makers can lay the foundation for the freeing up under-utilized or inappropriately or wastefully used resources and directing those funds to meet the needs of the poor. For example ring-fencing funds and issuing of directives as to how funds allocated should be used. This line of thought could potentially see the KwazuluNatal department of Social development better spending the R 134 million legal bill it spent on law suits brought by beneficiaries who were illegally refused their social security benefits on actual benefits to improve the lives of people.
5. A long term fiscal policy framework which seeks to ensure that we ultimately meet the goal of having enough resources to meet all the pressing needs of the poor and embraces and gives effect to identified social security goals such as free education and a BIG for all. We need to see concrete steps being taken toward developing a framework founded on balancing these goals alongside the goal of sustainable economic growth so as to continue to draw people into sustainable employment whilst supporting those who cannot and may never be drawn in.

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