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**Redefining the ‘affordability’ of social
assistance programmes:
The Child Support Grant in South
Africa, 1998-2014**

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Redefining the ‘affordability’ of social assistance programmes: The Child Support Grant in South Africa, 1998-2014

Abstract

The South African Child Support Grant (CSG) is an example of a social assistance programme that, despite chronic anxieties about affordability, expanded rapidly through parametric reforms, primarily of the age limit. The initial concern about affordability was rooted in a severe fiscal crisis facing the South African state in the mid-1990s. This resulted in widespread (but not total) political agreement that the initial programme should be modest. The subsequent improvement in public finances meant that affordability concerns became less binding, and affordability was redefined. Political pressures to address the enduring problem of poverty, and to be seen to do so, resulted in the steady expansion of the programme. Governments make choices about programmes such as the CSG, and these choices are ultimately political. But sometimes fiscal conditions frame the choices in ways that are very likely to result in political near-consensus against programmatic expansion. The ‘affordability’ of social assistance programmes entails a mix of fiscal concerns with political factors.

Introduction

One of the contentious issues in debates over the introduction or expansion of social protection programmes is their affordability. Many opponents of social protection programmes, including some who acknowledge that they can have poverty-reducing or developmental benefits, argue that they are simply unaffordable. Advocates of social protection programmes have sought to show that they are affordable. In Africa, where political elites have generally been ambivalent about cash transfer programmes (other than workfare), the World Bank, International Labour Organisation (ILO) and UNICEF have all published studies suggesting that cash transfer programmes are affordable even in low-income countries (Kakwani & Subbarao, 2005, 2007; Pal *et al.*, 2005; ILO, 2008; Handley, 2009; Garcia & Moore, 2012; ILO, 2014; World Bank, 2015). As Hagen-Zanker & McCord (2010) noted, however, few if any African

countries could afford to honour their supposed commitments with respect to health, education, infrastructure, water and sanitation, agriculture *and* social protection. ‘Affordability’ entails the assessment of opportunity costs, in terms of both other areas of public expenditure and trade-offs over taxation.

In the considerable literature on affordability, little attention has been paid to the political process through which fiscal and economic concerns are, or are not, taken into account. This paper examines the politics of ‘affordability’ with respect to the expansion of one social protection programme in South Africa, over just over a decade from the mid-1990s to the late 2000s. South Africa is an upper-middle income country with an extensive set of social assistance programmes (including old-age pensions, disability grants and child grants) dating back to the 1920s and 1930s. Since 1994 it has been governed by a party – the African National Congress (ANC) – that has strong rhetorical, ideological and political commitments to mitigating the very widespread poverty inherited from the apartheid era. Yet ANC governments were slow to expand social assistance, repeatedly raising concerns over affordability. In the face of considerable opposition, however, one programme in particular was expanded massively: The budget for the Child Support Grant was increased by more than 1 percent of GDP over just over a decade.

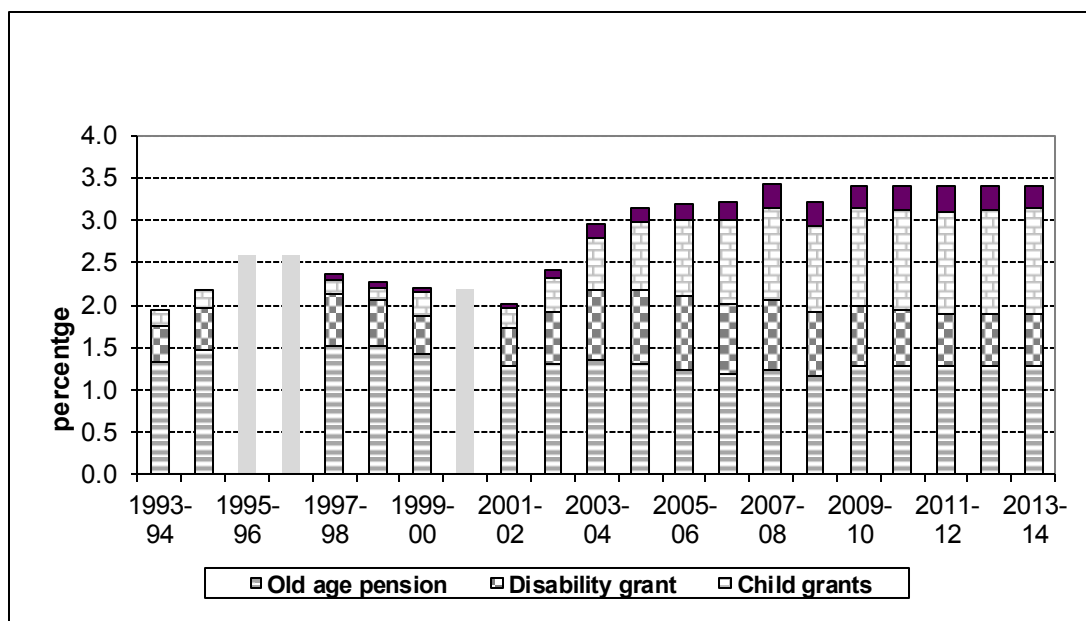


Figure 1: Social assistance programme expenditure as share of GDP, 1993-94 to 2013/14

The democratically-elected ANC government inherited in 1994 both a level of poverty that was unusual in middle-income countries and a social assistance system that was unusually extensive. Social assistance programmes included generous non-contributory pensions or grants to the elderly, disabled and single

mothers with children. After 1994 reforms were largely ‘parametric’, i.e. they concerned the parameters of benefit levels, the means-test and other eligibility conditions of existing programmes. One of the inherited programmes – the ‘state maintenance grant’ (SMG) for single mothers – posed a challenge, in that it was in practice limited to single mothers from the country’s ‘white’, ‘coloured’ and ‘Indian’ racial minorities and excluded the ‘African’ majority. A government-appointed committee recommended that the existing SMG be replaced with a new ‘child support grant’ (CSG) for all low-income caregivers. Citing fiscal concerns, total expenditure on the proposed CSG would be no higher than under the old SMG. This could only be effected through reducing massively the value of the benefit paid and the age-limit up to which children were eligible (to the age of seven, compared with eighteen or sixteen for the SMG).¹ Between 2003 and 2012, however, and despite repeated anxiety about its affordability, the age-limit for the CSG was raised in steps to eighteen years. Together with other minor parametric reforms, this resulted in a massive increase in coverage (to more than eleven million children)² and public expenditure (from about 0.2 percent to 1.2 percent of GDP, see Figure 1 and Appendix 1).

South Africa’s CSG is one of a small number of social assistance programmes in the global South that cost more than 1 percent of GDP. Expenditures of about 1 percent of GDP are approximately what international agencies (the World Bank, ILO, UNICEF) have advocated for many African countries. Understanding how and why a government concerned with affordability nonetheless increases expenditure on a programme by 1 percent thus has important possible implications for understanding the possibility of reform more broadly. Through a case-study of the politics of increasing expenditure on the CSG in South Africa, this paper enables us to examine the conditions in which fiscal constraints – even ones that are reiterated repeatedly – are later relaxed, such that ‘affordability’ is redefined.

‘Affordability’ might be viewed as an objective and absolute binding constraint or as an entirely ideological or political choice or preference. In this paper I interpret affordability as combining elements of both. Fiscal conditions were undoubtedly important: The CSG was introduced at a moment of fiscal crisis, and a subsequent improvement in public finances meant that the South African state could increase steadily its real expenditure on child grants. But improved public finances cannot explain the rising *share* of government expenditure (or GDP) allocated to child grants, rather than to other areas of public expenditure. Nor can it explain why resources were spent on expanding coverage of poor

¹ The age limit for the child grant portion of the SMG had been reduced from 18 to 16 years under the 1992 Social Assistance Act (Lund, 2008: 62).

² Woolard & Leibbrandt (2010: 11, Figure 3) show how raising the age limit drove the increase in the number of beneficiaries (and hence expenditure).

families with children, rather than increasing the benefits paid to existing beneficiaries. ‘Affordability’ was mediated by politics. The intensified political (and ideological) imperative of poverty alleviation, mediated through the politics of the governing party (the ANC) and state, drove the redefinition of affordability, the prioritization of child grants specifically, and the emphasis on coverage rather than benefits.

This paper considers six episodes of possible reform (shown in Table 1 at the end of the paper), falling into three major phases. The next section examines the fiscal constraints at the time of the introduction of the CSG in the late 1990s. The following section examines the decision, formally made in early 2003, to raise the age limit from seven to fourteen, and the rejection of more radical and expensive proposed reforms. The penultimate section examines the process leading to the decision, in 2009, to raise the age limit to eighteen. The final section reflects on the politics of affordability, and especially of redefining affordability in response to changing political as well as fiscal circumstances. This paper does not examine the *consequences* of the CSG in terms of either poverty-reduction or status-enhancement or fertility, except insofar as studies of the consequences informed policy reform (and in some cases were commissioned with this purpose).³

Fiscal constraints and the introduction of the CSG

The CSG was introduced during a severe fiscal crisis, and its initial parsimony reflected in part deep-rooted anxieties about affordability. The abolition of the SMG and introduction of the CSG have been documented by Lund (2008), the university professor who chaired the Committee on Child and Family Support that in 1996-97 recommended the reform. The problem facing the Lund Committee – and the Government – was what to do about the very iniquitous SMG that the democratically-elected ANC-led government inherited in 1994.

The apartheid state bequeathed to its democratic successor a set of tax-financed, means-tested social assistance programmes for selected categories of deserving poor: the elderly, disabled, and single mothers. These programmes dated back to the early twentieth century, when they had been introduced to ensure that

³ Studies of the effects on poverty include: Armstrong & Burger, 2009; Leibbrandt *et al.*, 2010; Devereux *et al.*, 2011; Heinrich *et al.*, 2012; and World Bank, 2014. Studies of the effects on dignity include Hochfeld & Plagerson, 2011, and Wright *et al.*, 2015. Studies of the effects on teenage fertility include Moultrie & McGrath, 2007; Makiwane, 2010; and Udjo, 2009, 2013.

(deserving) ‘white’ (and ‘coloured’) citizens were kept out of deep poverty. Whereas the old-age pensions and disability grants had already been deracialised by 1994, the SMG remained de facto racialised: most recipients were ‘coloured’ or ‘Indian’, and almost none were ‘African’, although a massive majority of poor mothers and children in South Africa as a whole were ‘African’ (Lund, 2008: 15-17).

Deracialising the SMG posed a massive fiscal challenge. The existing SMG cost about R1 billion p.a. (about 0.2 percent of GDP, or US\$250 million p.a.). “To award the grant at existing levels to all women and children who qualified would have cost some R12 billion per year”, reported Lund; “This was about equal to what was at that time already being spent on all the other pensions and grants, and about the same as the annual health budget” (*ibid*: 18). The cost of a deracialised but otherwise unreformed SMG would thus have been more than 2 percent of GDP (and about 8 percent of national government expenditure). The option of abolishing the SMG altogether tempted ANC leaders, especially given that almost no African people – and hence almost no ANC voters – received the grant. In mid-1995, a majority of the inter-governmental ‘MINMEC’ committee of welfare ministers (i.e. national and provincial ministers) favoured abolition, primarily because of the calculated cost of retaining it. Lund herself happened to be attending this meeting, and suggested that “termination would be economically and socially disastrous for those receiving the SMG, and that there should be an investigation into the entire issue of child and family maintenance”. Her recommendation led to the appointment of the Committee on Child and Family Support (*ibid*: 18-19).

The Lund Committee comprised a mix of academic and NGO experts who broadly concurred on the importance of public expenditure in providing a foundation for the alleviation of poverty. But, as the ANC deputy-minister of finance (and former trade unionist) Alec Erwin made clear to Lund (in a meeting in April 1996), any recommended reforms outside of the existing financial ‘envelope’ (i.e. of expenditure on the SMG) “would not be entertained seriously by the political leadership”. The Committee “strategically decided” (in Lund’s words) to work within these fiscal constraints (*ibid*: 30). In its report, completed late in 1996 but only formally presented to (and accepted by) Cabinet in early 1997, the Lund Committee recommended the phasing out of the generous SMG and introduction of a parsimonious and more age-restricted but nonetheless much more wide-reaching CSG. A low benefit and low age limit would keep expenditure within the existing financial envelope. The Committee was not unanimous on this:

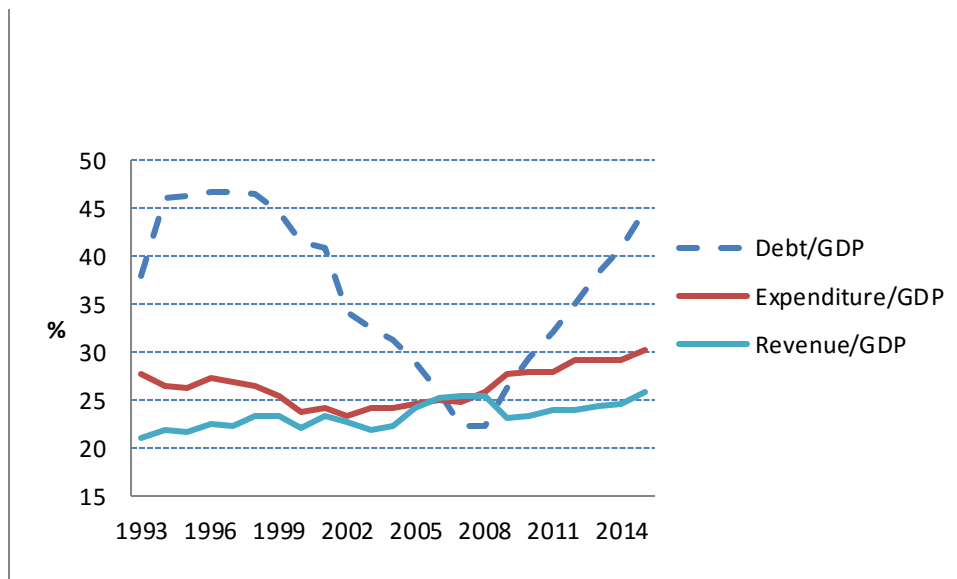
‘In the Committee, we were divided in perceptions as to the size of the fiscal constraint, and as to how much more we could expect in

addition to the R1.2 billion already going to the SMG. Some, moreover, felt that more resources should be diverted to the social services in general, rather than specifically to social assistance. Some were opposed to the proposed level of the CSG at introduction, and to the limited ages of eligible children, and felt that we should not behave so conservatively. ... My personal view of accepting working within tight budget limits was an appreciation that the government was juggling with objectively important competitors for fiscal allocations which would impact on poverty, such as attempting to reduce backlogs in housing and introducing free primary healthcare' (*ibid*: 90).

When it came to setting the level of the proposed grant, 'affordability' depended in part on projections for economic growth: The stronger the economy grew, the more easily any given benefit could be 'afforded'. Lund herself argued that "we should not build the design of a long-term entitlement on a present hope about future growth". The Committee's cautious recommendations were criticized strongly by civil society organisations, and was even denounced as 'neo-liberal'. Lund defends her Committee's work on the grounds that "even a progressive macro-economic policy would not have made the equalizing upwards of the SMG an affordable proposition" (*ibid*: 92-3).

The low level of the proposed CSG contrasted starkly with the values of the SMG and other grants and pensions. The Lund Committee proposed that the CSG be set at R70/month. By comparison, the SMG paid a total of R537/month for one child (increased to R565 in mid-1996) or R664/month for two children (increased to R700).⁴ When the National Party government had phased in the elimination of racial discrimination in old-age pension and disability grants in the 1980s and early 1990s, it had reduced the real value of benefits paid to white South African citizens at the same time as raising (considerably) the value of benefits paid to its African subjects. This compromise value of the old-age pension and disability grant was R410/month (increased to R430 in mid-1996), i.e. more than five times higher than the proposed CSG.

⁴ The SMG comprised two components: a child grant of R127 per child per month (increased to R135 in mid-1996) and a parent's grant of R410 (increased to R430) (*South African Statistics 2001*: table 6.4; see also Lund, 2008: 15). Proudlock (2011: 150) reports that the parent's grant was only R200.



Source: South African Reserve Bank.⁵

Figure 2: Public finances, 1993-2015

The primary reason for the fiscal conservatism of the Lund Committee and ANC-led government was anxiety over the deepening crisis in public finances (see Hirsch, 2005; Gelb, 2010). The combination of profligacy by the former National Party government and Bantustan administrations, continuing poor financial controls (especially at provincial level), generous post-apartheid wage settlements with public sector workers and the immense pressure to boost expenditure in many policy areas resulted in large budget deficits (at almost 7 percent of GDP in 1994-95) and rising government debt and hence interest payments (see Figure 2). Amidst pressure on the exchange rate and rising interest rates, the ANC-led government's economists worked on a macroeconomic stabilization plan. In June 1996 – just as the Lund Committee was getting into its stride – the new Finance Minister, Trevor Manuel, announced the 'GEAR' (Growth, Employment and Redistribution) Macro-Economic Strategy. The core of the strategy was a reduced budget deficit, accompanied by privatization, further trade liberalization and labour market policy reform. A little later the government introduced multi-year financial planning (through its Medium-Term Expenditure Framework, MTEF). Whilst much of the GEAR strategy was never implemented, the budget deficit and government debt were reduced (see Figure 2).

The government's successful efforts at reducing the budget deficit meant strong pressure on the spending departments to restrain expenditure, and to demonstrate that existing resources were being used efficiently. Treasury

⁵ Online historical macro-economic time-series, variables KBP 4117, 4433 and 4434, accessed 4th May 2016.

officials sat down with officials from the spending departments – especially Education and Health – to try to improve the efficiency of spending, so that existing resources were used to better, and generally more pro-poor, effect. The Department of Welfare intensified its efforts to reduce fraud in the social assistance system. Spending an additional 2 percent of GDP on the SMG programme would have reduced poverty dramatically in the short-term but blown the government’s entire fiscal and macro-economic strategy out of the water, as well as causing massive political division within the Cabinet as other government departments were required to exercise austerity.

The fiscal crisis was not the only reason, however, for the Lund Committee’s caution. There were strong objections to grants on ideological grounds. In her retrospective account, Lund points to the conservatism of a few government officials and ANC MPs (Lund, 2008: 93, 103), but a conservative skepticism about ‘handouts’ and ‘dependency’ was widespread within the ANC elite generally (including Nelson Mandela; see Seekings & Nattrass, 2015: 154-9). This skepticism was shared by advocates of the developmental state, many of whom were in other respects very progressive. At the same time as the Lund Committee was conducting its investigation, the Department of Welfare was completing the White Paper on Social Development which made it clear that the government’s priorities were development and self-reliance. The Department’s flagship programme provided training for unemployed women with children with the goal of reducing their ‘dependence’ on grants.

The ANC Minister of Welfare from April 1997 (until April 1999), Geraldine Fraser-Moleketsi, both emphasized the fiscal constraint and advocated a more developmental approach. She insisted that the Government was committed to providing a ‘safety net’ through pensions and grants, but stated (in 1997) that ‘welfare expenditure’ had reached ‘its ceiling’. In future, budgetary allocations would increase slowly, if at all:

‘The challenge facing us is to use the available resources optimally and bring about savings in the total welfare function through aligning expenditure with priorities, promoting greater efficiency and accountability in delivery and ensuring that programmes are well targeted at those in the greatest need and that the design of programmes is appropriate and cost-effective’.⁶

The ‘social security system’, she said, should be ‘restructured’ so that it helped the poor ‘to produce their way out of poverty’.⁷ Fraser-Moleketsi praised her

⁶ *Hansard*, 8th May 1997, col. 2314.

⁷ *Hansard*, 11th Feb 1997, col. 41.

department's programme, which helped single mothers to establish small businesses – such as brick-making or growing and selling vegetables – and thus reduce their 'dependence' on social assistance. "We want to ensure that many of the beneficiaries move from dependency to self-sufficiency and towards building the self-esteem of women".⁸

The severity of the fiscal constraint was appreciated even by some passionate advocates of social assistance such as the ANC MP and chairperson of the parliamentary portfolio committee on Welfare, Cas Saloojee. "The budget for social security has very definite limits", he told Parliament; there was "no bottomless well of funding" on which they could draw. Efforts should be targeted on the poorest.⁹ Civil society organisations, however, were less convinced, and demanded substantial increases in public spending.

By the time the CSG was actually introduced, political factors had pushed the cost of the programme up above what had initially been considered affordable. The Lund Committee had recommended R70/month, and the Government initially opted for R75/month. Pressure from civil society organisations helped to stiffen the resolve of some ANC MPs, who rebelled against the executive and pushed for the value of the grant to be raised to R100 per month (Camay and Gordon, cited in Lund, 2008). First the ANC's Policy Conference (in July 1997), then its National Executive Committee (NEC), then the Welfare MINMEC and finally the Cabinet itself accepted the R100/month proposal. Secondly, the age-limit was confirmed as a child's seventh birthday, rather than a lower cut-off (Lund, 2008: 97).¹⁰ Thirdly, the means test was less restrictive than critics feared. The Lund Committee itself had not paid much attention to the means test, but the Minister set it low enough to render an estimated 3 million children eligible – double the number anticipated by the Lund Committee. Fourthly, other conditions that were imposed at the outset were soon abandoned. The state initially required that caregivers participate in development programmes and show that their children had been immunized, but the necessary development programmes simply did not exist and the immunization requirement served to penalized children who were already especially disadvantaged. The 1997 Welfare Laws Amendment Act stipulated that both the value of the CSG and the conditions (i.e. the age limit, means test and so on) be set through regulations published in the Government Gazette by the Minister of Welfare, with the concurrence of the Finance Minister. This meant that the restrictive conditions could be (and were) dropped easily (Madonsela, 2007: 8-9). For example, the

⁸ *Hansard*, 9th Feb 1999: 305. See also 19th March 1999, col.2851-5.

⁹ *Hansard*, 8th May 1997: col. 2325.

¹⁰ The Lund Committee had proposed to pay the grant to children aged 0-9, with 0-6 as an alternative and 0-4 as the absolute minimum. The 0-6 option left unclear whether it meant inclusive or exclusive of 5-year-olds.

means test was reformed in 1999, narrowing the income to be taken into account from the household as a whole to the caregiver and his or her spouse. These adjustments demonstrated that the budget constraint was a lot less precisely binding than the Lund Committee seemed to have assumed (Budlender, Proudlock & Jamieson, 2008: 15).

Massive educational and publicity campaigns by civil society organisations and the Department of Welfare resulted in the number of registered beneficiaries rising to 2.6 million by April 2003. In real terms, expenditure on the CSG in 2002/03 was more than double the SMG envelope, and the rollout was still far from complete, with an estimated 40 percent of eligible children still not registered. The state later attributed the incomplete rollout to the administrative incapacity of some of the provincial governments, the absence of birth certificates and identify documents, and enduring low levels of public awareness (Kganyago, 2007: 11-12). All of these problems had for years been most pronounced in heavily rural provinces, notably Limpopo (formerly Northern Province), the Eastern Cape and KwaZulu-Natal.¹¹

One way in which the state could rein in expenditure was to allow the real value of the grant itself to fall in the face of inflation. The *nominal* value of the grant remained R100/month until mid-2001, by which time its *real* value had declined by 13 percent. An increase to R110/month only mitigated the real decline. By mid-2002 its real value had dropped still further. In addition, the means-test was not revised to take into account inflation, which meant that the income threshold at which families became ineligible declined in real terms, restricting eligibility. This became a focus of criticism in the early and mid-2000s, culminating in a legal challenge (Proudlock, 2011). Despite the falling real value of the grant and increasingly onerous means test, however, aggregate expenditure on the CSG had risen above the envelope of prior SMG expenditure in real terms, although expenditure remained tiny compared with the cost that would have been incurred had the SMG been deracialised without reform. Both the value of the grant and the number of beneficiaries were higher than the Lund Committee had originally proposed, reflecting the political pressures for the constraints of affordability to be relaxed.

In this first phase of reform the ANC and government felt the need to remove the remnants of racial discrimination from social assistance programmes. The SMG could not continue in the form inherited in 1994 (and access by African men and women to disability grants needed to be improved). But the ANC and government were under little immediate pressure to raise expenditures on social assistance programmes. The ANC enjoyed an overwhelming majority in

¹¹ See, for example, Skweyiya, in his 2003 budget vote: *Hansard*, 2003, col. 1666.

Parliament and was not worried about re-election. It would have been able to end the SMC and put nothing in its place on the grounds that the SMG was an expensive vestige of the privileges of the racial minorities – just as the ANC Government withdrew public funds from residential homes for the aged and other programmes that did not reach the African majority. Some civil society organisations and MPs lobbied for more generosity to the deserving poor, but the ANC leadership (including the Minister of Welfare from 1997 to 1999) was united in its wariness of ‘handouts’ and preference for a ‘developmental’ route to poverty-reduction, and needed only to placate critics with minor concessions. The fiscal crisis meant that a bold and expensive CSG was unaffordable in a fiscal sense, but it was also politically unnecessary and even considered undesirable.

The 2003 decision to expand the CSG to age 14

In February 2003, President Mbeki announced in his ‘State of the Nation’ address (opening Parliament) that the age-limit on the CSG would be raised from seven to fourteen years. The Minister of Finance and the Minister of Social Development (formerly Welfare) soon clarified that this reform would be phased in over three years: children aged seven and eight would become eligible in April 2003, children aged nine and ten from April 2004, and children up to the age of fourteen from April 2005. The Minister of Social Development explained that administrative constraints required a phase-in period.

The context was one of improved public finances. After a period of sluggish economic growth in the late 1990s, economic growth picked up from 2000, largely because of improved global conditions. Economic growth combined with fiscal consolidation to lessen anxiety about the cost of servicing the public debt (which in the late 1990s had accounted for one quarter of the state’s total revenue). By 2001, the Treasury could claim that the ‘overhaul’ of spending programmes together with ‘buoyant growth’ in tax revenues had succeeded in lowering both the budget deficit and the public debt as shares of GDP (see Figure 2). Five years of sound fiscal management had provided the basis for increases in public expenditure. Declining debt service costs freed up resources for other programmes (Republic of South Africa, 2001a). In 2002, the Treasury had reported that:

‘As a result of sound economic management, the public finances are healthy and will contribute towards increased social and economic development. This year, we build on the growth-oriented fiscal stance outlined in the 2001 Budget, providing increased resources for public

spending, especially on programmes that deliver basic services to the poorest sections of our society’ (Republic of South Africa, 2002a: iii).

A substantial increase in the CSG (from R110 to R140/month) meant that, for the first time, its real value was substantially higher than it had been at the time of its introduction in 1998 (see Appendix 1).

Expenditure on welfare was slow to rise in response to improving public finances. Total expenditure on welfare had declined marginally in real terms in 1998/99 and 1999/2000, before increasing marginally in 2000/01. Over these three years grant payments had actually declined, whilst personnel expenditures had grown (Republic of South Africa, 2001b: 61-2). In 2001, the Treasury forecast that expenditure would grow over the three-year MTEF period – i.e. 2001/02-2003/04 – by a modest average annual 1.6 percent in real terms, primarily because of increased take-up of the CSG. Even then, the Treasury warned that the forecast “doubling of grant beneficiaries between 1998 and 2003 will put pressure on social development budgets” (*ibid*: 63). In 2002/03, expenditure (on disability grants as well as the CSG) did in fact rise more sharply than forecast previously. Under other circumstances, this might have led the state to rein in expenditure. Given improved public finance, and political pressures, the state instead expanded the CSG.

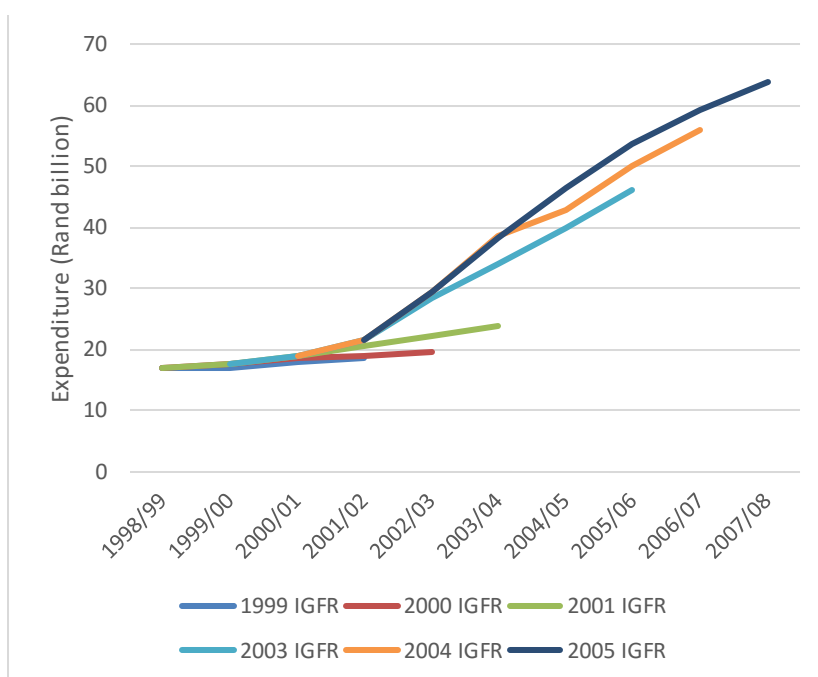
The raised age limit for the CSG meant that expenditure would rise very substantially. In addition to the estimated 3.2 million children who would become eligible for the CSG when the age limit was raised to fourteen, at least another 1 million children below the age of seven were already entitled to grants but not yet registered (Republic of South Africa, 2003c: 103). In 2003, the Treasury forecast that actual expenditure on all social grants by 2005/06 would be 55 percent higher in real terms than actual expenditure in 2001/02. When, in 2004, the Treasury for the first time published data for expenditure on the CSG specifically, it showed that in 2000/01, only R1.4 billion had been spent. By 2003/04, expenditure on the CSG was estimated to have reached almost R8 billion, and forecast expenditure would rise to R17 billion in 2006/07 (all in current prices) (Republic of South Africa, 2004: 77). The expansion of the CSG to older children could not be financed out of the regular provincial budgetary allocations and was therefore funded instead through a substantial ‘conditional grant’ to the provinces: R1.1 billion was budgeted in 2003/04, R3.4 billion for 2004/05 and R6.4 billion for 2005/06 (Republic of South Africa, 2003c: 97).

Whilst the expansion of the CSG was a conscious choice by the government, public expenditure on social grants rose also as a result of unanticipated trends. Reforms to the disability grant assessment system (see Kelly, 2014) resulted in unanticipated growth in disability beneficiaries, which in turn required the

Treasury in 2004 to revise upwards its forecast future expenditures. As a share of GDP, actual expenditure on social grants was put at 2 percent of GDP in 2000/01 and 2001/02, and was forecast to rise to 3.4 percent by 2006/07. This unplanned growth prompted a resurgence of the discourse of affordability that had characterized the late 1990s:

‘Growth of this magnitude relative to GDP raises sustainability questions for the future. A better balance needs to be struck between fighting poverty through cash transfers, and ensuring broad-based development and the creation of opportunities for the poor to participate productively in the South African economy’ (Republic of South Africa, 2004: 73).

This warning was repeated, almost verbatim, the following year, although the Treasury also noted that expenditure was projected to moderate now that both the disability grant and CSG had achieved full coverage (Republic of South Africa, 2005: 50, 56).



Note: Data are not available in the 2002 IGFR.

Figure 3: Revisions to actual and forecast expenditure on cash transfers, 1998/99-2007/08

Figure 3 shows the actual and forecast expenditure on cash transfers (including some minor expenses in addition to social grants), taken from the MTEF estimates published between 1999 and 2005 (excepting 2002, when the estimates were not published) in the *Inter-governmental Fiscal Reviews*

(IGFRs). Each series plots a few years of actual expenditure (in the past), followed by a few years of forecast expenditure (in the future); the number of years varies between series. The data are all in current prices, and show that actual and forecast expenditure were rising (in current prices). The data on actual expenditures – i.e. the first part of each series – generally match the previous year’s forecasts, but the forecast data almost all rise over time. For example, the forecast in 2003 for expenditure in 2004/05 would be higher than the previous year’s forecast (i.e. in 2002) for 2004/05. Whilst the forecasts in 1999 and 2000 were not revised substantially, later forecasts were revised upward. This could have been because inflation surged much faster than expected. This was the case in 2002/03, when actual inflation exceeded considerably previously forecast inflation, explaining part of the upward shift shown in Figure 3 between the 2001 and 2003 IGFRs. Over the following two years actual inflation exceeded previously forecast inflation, but by less than 1 percentage point. The primary cause of the upward revision in forecast expenditure over time was because the forecast growth in *real* expenditure was repeatedly being revised upwards.

In sum, improved public finances in the early 2000s generated more fiscal space for reforms that would increase very substantially public expenditure, although unanticipated increases in expenditure continued to panic the Treasury. The expanded space resulted in policy reforms because, however, of political conditions, within the government, within the ANC and the ANC-led ‘Alliance’, in civil society and in the electorate.

In June 1999, following South Africa’s second democratic elections, a new Minister of Welfare (now renamed Social Development) was appointed. Zola Skweyiya was to serve as Minister for ten years, presiding over the expansion of the CSG. Skweyiya himself had spent his entire adult life in exile as an ANC member, law student and then ANC official, until his return to South Africa in 1990. In the 1994-99 government he had served as Minister of Public Service and Administration. Skweyiya injected a new concern with poverty, especially in rural areas, into public discourse over social grants. In his first year, Skweyiya travelled extensively through rural areas where he witnessed firsthand the scale and consequences of poverty and the importance of pensions and grants in mitigating it. Whereas his predecessor seemed to have bought into the developmental critique of grants as handouts, Skweyiya embraced them as a primary mechanism for addressing poverty. In his first departmental budget debate in Parliament, in early 2000, he quoted President Mbeki’s call to create a “humane and people-centred society” and went on to argue that the challenge was to ensure that “every citizen, especially those who experience the worst

forms of poverty, can begin to see evidence of real change in their daily lives”.¹² Skweyiya’s reformism was soundly endorsed by the chair of the Portfolio Committee, Saloojee, who repeatedly called for a faster rollout of the CSG:

‘The initial strategy for targeting our country’s poorest children is to be followed by broader coverage, to ultimately include all the country’s poor. In the light of the slow pace of delivery, it seems clear that comprehensive coverage will be somewhat delayed. If these children go hungry and have parents with no visible means of support, we have failed these children by not providing them with support to ensure their protection and development’.¹³

What was needed, Skweyiya and Saloojee agreed, was “comprehensive social security”. In mid-1999, a two-year-long review of the social security system by a five-person ‘inter-departmental task team’, convened by the Department of Social Development, had concluded that the major gaps were the absence of child benefits for children from the age of seven and the absence of any income support for unemployed adults. Amidst press reports that suggested that both Skweyiya and his Director-General (Lucy Abrahams) favoured a bold expansion of coverage to unemployed adults,¹⁴ the Government appointed a Committee of Inquiry into a Comprehensive Social Security System. This Committee, chaired by Skweyiya’s special advisor Vivienne Taylor, was asked to propose both a long-term vision and immediate reforms, bearing in mind affordability. In its Report, two years later, the Committee noted a series of problems with the CSG, including the low value of the benefit, problems with the means-test and other administrative difficulties, and the age limit, which the Committee described as being without ‘real rational basis’ and inconsistent with the definition of a child in the constitution (Republic of South Africa, 2002: 59). The Committee recommended, *inter alia*, the immediate extension of the CSG to all children to the age of 18. This would take the total cost of the programme (together with other grants for foster children and disabled children) to R26 billion or 2 percent of GDP. This proposal was rather overshadowed, however, by the Committee’s tentative recommendation of a Basic Income Grant (BIG), which would cover all South Africans who did not receive any other grant, which really meant income support for unemployed adults. This would take the total cost of all social assistance programmes to about 6 percent of GDP, on top of substantial increases in contributory programmes (*ibid*: 147). The Treasury warned the Committee off any discussion of taxation, on the grounds that this was the Treasury’s responsibility. Committee member Pieter Le Roux subsequently

¹² *Hansard*, 18th April 2000, col. 2662.

¹³ *Ibid*, col. 2677.

¹⁴ See *Business Day*, 19th August 1999, 16th January 2000, 13th March 2000.

argued that the combined expanded CSG and new BIG for adults could be funded through a 50 percent increase in sales taxes (Le Roux, 2002).¹⁵

Skweyiya's and Saloojee's public statements encouraged a bold vision of reform. In his 2002 departmental budget vote he described social assistance as "the Government's primary investment in poverty alleviation", and affirmed that the Government would continue to increase spending on social assistance as resource constraints allow.¹⁶ Saloojee seemed to endorse repeatedly the proposed Basic Income Grant.¹⁷ Other ANC MPs, however, continued to emphasise that "transfers alone cannot address the pervasive challenge of poverty reduction", and seemed to favour spending on job creation.¹⁸ Most importantly, neither the ANC leadership nor the Cabinet accepted the Taylor Committee's recommendations on either the CSG or a BIG. The Minister of Finance, Trevor Manuel, questioned their affordability and administrative feasibility, and denounced the call for a BIG as 'populist'.¹⁹ After discussion at the Cabinet *lekgotla* (or extended meeting) in July 2002, government spokesman Joel Netshitenzhe reported that the government was moving towards a rather different 'philosophy': Able-bodied adults should not receive 'handouts', but should be helped to "enjoy the opportunity, the dignity and the rewards of work".²⁰ President Mbeki, in President Mbeki in his 'State of the Nation' address in February 2003 warned that "the government must act to ensure that we reduce the number of people dependent on social welfare, increasing the numbers that rely for their livelihood on normal participation in the economy".

Whilst the BIG lacked a clear, strong champion within either the government (Coleman, 2003: 121) or the ANC leadership, and also lacked strong support from any powerful interest group (Matisonn & Seekings, 2003; Seekings & Matisonn, 2012), the ANC was facing growing pressure to do something quickly about poverty. Skweyiya himself never publicly committed himself to a BIG, but invested considerable effort in accessing resources for other programmes reaching specific categories of 'deserving' poor. Children were the obvious group. Even the Treasury's favoured economists argued that expanding the CSG was preferable to introducing a BIG (Van der Berg & Bredenkamp, 2002). The expansion of the CSG was also backed by a more effective NGO grouping than the one behind the BIG. NGOs such as the Black Sash together with university-

¹⁵ To be precise, Le Roux costed the BIG. But he included all children not currently receiving the CSG as BIG recipients rather than separating them out and then calculating how to finance separately the expanded CSG and new grants for adults.

¹⁶ *Hansard*, 3rd April 2001, col. 1956-7.

¹⁷ *Hansard*, 3rd April 2001, col.1972; 19th March 2002, col.1622-3.

¹⁸ e.g. M.Masutha, in *Hansard*, 19th March 2002, col.1634-8.

¹⁹ *Business Day*, 22nd February 2002.

²⁰ *Sunday Times*, 28th July 2002.

based activists and researchers such as the Children's Institute at the University of Cape Town had for some time been calling for an age-limit of 18, as well as substantially increased benefits and reformed conditions and assessment mechanisms. In 2001, they and other NGOs established the Alliance for Children's Access to Social Security (ACCESS), which lobbied primarily around the age-limit. The NGOs conducted research on the benefits of broader coverage, made good use of the media, and repeatedly made submissions to the parliamentary Portfolio Committee (Proudlock, 2011). NGOs invoked frequently the Constitution, which specified 18 years as the upper age-limit of a legal 'child', included income security (including through social assistance) among the listed socio-economic rights, and attached special emphasis to the rights of children. (At this stage, however, civil society sought to deploy its powers of persuasion and criticism rather than resort to litigation).

Amidst continuing bad news about the trend in poverty (Republic of South Africa, 2003b: 17) and 'jobless' economic growth, and facing another election in 2004, the ANC and government were open to persuasion to raise the age limit for the CSG to 14 years rather than concede the much more grandiose demands for an age-limit of 18 or a BIG for the over-18s. The major opposition parties had all lined up to record their support for an expanded CSG. Affordability was a very plausible objection to the BIG package, costing 4 percent of GDP (or more, in the Treasury's calculations) but, with improved public finances, the Treasury was unable to argue convincingly that the country could not afford the 0.5 percent of GDP that it would cost to raise the age-limit on the CSG. In the very same speech in which he raised concerns over 'dependency' on public welfare, the President announced that the age limit would be raised to 14 years.

The decisions in 2008-09 to expand the CSG to ages 15 and then 18

The 2003 decision led to the CSG age-limit being raised in three phases. In the final phase, effective from 1 April 2005, children aged 11, 12 or 13 years became eligible for the CSG (subject to the means test and other conditions). As April 2006 approached, calls proliferated for the age limit to be raised further. NGOs continued to press hard for the age-limit to be raised to 18, and resorted to litigation as part of the campaign. The Department of Social Development was sympathetic, but the Treasury argued that a major expansion of expenditure was not affordable, and Social Development backed away from conflict. In February 2008, the Finance Minister announced a one-year increase in the age limit, from the 14th to the 15th birthday, with effect from January 2009. Over the following eighteen months the Government gave off conflicting signals. On the

one hand, a series of statements apparently indicated a commitment to raising the age-limit to 18. A second series of statements, however, suggested that this remained under consideration. Eventually, in late 2009, the Government firmly committed itself to raising the age limit, to a child's 16th birthday (with effect from January 2010). Children receiving grants would then continue to receive them until their 18th birthdays, so that the age-limit became 18 for all by the end of 2012. Whereas the decisions in 2002/03 to raise the limit to 14 had been made cleanly, the process in 2008/09 was untidy, as the Cabinet swung to and fro between raising the age limit to 18 and pursuing alternative, employment-centric interventions (such as a youth wage subsidy) for older adolescents. As in the early 2000s, the decision to raise the age-limit was framed by other policy options. In the earlier period, hostility to a BIG opened space for raising the CSG age limit as a compromise. In the later period, the obstacles attached to a youth wage subsidy seem to have weakened opposition to raising further the age limit. The decision marked the nadir of the developmental approach to welfare that had been trumpeted with great fanfare a decade earlier.

It is not easy to reconstruct the preferences in the 2000s of different parts of the state, but the affidavits submitted in court cases over the CSG provide some indication. The Director-General of the Department of Social Development (DoSD), Vusi Madonsela,²¹ declared in an affidavit in early 2007 that 'at no time' had it been 'the intention of the DoSD or the Cabinet to halt the extension of the child support grant' at the age of 14. Madonsela reports that, at the beginning of 2006, having completed the extension of the CSG to children up to the age of 14, the DoSD "proposed to Cabinet that the child support grant be further extended to children under the age of 18 years". Choosing his words carefully, Madonsela stated that, "after careful consideration of the current extension and of the resources available", it was decided (presumably by the Cabinet) that the priority was to "consolidate the current child support grant extension by drawing as many currently eligible as possible into the social assistance net". Most of the eligible but non-benefitting children were, Madonsela pointed out, in very poor, rural areas, so increasing coverage with the existing age limit was a pro-poor option (Madonsela, 2007: 13).

Taking Madonsela's account at face value, there were clear disagreements within the state, with the DoSD pushing for a raised age limit, against resistance from the Treasury and perhaps other government departments also. The Treasury view was set out by its Director-General, Lesetja Kganyago, in another affidavit sworn in early 2007 ('supplementing' Madonsela's). Kganyago reported that the expansion of CSG in early 2000s pushed up against 'budget constraints': A 'balanced approach', he said, meant finding the right balance

²¹ Appointed Acting DG in October 2002 and confirmed DG in May 2003.

between provision for the elderly, disabled and children (Kganyago, 2007: 13). The government was committed to the progressive realisation of socio-economic rights, but there were trade-offs between different programmes: The rapid growth of social assistance expenditures meant that the budget for other poverty-alleviating programmes had been squeezed, Kganyago argued. Kganyago also pointed to the importance of growth- and employment-enhancing programmes (including infrastructural investments). Whilst grants had mitigated poverty, the poor experienced declining earnings from employment or remittances. It would be ‘prudent’ for the government to balance its recurrent welfare expenditures and its growth-enhancing investments. If employment grew, there would be less need for social grants. Raising the age limit to eighteen years would cost more than R5b per annum. “The issue”, Kganyago concluded, was “not simply one of affordability but one of balancing competing demands on public expenditure, determining priorities and rigorous evaluation of policy choices” (*ibid*: 25-6).

This and other reservations raised in Cabinet were identified as issues requiring attention before the age limit could be raised any further. Madonsela records that Cabinet identified five issues. First, administrative “inefficiencies and inadequacies” in the delivery of grants had to be addressed. Secondly, “the continued sustainability of the social assistance system” had to be investigated. Thirdly, there needed to be an investigation also of “whether the social assistance system creates dependency”, especially given the huge number of beneficiaries. Another topic for investigation was whether social grants created perverse incentives, such as (in the case of the CSG) encouraging teenage pregnancy. Finally, attention should be paid to “ways in which social grants can be linked to reduction of poverty and increase in employment”, i.e. how they might be developmental. According to Madonsela, the Cabinet expected these various investigations to be concluded by March 2007.

This was all summarised in the concept of ‘consolidation’, as Madonsela put it. “The decision to temporarily halt the child support grant below age 14 in 2006” reflected, “in part”, the Cabinet’s decision to allocate resources to consolidation not only of the existing CSG but also other areas of public expenditure including health care, education and housing, food security and public works programmes, and so on (Madonsela, 2007: 16). Madonsela later reiterated this point: The age limit was set on the basis of “budgetary constraints in light of the view taken by Government that, in order to maximize the impact of the child support grant, such grant must be coupled with the consolidation of services ranging from health to housing to education” (*ibid*: 26).

The DoSD did not retreat entirely. It proposed to the Cabinet *lekgotla* in January 2007 that it investigate poverty among children older than 13, and identify appropriate remedial interventions including but also in addition to grants.

Cabinet approved this, and task teams were established, with the objective of reporting back to Cabinet for its July *lekgotla* (*ibid*: 26-7).

As in the early 2000s, the state as a whole was under pressure from NGOs. In the mid-2000s the Children's Institute (a key member of ACCESS) had produced a series of studies on the rollout of the CSG to children in the 7-14 age group. The research documented many irregularities in the registration process, and drew attention to major flaws in the means test. NGOs also intensified their lobbying for an increase in the age limit to eighteen, in line with the definition of a child in the Constitution. Exasperated with the lack of response from the state, NGOs shifted from a strategy of persuasion (and criticism) to litigation. The first major case was that of Florence Mahlangu, a casually-employed domestic worker in North-West Province whose second child received the CSG until his 7th birthday but thereafter was repeatedly denied the CSG on the grounds that he was too old. The case was initiated in mid-2005, in the face of the state's inadequate response to a series of reports from NGOs on flaws in the CSG system. In November 2006, after some of these flaws had been addressed, papers were refiled in court, focusing specifically on the age-limit of fourteen. The state filed its response in mid-2007. The case was heard in the High Court in March 2008. A second case (*Ncamile*), initiated in early 2008, focused on the means test (Proudlock, 2011).

In these cases (as in other cases concerning the old-age pension) the DoSD and Treasury tried to defend the existing procedures for allocating budgets between different programmes. This was harder in *Ncamile*, given that they had allowed the real value of the means-test threshold to fall over time. The DoSD, with the eventual and reluctant concurrence of the Treasury, gazetted major reforms to the means test in August 2008, resulting in an additional 1 million children under the age of 14 becoming eligible for the CSG (Proudlock, 2011: 159). The state continued to resist staunchly in court demands that it raise the age limit on the CSG.

The extension of the CSG to children aged 16 and 17 was more controversial than to younger children, because older teenagers could leave school, have children or work. Providing cash grants for out-of-school adolescents, and especially teenage mothers, riled many in the ANC and state. The 'developmental' alternative was to provide vocational training and employment opportunities, perhaps through a youth wage subsidy programme (which began to be mooted in about 2008). The research programme agreed by the Cabinet was a response to such anxieties – and the importance of the research lay in dispelling (or at least undermining) them.

The first reports were completed in late 2006 and presented to Cabinet (Madonsela, 2007: 12-15). A rather rushed preliminary report (contracted out to external consultants) on ‘perverse incentives’ concluded that the CSG had no effect on teenagers’ decisions over having children and that there was similarly little evidence that other grants incentivized undesirable behaviour (Kesho Consulting, 2006). The DoSD itself produced a rather vacuous report on the conceptual links between grants, poverty alleviation and development (DoSD, 2006).²² The DoSD had commissioned three further studies: a panel study of the impact of the existing CSG, a review of the likely impact of raising the age limit, and a poll of beneficiaries (Madonsela, 2007: 18). It is not entirely clear when these studies were completed. The review was contracted to the Children’s Institute. The Economic Policy Research Institute was commissioned to examine the means-test and the Community Agency for Social Enquiry was commissioned to examine conditionalities (Budlender, 2008), but it is not clear who was commissioned to undertake either the panel study or the poll of beneficiaries. Nor is it clear whether there were any studies of either dependency or financial sustainability, as (according to Madonsela) requested by the Cabinet.

It is not clear how the research was received in Cabinet, but the Cabinet clearly remained divided. At its National Conference in December 2007 the ANC resolved that the CSG age limit be “gradually extended to eighteen years”, but the ANC resolved also that “grants must not create dependency and thus must be linked to economic activity”.²³ At the beginning of 2008, President Mbeki – who had been defeated by his rival Jacob Zuma in the contest for the presidency of the party at the December conference – pointedly did not mention the CSG at all in his ‘State of the Nation Address’ (on 8th February), despite mentioning that the age of eligibility of elderly men for the old-age pension was to be reduced (in line with another conference resolution). Mbeki merely reported that the Government was investigating interventions for “vulnerable children over the age of 14”.²⁴ Days later, however, Skweyiya told the parliamentary Portfolio Committee (on 12th February)²⁵ and then announced in a press briefing (on 14th February) that the age limit would be increased to 18 years. This was almost immediately contradicted by the Minister of Finance, who announced in his budget speech (on 20th February) that the age-limit would be raised only to 15 years (with effect from January 2009).

²² In addition, a three-volume profile of grant beneficiaries was published (de Koker *et al.*, 2006), but this was based on research conducted in 2005 and predated the discussion and resolution in Cabinet.

²³ <http://www.anc.org.za/show.php?id=2536>.

²⁴ <http://www.gov.za/node/537711>.

²⁵ <https://pmg.org.za/committee-meeting/8776/>.

A year later the Cabinet had inched towards agreement on raising the age limit, but no clear decision had been made. In September 2008, the dominant Zuma faction within the ANC ousted Mbeki as President. Legally unable to assume the presidency himself (because he was not an MP), Zuma put Kgalema Motlanthe in the post. In November 2008 the ANC finalized its ‘policy framework’ for its 2009 election manifesto, committing the ANC to raising the age limit to 18 years, subject to conditions including school attendance.²⁶ It was Motlanthe who delivered the 2009 ‘State of the Nation Address’ to Parliament. In his address, Motlanthe cited research (by Stellenbosch economist Servaas Van der Berg) that pointed to declining income poverty and child hunger – a very welcome finding for the Government – and credited much of this to the CSG. Motlanthe stated that the Government would extend progressively the CSG to children to the age of 18 years. In his Budget Speech a few weeks later, the Minister of Finance (Manuel) reported that, in light of the “compelling evidence” in “recent research” that the CSG had reduced child poverty, “consideration is being given, subject to affordability, to the extension of the child support grant to the age of 18”. The Treasury’s *Budget Review* added that “evidence on the impact of grants on older children is still awaited, and research has been undertaken on options for linking grants to key aspects of child care, such as schooling and health monitoring” (Republic of South Africa, 2009: 91).

The decisive research seems to have been not the research commissioned by the Cabinet on the CSG specifically, but rather Van der Berg’s research on poverty trends. Having long suffered in the face of research that showed that poverty worsened in the 1990s, the Government seized with alacrity Van der Berg’s (controversial) findings. The fact that the decline in poverty seemed due more to the expansion of social grants than to rising employment did not mean that job creation was any less important, but did seem to render ANC and state leaders more sympathetic to social grants.

The cost of extending the CSG age-limit was certainly not prohibitive. Madonsela reported in 2007 that 2.2 million children aged 14-17 would be eligible if the CSG was extended, under existing conditions. This would cost, he reported, an estimated R5.7 billion p.a. (Madonsela, 2007: 30). In a responding affidavit in the same court case (*Mahlangu*), Budlender (2007) estimated the number of eligible children to be rather higher, at 2.5 million, although experience suggested that coverage would never reach all eligible children. She calculated the cost (allowing for less than 100 percent take-up) at an initial R3 billion in the first year rising to R6 billion p.a. thereafter. This, Budlender noted, amounted to less than 10 percent of the existing social assistance budget. The

²⁶ ANC, ‘Working Together We Can Do More’, 2009 Manifesto Policy Framework, p19, and 2009 Election Manifesto, p14.

revisions to the means test effected in August 2008 would have raised the cost of raising the CSG age limit.

In neither 2006 nor 2007 nor 2008 did the Treasury budget for this additional expenditure in its MTEF. But, as Budlender pointed out, there were examples of the MTEF estimates for future years being adjusted in response to exigencies such as the costs of transport infrastructure for the 2010 football World Cup or the Gautrain urban transport system (Budlender, 2007). The formal announcement that the CSG age limit would be raised was eventually made in October 2009, to coincide with the release of new MTEF figures that provided for additional expenditure. The 2009 MTEF budgeted for an additional R4 billion of expenditure on cash transfers in 2010/11, i.e. on top of the forecast for that year from the 2008 MTEF. Not all of this was due to the CSG age-limit. The Treasury later reported that the additional expense of raising the CSG age limit was covered by supplementary budgetary allocations of R1,3 billion, R3,1 billion and R5 billion in 2010/11, 2011/12 and 2012/13 respectively (Republic of South Africa, 2010: 194). Figure 4 shows that successive MTEFs in 2007, 2008 and 2009 raised forecast expenditure on cash transfers. The MTEFs from 2010 onwards did forecast rising expenditure, but the forecasts were not revised significantly between successive MTEFs.

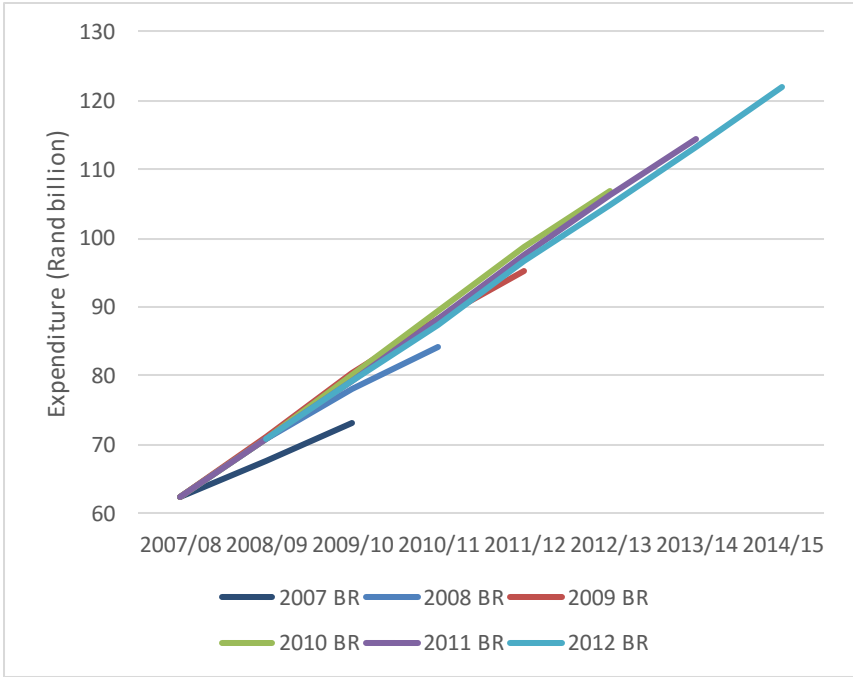


Figure 4: Revisions to forecast expenditure on cash transfers, 2007/08-2014/15

The 2009 MTEF also forecast much faster growth in public expenditure than could be attributed to the CSG age limit alone. The MTEF forecast a 40 percent

total *real* increase in expenditure on the CSG alone between 2008/09 (prior to the age limit being raised) and 2011/12, with forecast real expenditure on all cash transfers rising by 22 percent. Whilst not all of this increase was due to the CSG age-limit, the importance of the age-limit reform is evident in the fact that real expenditure was forecast to level off after 2011/12.

The final phase of discussion of the CSG age limit occurred against the backdrop of the global financial and economic crisis. In early 2009 the Treasury reported that economic growth was expected “to slow sharply” in 2009, but the preceding years of strong economic growth and healthy public finances meant that the Government could respond boldly. “Sustained growth in public expenditure” would serve to “cushion the economy and reinforce the social safety net for the poor” (Republic of South Africa, 2010: 1).

‘Slowing economic growth has put pressure on government revenues and reduced the fiscal space for increased expenditure. However, as a result of government’s record of sound fiscal management and prudent policy choices over the past decade, the state will be able to increase spending on social services and fixed investment over the medium term. The new and difficult circumstances call for both bold action and careful policy adjustments to ensure that the economy continues to grow and to improve the living standards of all South Africans. Boldness is required because of the severity of the situation, yet care must be taken so that ill-conceived or poorly executed interventions do not burden future generations’ (*ibid*: 2).

The budget deficit was forecast to grow to almost 4 percent of GDP in 2009/10. At this time (February 2009), the Treasury still envisaged that the poor would be protected in the short-term through the expansion of labour-intensive public employment programmes rather than of social grants. The Treasury also remained committed to a developmental vision, emphasizing public investment in infrastructure (as well as selective market deregulation). The Treasury remained committed to an economic strategy that involved education, training and job creation, especially for young people, including through a wage subsidy scheme (see *ibid*: 7-8). But job creation was focused on young men and women from the age of eighteen. Up to that age, adolescents were expected to remain in the educational system (as almost all were). Indeed, the extension of the CSG to the age of 18 was initially made conditional on children attending school (*ibid*: 104).

One explanation of the 2008/09 episode is that, as Proudlock puts it, “power shifted to the left” within the ANC at its National Conference in Polokwane in December 2007 (2011: 154). At the conference an insurgent coalition headed by

Zuma ousted the incumbent leadership headed by Mbeki. Zuma's coalition encompassed most of the more 'radical' factions within the ANC and ANC-led Alliance, including the trade unions, the populist ANC Youth League and the South African Communist Party (Booyesen, 2011). With respect to the CSG, the 2007 conference did resolve that the age limit should be raised ('gradually') to 18, but it took another two years for the Cabinet to agree to increase the age limit beyond 15. Moreover, as even NGOs acknowledged, budget constraints did not vanish.²⁷ The 2007 conference did not result in new appointments to key ministries: Manuel continued as Minister of Finance, and Skweyiya as Minister of Social Development until the elections in mid-2009 (and their successors were no more radical than them).

The 2009 election was a more important influence. The ANC had won many fewer votes in the 1999 and 2004 elections than in 1994, and in 2009 faced a resurgent opposition comprising both the Democratic Alliance (supported largely by racial minorities) and a party (the Congress of the People) led by former ANC leaders who had defected from the ANC after the 2007 conference. The ANC's strategy in 2009 entailed projecting the dual images of a track-record of achievement hitherto and regeneration under new leadership, with the future promise of renewed achievement in future (Beresford, 2015; Booyesen, 2011). In addition, the ANC and government faced a proliferation of protests, focused on municipal services and representation, but widely interpreted as a "rebellion of the poor" (Alexander, 2010).

The ANC included the commitment to raising the age-limit in its 2009 election manifesto, prior to the Polokwane conference, and the increase to the age of 15 was already being implemented in 2009 – which meant that existing beneficiaries of the CSG would not have lost the grant if their children turned 15 in the immediate run-up to the election. Most of the other political parties had already supported raising the age-limit, and the ANC would not have wanted to defend a more conservative position against its rivals' criticisms, especially if grants were being discontinued to long-standing beneficiaries. Perhaps not coincidentally, the age limit had been raised to 9 and 10 year-olds with effect from the beginning of 2004, which was also an election year, and the grant itself had been introduced in the year preceding the 1999 elections.

The *promise* of raising the age limit to 18 was less important to the ANC in its 2009 election campaign, however, than the fact that the ANC had *previously* expanded the CSG and could claim that this was the primary reason for the

²⁷ The Children's Institute (at the University of Cape Town), for example, acknowledged budget constraints, which required a slight delay in implementing the new age limit. See Minutes of the Social Development Portfolio Committee meeting, 16th November 2009: <https://pmg.org.za/committee-meeting/11106/>.

claimed decline in income poverty in South Africa in the 2000s. In its manifesto, the ANC emphasized that it had “pushed back the frontiers of poverty” through the expansion of social grants. The Government paid grants for 8 million children, and more than 12 million people in total.²⁸ In the face of criticisms of persistent poverty, ‘neo-liberal’ economic policies and rising inequality, the expansion of the CSG was politically useful evidence of the ANC’s commitment to and claimed success in reducing poverty.

Affordability, handouts and the ‘welfare state’

As in the late 1990s (when the CSG was introduced) and early 2000s (when the age limit was raised to fourteen years), the crucial political struggle over raising the age limit between 2005 and 2009 occurred behind closed doors, within the ANC and Cabinet. The politics remain opaque, as is the case with much policy-making in post-apartheid South Africa. The ‘state’ generally remains something of a ‘black box’. This is especially true of welfare reform, however, given the absence of strong, organized and observable vested interests comparable to either organized business or labour with respect to much economic, industrial and labour market policy (see, for example, Seekings & Natrass, 2015: Chapter 9). Whilst protests against public policy were widespread across South Africa, there was little evidence of protests against the parameters of social grants including the CSG age limit. Proudlock (2011), who was herself a leading figure in the advocacy work of the Children’s Institute and other NGOs in ACCESS, claims that this advocacy work was of crucial importance, contributing to a ‘culture of demand’ for both grants and state accountability. But there was little evidence of this culture of demand among the public, or among the poor specifically. ACCESS did not organize mass demonstrations, and I am unaware of public opinion polls that show that support was either intense or growing. Nor was support for the raised age-limit as hegemonic within the South African intelligentsia as, say, support for the rollout of anti-retroviral treatment for people with AIDS had been in the early 2000s.

There was clear resistance within both ANC and state to raising the CSG age-limit, as there was (and continues to be) clear resistance to the concept and project of ‘welfare-state’-building in South Africa. Consistently since 1994, successive presidents and ministers have denounced ‘handouts’ and ‘dependency’, praised the ‘dignity of work’, workfare and job creation, and insisted that they were building a developmental not a welfare state (Seekings & Natrass, 2015: Chapter 6). Conservative and developmental views about the role of the state sometimes overlapped with the Treasury’s fiscal caution: Scarce

²⁸ ANC Election Manifesto 2009, p4.

public resources should be invested in ‘developmental’ programmes, not ‘handouts’ to the poor.

The combination of weak external pressure (due to its enduring electoral strength) and the dominant ideology within the ANC explains the absence of *major* reforms of the social assistance system since 1994, including especially the rejection of the proposed basic income grant in 2002-04: Trade unions professed support, but never prioritized the issue; most ANC leaders dismissed the proposals as extreme handouts; other government ministers were skeptical about allocating massive resources to Social Development; the Treasury worried about the significant cost; and so on (see Matisonn & Seekings, 2003; Seekings & Matisonn, 2012).

Table 1: Six episodes of potential reform, 1995-2009

Years	Proposed reform	Potential cost (as share of GDP)	Fiscal context	Politics within Government	Pressure on ANC/Government	Outcome: change in spending
1995-96	Abolish, reform or expand SMG	2%	--	-	-	No change
1997-98	↑ benefits	0.2%	--	-	-	↑
2002-03	Remove means-test (linked to BIG) and/or ↑ age limit	1.6%	++	-	+	↑↑ (0.4%)
2005-08	↑ age limit	0.4%	++	-	+	↑ (0.1%)
2008	↑ means-test threshold	0.1%	+	-	+	↑
2008-09	↑ age limit	0.4%	+	+	++	↑↑

Note: + indicates positive effect and ++ a strongly positive effect on ↑ expenditure.

- indicates a negative effect and -- a strongly negative effect on ↑ expenditure.

With respect to the six episodes of proposed reform of child grants considered in this paper (and summarized in Table 1), these factors serve to explain the decision in the two cases in which massive increases of expenditure were rejected: the decision not to expand the existing SMG in 1995-96 (which would have cost 2 percent of GDP) and the decision to reject the recommendation of the Taylor Committee in removing the means-test and raising the age-limit (thus making the child grant universal, in line with GDP). They also explain the reluctance to raise the age-limit to 18 during the debate of 2005-08.

Even in these three cases, however, conditions were not identical. This helps to explain the different outcomes. In 1995-96, the fiscal context was strongly adverse, the government was ill-disposed towards reform, and the newly-elected ANC was under no political pressure. By 2002-03, the fiscal context had improved greatly, with a marked drop in the budget deficit and government debt (see Figure 2), and there was growing pressure on and within the ANC to shift from the austerity of the late 1990s to a more boldly statist attack on poverty. Whereas the initial 1995-96 proposals entailed no significant change in public expenditure, in 2002-03 the government agreed to spend an additional 0.4 percent of GDP in part to side-step pressure to spend much more in lines with the Taylor Committee recommendations. By 2008-09, the global recession was putting upward pressure on budget deficits, but the total public debt remained small, giving policy-makers some room for manoeuvre, and governments globally adopted more interventionist fiscal as well as monetary policies to limit the recession. At the same time, politics within the ANC shifted, and the new ANC leadership felt evident insecurity in the face of the 2009 elections.

The weakness of external pressure on the government and the dominant ideology within the ANC explain the government's rejection of dramatic and expensive reforms, but they do not explain why the government chose modest expansions of the CSG in reforms in all five of the episodes shown in Table 1 after the initial Lund Committee proposals, and why in the first episode the Government accepted the Lund Committee recommendation that a CSG be introduced. In 1996, the fiscal envelope appeared to be limited to about R1 billion (in current prices at the time) or 0.2 percent of GDP. Even facing austerity, the Government agreed to introduce a CSG within this envelope. By 2002/03, real expenditure was more than double this, as was expenditure as a share of GDP. Primarily as a result of the decision to raise the age limit to fourteen years, expenditure had doubled again by 2004/05 both in real terms and as a share of GDP. By 2007/08, real expenditure on the CSG was about ten times higher than the original SMG fiscal envelope, and cost more than 1 percent of GDP. By 2012/14 real expenditure had risen by another 50 percent, to about 1.2 percent of GDP (which had itself grown also). A series of parametric reforms (to the means-test as well as the age limit) resulted in a massive shift in

public resources into child grants, even if the increase was much less than would have been required had the SMG been deracialised without other reform in the 1990s or the Taylor Committee's recommendations accepted.

The CSG was expanded, in mostly modest increments, because its expansion had political champions and supporters within and outside the ANC and the reforms made political sense in the context of enduring poverty and rising inequality. In 1997-98, modest improvements in benefits were championed by ANC MPs supported outside Parliament by civil society groups. From 1999, the primary champion of reform was the wily Minister of Social Development, Zola Skweyiya, again urged on by civil society groups outside of Parliament. Had the CSG not been shown to be effective in reducing poverty rates, however, and had the ANC not been somewhat anxious about its performance in elections, it is unlikely that even Skweyiya would have been able to overcome the reticence of the Minister of Labour and the conservative distrust of 'handouts' elsewhere in the Cabinet.

'Affordability' remained a recurring concern, not only to the Treasury but to the Cabinet and ANC generally. The fiscal crisis of the mid-1990s compelled the ANC and Government to adopt austere constraints on public expenditure, which – in combination with skepticism about grants – led to a decline in the late 1990s in the real value of both the grants paid to individual beneficiaries and total public expenditure on social assistance. Other government departments were especially aware of the opportunity cost of allocating resources to social assistance. The improved health of public finances amidst renewed economic growth in the early 2000s meant that the political and economic cost of allocating increased resources to social assistance diminished. Allocating an additional 0.4 percent of GDP to the CSG for children to the age of fourteen was the least controversial alternative to the much greater expense of a universal CSG with an age-limit of eighteen years. When economic crisis hit in 2008, the government could legitimately finance an expanded programme through an increased budget deficit.

Appendix 1: Statistics on CSG, 1998-2016

Year	Value			Beneficiaries (million, as of 30 March)	Age- Limit (years, and date)	Expenditure (in financial year beginning April)		
	Date value changed	Nominal	Real (April 1998 prices)*			Nominal (R billion)	Real (R billion, 2012 prices)	As share of GDP (%)
1998	April	100	100	0	7 (April)	NA	NA	NA
1999				0.03		NA	NA	NA
2000				0.35		NA	NA	NA
2001	July	110	91	0.97		2.4	4.5	0.2
2002	Oct	140	103	1.9		4.6	7.8	0.4
2003	April	160	114	2.6	9 (April)	7.7	12.7	0.6
2004	April	170	121	4.3	11 (April)	11.4	18.4	0.8
2005	April	180	124	5.7	14 (April)	14.1	22.1	0.9
2006	April	190	127	7.0		17.6	26.1	1.0
2007	April	200	125	7.9		19.6	27.0	1.1
2008	April	210	118	8.2		22.4	27.6	1.0
2009	April	240	125	8.8	15 (Jan)	27.3	31.8	1.2
2010	April	250	124	9.4	16 (Jan)	30.9	34.7	1.2
2011	April Oct	260 270	124 127	10.2	17 (Jan)	34.8	37.0	1.2
2012	April	280	126	10.7	18 (Jan)	38.5	38.8	1.2
2013	April Oct	290 300	123 125	11.3		39.6	40.0	1.2
2014	April Oct	310 320	124 125	11.0		43.7	39.4	1.2
2015	April	330	126			47.8	41.0	1.2
2016	April	350						

* using headline CPI (Consumer Price Index)

Sources: South Africa, National Treasury, various publications.

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