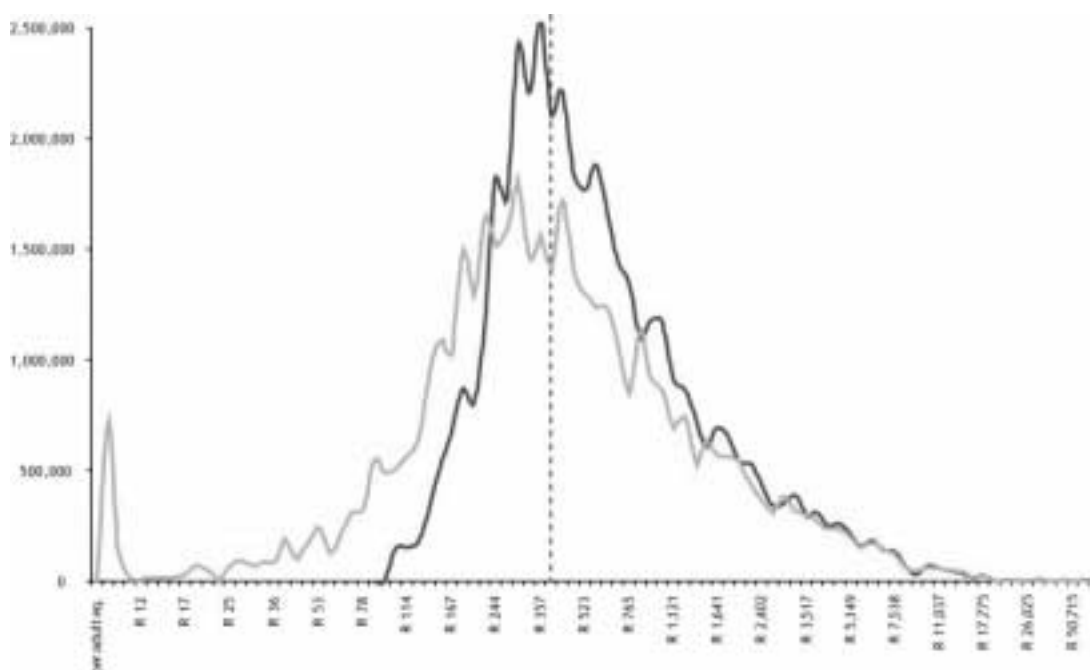


Figure 11
Distribution of income with a Basic Income Grant.



a Basic Income Grant do not exist. In particular, there is a need to first put in place appropriate capacity and institutional arrangements to ensure effective implementation. Therefore the Committee recommends the gradual development of a comprehensive and integrated income support that can underpin South Africa’s comprehensive social protection system.

5.6.3 A comprehensive and integrated medium- to long-term framework for income support

Allowing for a diversity of policy preferences, the Committee has identified three main options concerning income poverty.

5.6.3.1 Option 1: Maintain the status quo

This option could be based on the view that

significant improvements, particularly income poverty interventions, cannot be accommodated due to inflexible fiscal constraints. Alternatively, some may feel that new interventions are perhaps unnecessary because the suggested end-state will be reached naturally over time with improvements to the administration of current programmes. There will probably be considerable support for this option, particularly from those mainly concerned about possible financial implications of any proposed interventions.

The Committee, however, is of the view that this would be an ultimately short-sighted position. The current programmes fail to satisfy the constitutional imperatives and thus make the state vulnerable to Constitutional Court challenges, and are clearly inadequate. Further, the current system fails to address the socio-economic imperatives, and the social costs of the absence of proper social protection will contribute

Table 8
Social impact of the Basic Income Grant

Policy	Poverty gap reduction	Additional people freed from poverty
Current situation	23%	—
Full take-up of existing grants	37%	0,8 million people
Basic Income Grant	74%	6,3 million people

towards a tendency of social instability. This would force the state to increasingly criminalise and judicialise essentially poverty-related social conditions, thereby creating conditions that could undermine the legitimacy of the democratic state.

In short, there is clearly a cost to not acting, which will sooner or later have to be borne by the country. Intervention sooner would be both socially and economically prudent.

5.6.3.2 Option 2: Immediate implementation of a comprehensive social protection system

The Committee has received many submissions and representations, from a wide range of social formations, which argued for immediate implementation of measures to address the tremendous socio-economic challenges facing South Africa. It was argued that there are increasingly large numbers of people in desperate need, and such people are not accessing any protective measures (such as emergency shelter). In particular, such arguments tended to motivate for a universal income grant that can, at the very least, alleviate persistent and pervasive levels of destitution.

Many proponents of this view argued that South Africa has considerable economic resources at its disposal, including low levels of debt and considerable space for increased taxation – and that such resources could be mobilised in the short term.

The Committee, after due consideration of this view, and appreciation of the need for additional social protection interventions, has concluded that the current institutional arrangements do not easily allow for new and expansive measures to be implemented immediately. A comprehensive social protection system requires the prior establishment of new institutional arrangements and measures. Such arrangements, even in the most optimistic scenarios, would require several years to fully plan, resource and implement.

Nonetheless, the Committee is of the view that, in the interim, there is a need to take immediate steps to expand certain poverty relief and *de facto* schemes to assist those individuals and groups that can access such benefits.

5.6.3.3 Option 3: A phased approach towards a comprehensive social protection system

This is the Committee's preferred option. This option seeks to progressively realise a

comprehensive social protection "end-state". A two-phase approach is suggested, with the phased delivery balancing the need to allow time for the development of necessary institutional arrangements and ensuring that the state is able to meet important domestic and international commitments related to poverty reduction. In developing a long-term scenario which phases in the progressive expansion of the social assistance grant system the Committee has paid particular attention to issues of fiscal feasibility.

5.6.3.4 Phase 1: Comprehensive social protection system prioritising the most vulnerable

This phase would establish the preconditions for a comprehensive social protection system based on the constitutional imperatives and apartheid backlogs. It approaches the reform process in a way that prioritises the most vulnerable, namely children up to the age of 18.

The key components of phase 1 are identified below.

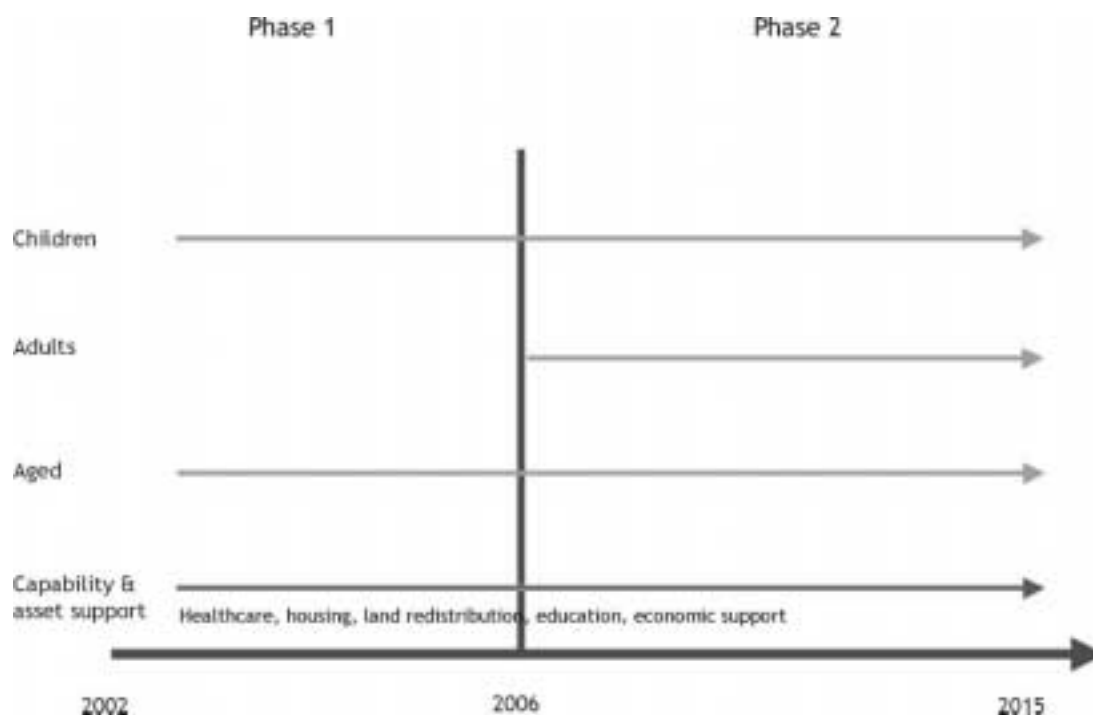
5.6.3.5 Phase 1: Period 2002 to 2004

- Set minimum income level to eliminate destitution
- Prioritise vulnerable and destitute groups (mainly children up to the age of 18)
- Put administrative systems in place
- Rationalise grants that are currently *de facto* poverty grants
- Ensure effective and efficient ways of targeting the most vulnerable
- Simplify and eliminate the means test where they obstruct equity, administrative justice and are costly to implement.

This phase uses the criteria of age as a parameter for the income support grant. Since children are among the most vulnerable and voiceless in society, and children born into extreme poverty almost never escape the poverty cycle the introduction of an income support grant for children should be introduced.

The downside to this phase is that an exclusive child-focused intervention does not address household poverty, and could create negative unintended consequences. An exclusive focus on child poverty, for example, would overlook the fact that the entire household will consume whatever grant one gives for the child. The addressing of *de facto* household poverty in this

Figure 12
Suggested phasing in of an income support grant system.



manner will exclude more than 1 million poor households without children, and may create perverse incentives regarding children. These problems will be addressed in phase 2, however.

5.7.3.6 Phase 2: Comprehensive social protection for all

This phase completes the building of the comprehensive social protection system initiated in phase 1, by extending an income support grant, preferably called a “solidarity grant”, to all South Africans.

Although more costly in the short to medium terms than option 1, this alternative would have the biggest impact on poverty and social exclusion, thus providing various positive spin-offs for development and society in the medium to long term. By the conclusion of this phase, the state would have gone a long way in meeting its World Social Development Summit (1995) commitments to eradicate absolute poverty by 2015. The key components of phase 2 are identified below.

5.6.3.7 Phase 2: Period 2005 to 2015

- Set a level to address absolute poverty
- Level of the grant determined in relation to a comprehensive package.

The two broad phases of option 3 are shown in figure 12.

Finally, the means-tested and universal measures, recommended in option 3, have been costed (see chapter on Financial Framework for Comprehensive Social security) and can be seen to be financially feasible within the current fiscal framework.

5.7 Conclusions

It is the view of the Committee that a more comprehensive system of social assistance can play an important role in achieving medium- to long-term social and economic transformation in South Africa. First, it ensures the constitutional and democratic imperatives are met. Second, it indicates a commitment to addressing the legacy of apartheid socio economic backlogs. Third, it provides an opportunity to balance social and economic policy goals by prioritising the most vulnerable in the immediate term and ensuring in the long term an inclusive system of comprehensive social protection.

The Committee recommends that serious consideration needs to be given to fully utilising future improvements in fiscal capacity to build

up this system of transfers.

The Committee also finds that although a Basic Income Grant is most able to eliminate destitution and have a developmental impact on the poorest, its implementation is constrained in the short term due to fiscal and administrative obstacles. It is, however, the view of the Committee that fiscal and administrative capacity exists for a phased and measured introduction of a comprehensive system of income support through social assistance, as described in option 3. Within this context, households in clear distress should be given priority in the expanded framework.

An expansion of the social assistance grant system to adults living in destitution and poverty can have positive social and economic implications, and is fiscally feasible if seen as a long-term intervention.