

South Africa's Social Protection Response to the COVID-19 Crisis

Kate Orkin (Senior Research Fellow, Blavatnik School of Government, University of Oxford)

South Africa has already instituted a suite of economic responses to COVID19.ⁱ Expansion of the Unemployment Insurance Fund (UIF) to provide paid sick leave and income support to affected workers is the widest in coverage, but informal workers and the unemployed are not covered. Without an intervention targeted at vulnerable households, analysis by leading academics estimates the extreme poverty rate among these households will almost triple.ⁱⁱ

This note supports the call to **increase the amount of the Child Support Grant.**ⁱⁱⁱ In addition, it suggests that government's response to COVID19 should aim to cast a wide emergency safety net, using a patchwork of different programmes to achieve broad coverage of the poorest. The aim should be to reduce food insecurity and mitigate increases in extreme poverty. Options could include:

- Increasing all available means-tested grants -- pensions, disability grants -- rather choosing one.
- Opening grants offices or using other means to register new mothers for the child support grant (potentially online application with later verification/applications at hospitals).^{iv}
- Using other registries of government beneficiaries to pay once-off grants.
 - Using the SASSA database to pay transfers for mothers whose children have recently aged out of receiving the grant.
 - Pay public works programme participants, or past beneficiaries, potentially without a work requirement if it is difficult to ensure social distancing.
 - Potentially consider other databases e.g. the ESSA database of the unemployed.

These ideas draw on work describing approaches taken in other countries (a short summary is given in Annex A, a separate longer brief gives more detail).^v These measures rest on three key findings from research on cash transfers and social protection internationally.

Speed matters because shocks have long term consequences. Delaying support by a month or two may make it too late to prevent widespread food insecurity and long-term damage. Evidence suggests that when facing shocks, households may take short-term decisions out of necessity that leave them in long-term poverty.

1. **Selling productive assets** (e.g. cattle, transport vehicles) to finance food consumption. Households who have to sell assets when they face a shock suffer many additional years of additional poverty because they have lost means of earning income.^{vi}
2. **Reducing nutritional intake.** Shocks to nutrition for foetuses and young children increase stunting and reduce schooling attainment and in some cases labour market earnings.^{vii} The effects of stunting are difficult to make up later. The closure of schools means the National School Nutrition Programme is not currently reaching nine million children in schools in the poorest three quintiles. 2.5-3 million children attend some kind of ECD facility and are not receiving food.^{viii}

- 3. Entering transactional sexual relationships.** During the Ebola crisis, young girls were more likely to seek 'sugar daddies'. Pregnancies increased; post-crisis school enrolment decreased.^{ix}

In this crisis, there are unlikely to be substitutes for government support. Poor households have limited ability to absorb shocks: they have limited access to credit unless at very high interest and hold limited savings or buffer stock.^x When economic activity and mobility are restricted, usual means of smoothing income shocks, casual work and migration, are not possible. Support from social networks (e.g. remittances from urban areas) is also more limited when everyone experiences a simultaneous shock.^{xi}

Cash transfer beneficiaries use grants well. There are reports that government is prioritising increasing the old age pension^{xii} because beneficiaries are argued to spend money more responsibly than younger recipients. It is true there is existing evidence that South African pensions received by grandparents are shared with and benefit grandchildren^{xiii} and young adults in the household.^{xiv} It so happens that no one has yet studied this for the child grant.

But reviews across hundreds of studies internationally find that, regardless of the age of recipients, **cash transfers increase overall quantities of food consumed and improve dietary diversity and food security.**^{xv} Transfers also help prevent detrimental risk-coping strategies (e.g. distress sale of assets, borrowing). Transfer receipt improves growth and cognitive development in the first years of children's lives, making it vital to register new mothers.^{xvi} Consistent with this, the South African evidence from early in the programme rollout finds the grant improves child height and reduces hunger.^{xvii}

There is little evidence that transfer receipt increases spending on alcohol or cigarettes, in a review of 19 studies from Latin America, Asia and Africa.^{xviii} **Women in households receiving transfers are less likely to fall pregnant,** in two randomised trials in Nicaragua^{xix} and Malawi.^{xx} One trial in Mexico found no effects.^{xxi} One programme in Honduras found an increase.^{xxii} In addition, transfers increase the use of contraceptives and reduce the likelihood of unsafe sex.^{xxiii}

Transfers are often shared, between household members and more broadly, reducing the effects of an imperfectly targeted response. Analysis in South Africa mentioned above shows the pension is widely shared among household members. Other studies find sharing in broader communities: for example, households ineligible for Progresa cash transfers in Mexico still get loans and gifts from eligible households in the same village and have higher food consumption.^{xxiv} Government could acknowledge explicitly that their emergency response will not reach all households and encourage beneficiaries to share their resources with others whom they identify as being in need. Labelling assistance programmes is often effective in influencing how they are used.^{xxv}

An increase in the grant amount **may also support the informal sector** and helping to stimulate the economy. A large randomised trial in Kenya found that in areas receiving cash transfers, transfers not only benefited recipients, but also benefited people in nearby villages too because recipients spent more money, some of which went to their neighbors' businesses.^{xxvi}

Our existing social grant infrastructure is world-leading for getting money to the poor. The policies proposed may reach some households through several channels at once while leaving others with no direct support. However, in an emergency, an improved process to target better and reduce leakages that leads to long delays is unlikely to be worthwhile.

1. The existing system **can be used fast and with little extra cost**. It is highly unlikely that rapidly scaling up the existing system of food parcels will be faster or have broader reach than an existing system reaching over 18 million people.
2. The existing infrastructure minimises potential for resources being **diverted to non-eligible households**. South Africa's system already has direct beneficiary payments with biometric identify verification and transparency in how much is given to whom, which are known measures used internationally to keep "fund leakages" under control.^{xxvii} This is likely to minimise leakage compared to rapidly expanding food parcel distribution.
3. Grants are already **well-targeted at poor households**.^{xxviii} Although food parcels are supposed to be targeted, this requires performing new eligibility and identity checks.
4. The grant payments infrastructure **enables social distancing** relative to systems that require collection at an office. With the SASSA card, beneficiaries can withdraw grants from post office branches. Most beneficiaries withdraw grants at supermarkets (34%) or ATMs (61%).^{xxix} Grants only need to be distributed once per month, whereas school meals and food parcels need to be distributed more frequently. Long queues have been seen for school meal distribution points and food parcels. Grants do not require new collection points to be set up. Government already staggered grants payments to reduce shop congestion at month end^{xxx} and could do so further based on birth date or ID number.^{xxxi}
5. Using the grants infrastructure need not prevent households applying for food parcels. It is just likely to reduce the pressure on the food parcel system.

The challenge of mitigating the economic effects of the pandemic is enormous. Any solution will be flawed in many ways because speed is of the essence. The financing challenge is also large. Government has to finance both health and economic measures, while experiencing shortfalls in tax revenues. SA was already heavily indebted before the crisis, and investors have sold emerging market assets, making borrowing on the open market difficult. But if internal and external financing can be found, a social protection response is vital to create economic space for an effective public health response.

Annex A

Proposed measure	Example of measure internationally
Increase all available grants, rather choosing one	Kenya has increased the amount of both its pension and orphan and vulnerable children's grant. ^{xxxii} India topped up all elderly, widows and disabled in the National Social Assistance Programme, gave grants to farmers, and sent money to women's <i>Jan Dhan</i> accounts linked to the <i>Adhaar</i> ID system, which were created to promote financial inclusion among the poor. Indonesia increased both the benefit amounts of its cash transfer programme (PKH) and the frequency of its payments (from quarterly to monthly). ^{xxxiii} Malawi is proposing to provide top-ups to Social Cash Transfer Programme beneficiaries and increase coverage. ^{xxxiv}
Opening grants offices or using other means to register new mothers^{xxxv}	The state of Bihar in India has announced a transfer to all migrant workers stranded in other states and plans to perform identity checks through a phone app. ^{xxxvi} In Brazil, government created a new website to extend coverage of its emergency assistance programme to informal workers at large. ^{xxxvii}
Using the SASSA database to pay transfers for mothers whose children have recently aged out of receiving the grant	Brazil is paying an emergency grant to households recorded in the <i>Cadastro Unico</i> , the Brazilian census of the poor, who are not normally eligible for Bolsa Familia, the conditional cash transfer programme. ^{xxxviii} The Peruvian programme <i>Bono Yo Me Quedo en Casa</i> offers an additional transfer equivalent to 50% of the minimum wage to 2.7 million poor households identified in a dataset created to target the Peruvian <i>Juntos CCT</i> . ^{xxxix}
Paying public works programme participants or past beneficiaries without a work requirement	In Ethiopia, beneficiaries of the Urban Productive Safety Net Project (UPSNP) will receive advance 3 months payment while on leave from their public works obligations. The scheme is also being expanded to low-income citizens who are currently not benefitting. ^{xl}

ⁱ This includes an expansion of the Employment Tax Incentive, deferred tax and loan payments for small businesses, and implemented targeted relief measures for small and medium-sized enterprises (SMEs), small-scale farmers, and firms that produce essential goods. Department of Health, 4 April 2020. [Economic Mitigation and Relief Measures](#). Food parcels are also available through the [Social Relief of Distress Fund](#).

ⁱⁱ Bassier, M., J. Budlender, M. Leibbrandt, R. Zizzamia, V. Ranchhod. 31 March 2020. "[South Africa Can – And Should – Top Up Child Support Grants To Avoid A Humanitarian Crisis](#)."

ⁱⁱⁱ Increasing the grant will reach roughly 80% of households in the poorest half of the population and 80% of individuals in households with an informal worker. that the grant already reaches households with that an increase of R500 per month will mean loss of income for the poorest 10% of households will be 10% rather than 45%. Bassier, M., et al.

^{iv} SASSA is currently not enrolling new beneficiaries because the required verification and biometric requirements need to be completed in person. M. Heywood. 9 April 2020. [Who is Blocking Emergency Relief for the Poorest](#)

[Households?](#). Children’s Institute (Katherine Hall) 2020. [“Covid-19 Info Brief: Social Grant Increases are an Immediate and Feasible Route to Protecting Children and Their Families”](#).

^v Gerard, F., C. Imbert and K. Orkin. 2020. Social Protection Response to the COVID-19 Crisis: [Options for Developing Countries. Economics for Inclusive Prosperity COVID-19 Policy Brief](#).

^{vi} Dercon, S. 2006. [Risk, Growth and Poverty: What Do We Know, What Do We Need To Know?](#) QEH Working Paper Series 148.

^{vii} Chen, X. 2014. [Fetus, Fasting, and Festival: The Persistent Effects of In Utero Social Shocks](#). International Journal of Health Policy Management 3, no. 4: 165–169.

^{viii} Devereux, S., T. Hochfeld, A. Karriem, C. Mensah, M. Morahanye, T. Msimango, A. Mukubonda, S. Naicker, G. Nkomo, D. Sanders and M. Sanousi. 2018. [School Feeding In South Africa: What We Know, What We Don’t Know, What We Need To Know, What We Need To Do](#). Food Security SA Working Paper Series No. 004. DST-NRF Centre of Excellence in Food Security, South Africa. Hall K., W. Sambu, C. Almeleh, K. Mabaso, S. Giese and P. Proudlock. 2019. [South African Early Childhood Review](#) 2019. Children’s Institute & Ilifa Labantwana.

^{ix} O. Bandiera, N. Buehren, M. Goldstein, I. Rasul, A. Smurra. 2019. [The Economic Lives of Young Women in the Time of Ebola: Lessons from an Empowerment Program](#). World Bank Policy Research Working Paper No. 8760.

^x Dercon, S. (Ed) 2004. “Insurance Against Poverty”, Oxford University Press, UK.

^{xi} Fafchamps, M. 2011. Risk Sharing Between Households. In Handbook of Social Economics (Vol. 1). North-Holland: Elsevier: 1255-1279.

^{xii} Times Live. 14 April 2020. [Government Considering Increasing Child and Pension Grants Temporarily](#).

^{xiii} Duflo, E. 2003. “Grandmothers and Granddaughters: Old-Age Pensions and Intrahousehold Allocation in South Africa.” The World Bank Economic Review 17, no. 1: 1-25.

^{xiv} Ardington, C. A. Case, and V. Hoesgood. 2009. “Labour Supply Responses to Large Social Transfers: Longitudinal Evidence from South Africa.” American Economic Journal: Applied Economics, 1, no. 1: 22-48.

^{xv} Bastagli, F., J. Hagen-Zanker, L. Harman, V. Barca, G. Sturge, T. Schmidt, and L. Pellerano. 2016. “Cash Transfers: What Does the Evidence Say? A Rigorous Review of Programme Impact and The Role of Design and Implementation Features.” London: Overseas Development Institute.

^{xvi} T. Molina Millán, T. Barham, K. Macours, J. Maluccio, M. Stampini. 2019. “Long-Term Impacts of Conditional Cash Transfers: Review of the Evidence.” The World Bank Research Observer 34, no. 1: 119–159.

^{xvii} Gomersall, J. 2013. The Performance of the Child Support Grant: Review and Research Priorities, Development Southern Africa, 30:4-05, 525-544.

^{xviii} Evans, D. K. and A. Popova. 2014. “Cash Transfers and Temptation Goods: A Review of Global Evidence.” World Bank Policy Research Working Paper 6886.

^{xix} Todd, J.E., Winters, P. and Stecklov, G. (2011) ‘Evaluating the impact of conditional cash transfer programs on fertility: the case of the Red de Protección Social in Nicaragua’, Journal of Population Economics 25(1): 267–290.

^{xx} Baird, S., McIntosh, C., Özler, B. (2011) ‘Cash or condition? Evidence from a cash transfer experiment’, Quarterly Journal of Economics 126(4): 1709–1753. Similar evidence is found in non-randomised studies in Pakistan and Turkey. Ahmed, A., Adato, M., Kudat, A., Gilligan, D., Roopnaraine, T. and Colasan, R. (2007) Impact evaluation of the conditional cash transfer program in Turkey. Final Report. Washington, DC: IFPRI. Alam, A. and Baez, J., 2011. Does cash for school influence young women’s behavior in the longer term? Evidence from Pakistan. Policy Research Working Paper 5669. Washington, DC: World Bank

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^{xxv} Benhassine et al. (2015) show that labeling a cash transfer to promote children’s education is as effective as making it conditional on enrolment. Benhassine, N., F. Devoto, E. Duflo, P. Dupas, and V. Pouliquen. 2015. “Turning a Shove into a Nudge? A ‘Labeled Cash Transfer’ for Education.” American Economic Journal: Economic Policy 7, no. 3: 86–125.

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- ^{xxviii} Bassier, M., et al. 2020. See also Gomersall, J. 2013. The Performance of the Child Support Grant: Review and Research Priorities, *Development Southern Africa*, 30:4-05, 525-544.
- ^{xxix} IOL, 22 March 2020, [Sassa: Grants For Pensioners And People With Disabilities To Be Paid Early](#).
- ^{xxx} See the [statement by President Cyril Ramaphosa](#) on 24 March 2020.
- ^{xxxi} Moneyweb, 20 March 2020, [Covid-19 Poses Problems For Social Grant Payments](#).
- ^{xxxii} See the [statement by President Uhuru Kenyatta](#) on 25 March 2020.
- ^{xxxiii} Tempo.Co, 5 April 2020, ["Dampak Covid-19, PKH Disalurkan Bulanan Mulai April."](#)
- ^{xxxiv} Government of Malawi, 2020, [National Covid19 Preparedness Plan](#).
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- ^{xxxvii} O Globo, 7 April 2020, ["Tire Suas Dúvidas Sobre o Auxílio Emergencial de R\\$ 600."](#)
- ^{xxxviii} O Globo, 7 April 2020, ["Tire Suas Dúvidas Sobre o Auxílio Emergencial de R\\$ 600."](#)
- ^{xxxix} El Comercio, 1 April 2020, ["¿Cómo Saber Quiénes Más Recibirán El Bono de 380 Soles por Coronavirus en Perú?"](#)
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