Launch of report on "The impact of the financial crisis on child poverty in South Africa" and "Vulnerability of children and poor families to the economic recession of 2008 - 2009"

Mr. Bongani Khumalo, Acting Chairperson/Chief Executive

Venue: The Sowetan Hotel, Freedom Square, Kliptown, Soweto, Johannesburg, Gauteng, South Africa

Host: Department of Social Development

Date: 15 August 2011

Honourable Minister of Social Development **Ms Bathabile Dhlamini,**

Director-General of Department of Social Development, **Mr. Vusumuzi Madonsela,**

UNICEF Representative, Ms Aida Girma,

***Programme Director*, Mr Wiseman Magasela,**

Distinguished Guests,

All Protocols observed:

It gives me great pleasure to give remarks today at this important event where we are launching the reports on the impact of the financial crisis on child poverty and the vulnerability of children and poor families to the economic recession of 2008-2009.

Poverty in South Africa is much higher than one might expect for a country with its level of per capita gross domestic product. Child poverty prevents children from developing to their full potential and leads to poor human capital and lower productivity in later life, thus creating the risk of a vicious circle of poverty. To ensure that upward mobility is possible for those born into poor families, we need to create circumstances that will minimise this phenomenon. The 2008-09 global economic crisis has again put child poverty on the global agenda.

The Financial and Fiscal Commission teamed up with UNICEF to study the role played by old schemes, in particular the Child Support Grant, in lessening the impact of the crisis on child poverty. As this study notes, almost 40 percent of South Africa's total population are children of 18 years and younger, of which two-thirds live in poverty, compared to the adult poverty headcount of 45 percent. Through the use of macroeconomic and microeconomic simulation tools, the study observed that there is a relatively successful return to pre-crisis poverty headcount levels in a short period of time in South Africa. Of particular importance was how the effects of the crisis were effectively mediated through the Child Support Grant, a uniquely South African feature which has been expanded greatly in recent years and is particularly aimed at children in poor families. So it appears the institutionalization of social protection programmes in South Africa, especially the Child Support Grant, paid off in terms of assisting poor families to stay above water in both ordinary and extraordinary times.

Based on this research, the Financial and Fiscal Commission released its Annual Submission for the Division of Revenue 2011/12 (in May 2010) in compliance with Chapter 13 of the Constitution, the Financial and Fiscal Commission Act (2003) as amended, the Intergovernmental Fiscal Relations Act (1997) and related legislation. The Submission indicated that the relatively large social grants system smoothens household consumption in many positive ways. The overarching theme, informed by this study was about how a robust set of pre-crisis policies and institutions ensured effective absorption of an expanded budget and benefited large numbers of children in a relatively short period of time.

Informed by the findings, the Commission's view was that vulnerable groups, especially children, the elderly and disabled should not suffer disproportionately because of the economic crisis and the necessary fiscal adjustment that should follow. The submission focused on the possibilities and options open to government to address the matter of cushioning the vulnerable groups whilst at the same time laying the foundation for future growth and development. We then recommended that government should continue to grow entitlement spending in those programmes that have demonstrably worked while refocusing expenditure to ensure better coordination and to deepen access by focusing on improved service quality. In particular, we recommended that in the short term the government should continue to consolidate social assistance programmes aimed at cushioning children and the elderly especially the child support grant and the old age pension. In pursuing this goal, we advised that government should avoid measures that compromise the relative simplicity of the social assistance system especially when contemplating reform options. Rather, government was advised to pilot conditional cash transfer and workfare programmes on a smaller scale and continue to evaluate them in order to expand successful pilots. At that stage, we suggested that government should avoid universal income grants, as these were at that stage unaffordable and would have required to be accompanied by a broader restructuring of the entitlement system. In the medium to long-term, however, we suggested that Government should introduce a block grant for education, health and social development to fund clearly defined and costed outcomes in these areas as well as undertake independent cost effectiveness and quality reviews (in both the public and private sectors) of education, health and the social wage.

With the exception of the recommendation to pilot conditional cash transfers, government accepted all the recommendations from the Commission. ***In this respect, I would wish to urge the Department of Social Development to follow through with the recommendations and ensure effective implementation of these recommendations.***

On behalf of the Financial and Fiscal Commission, I would like to thank UNICEF for partnering us in carrying out this important study, in particular in facilitating research collaboration between the our team, Unicef team and teams comprising experts from Universities of Laval, Pretoria and Stellenbosch who executed the various facets of the study. I would also wish to express my appreciation to the Department of Social Development for inviting me to make these remarks at this launch and wish you well with today's deliberations.