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'Government should administer social grants'

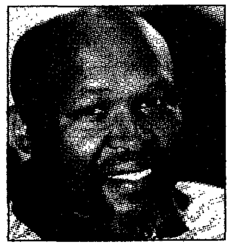
Hilary Joffe

Financial Services Editor

AN INFLUENTIAL government advisory body has proposed that central government take over the administration of social security grants currently administered by provincial governments, which are raiding their education and health budgets, among others, to support funding shortfalls.

This is one of the proposals from the Financial and Fiscal Commission, which today launches its annual review of intergovernmental fiscal relations in Parliament. The commission, which is an independent body set up in terms of the constitution, is tasked with monitoring fiscal policy to ensure government treats provinces and municipalities fairly when making budget allocations, and that the system delivers on social spending.

The commission, chaired by Murphy Morobe, must submit its



Murphy Morobe

report 10 months ahead of the national budget. The finance minister is obliged to take its proposals seriously. If he does not implement them, he must explain to Parliament why not.

There are plans to amend the constitution to cut the size of the commission's board from 19 members to nine members, to make the entity more cost-effective.

The commission's proposals on social security cash grants, a critical part of the social security net for the very poor, comes ahead of the planned creation of a national social security agency.

This agency will centralise the distribution of social grants such as state old age pensions and child support.

The commission says grants should not be reassigned to the national sphere until the agency is legally constituted and physically established. But it proposes

Continued from Page 1

that government must in the meantime take responsibility for ensuring that social security grants, whose value is set by government, are sufficient to meet demand.

The formula through which provinces are allocated money for social grants often correlates poorly with actual demand, which has been increasing rapidly, particularly with increased takeup of the child support grant.

Actual spending on social security grants by the provinces was R2,3bn higher than the formula outcome in 2000/2001 and R2,5bn higher in 2001/2002. Since provinces have little ability to raise their own funds, the result is they frequently take the money from other social services to meet their obligations to pay social security.

Both health and education expenditure are declining as a proportion of provincial budgets relative to social security, the commission notes. This is not what national policy intends, but provinces have apparently had to shift their priorities because of the fear of litigation if they do not meet their obligations, and because of the way their budgets are structured.

"Social security grants (must) be budgeted for and funded from a national level so as to avoid the crowding out of the other provincial service delivery mandates," says the commission. Though provincial budgets have fallen 1,19% in real terms over the past five years, provinces have shifted resources to enable a marginal, 0,15% increase in spending on constitutionally mandated basic services (education healthcare social assistance) over the period.

Education spending has risen 1,94%a year as resources have been shifted into basic education, but primary and secondary healthcare spending per capita has fallen 1,33% and social security spending fell 9,28% per beneficiary, mainly because much of the increased takeup is in child support grants, which are less than a third of the value of other social grants.