



*Building up knowledge
to break down Poverty*

**PASSAGE OUT OF POVERTY? INITIAL OUTCOMES OF GRADUATION PILOT
PROJECT IN SOUTH AFRICA**

**CENTRE FOR SOCIAL PROTECTION CONFERENCE: KIGALI
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OUTLINE OF PRESENTATION

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SPII: WHO WE ARE

The Studies in Poverty and Inequality Institute (SPII), a not-for-profit organisation (NPO) based in Johannesburg, South Africa.

At a glance:

SPII, projects currently being undertaken at SPII:

- South African Development Community (SADC) Basic Income Grant (BIG)
- Access to Socio-Economic Rights – Monitoring Progressive realisation of SERs
- Linking SERs and LED – Graduation Pilot Project
- Establishing a Minimum Living Level in South Africa
- Developing a Basic Needs Basket (BNB)

CONTEXTUAL BACKGROUND

- The country is characterised by rising levels of inequality, including one of the highest levels of income inequality globally and high levels of poverty.
- South Africa has a very high formal unemployment level, with a relatively low informal sector.
- In South Africa, two out of every three people live in households that receives a social grant (EPRI, 2014).
- In South Africa, social grants eradicate 65% of the country's food poverty gap while strengthening educational outcomes and improving labour market participation (EPRI, 2014).

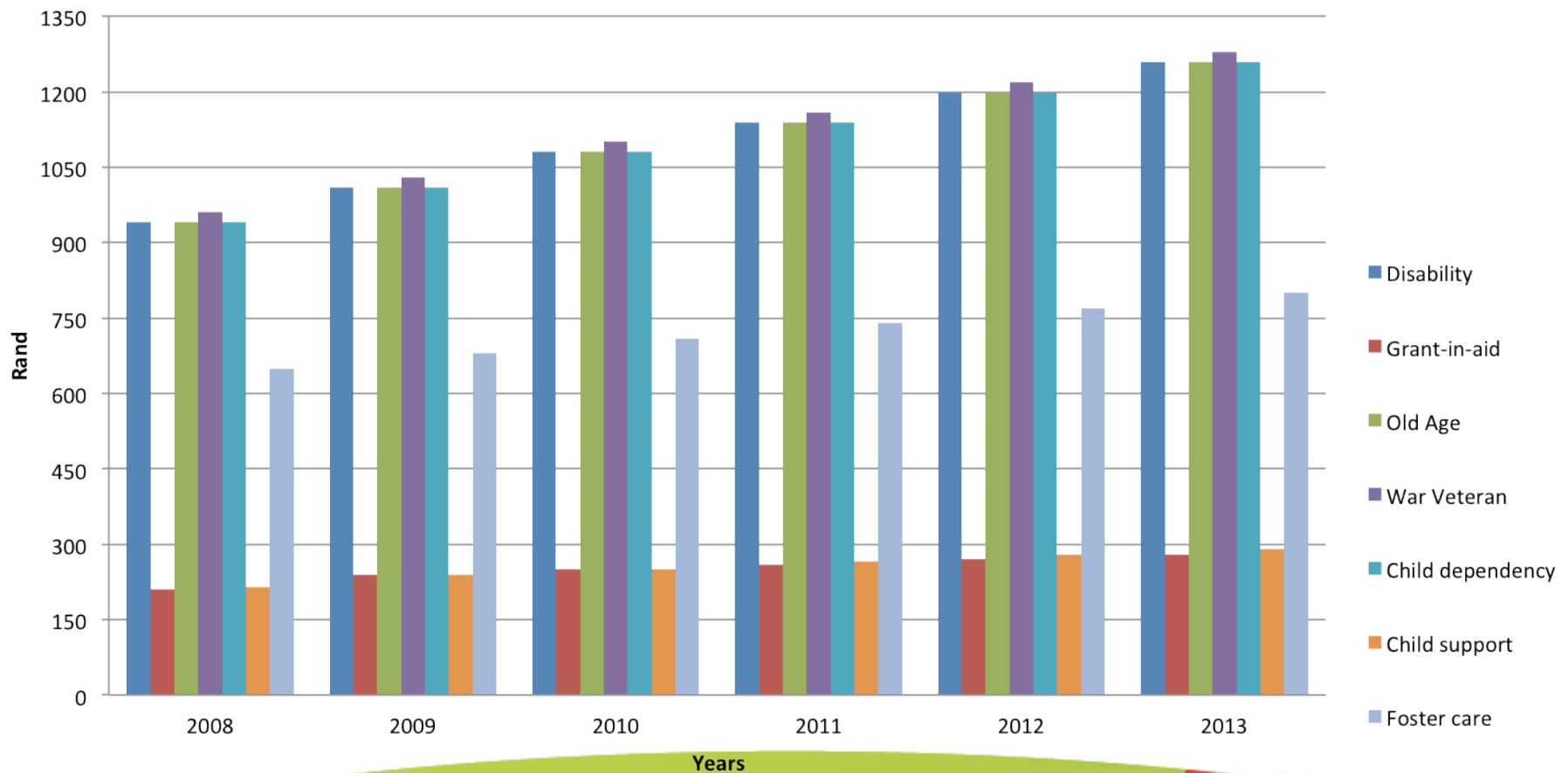
ACCESS TO SOCIAL SECURITY IN SOUTH AFRICA

- Access to social security is a justiciable right contained in the South African Constitution (Section 27(1)(c)).
- Social Security in South Africa is a two-pillar system made up of a state revenue funded social assistance programme (the redistribution through grants concept) and a contribution social insurance (the insurance concept).
- Social grants are classified into Old Age Grant (OAG), War Veterans Grant (WVG), Disability Grant (DG), Grant in Aid (GIA), Foster Child Grant (FCG), Care Dependency Grant (CDG) and Child Support Grant (CSG).
- Social Security is an important safety net that helps relieve poverty and protects against economic shocks (Liebrand et al, 2010).

SOCIAL GRANTS IN SOUTH AFRICA

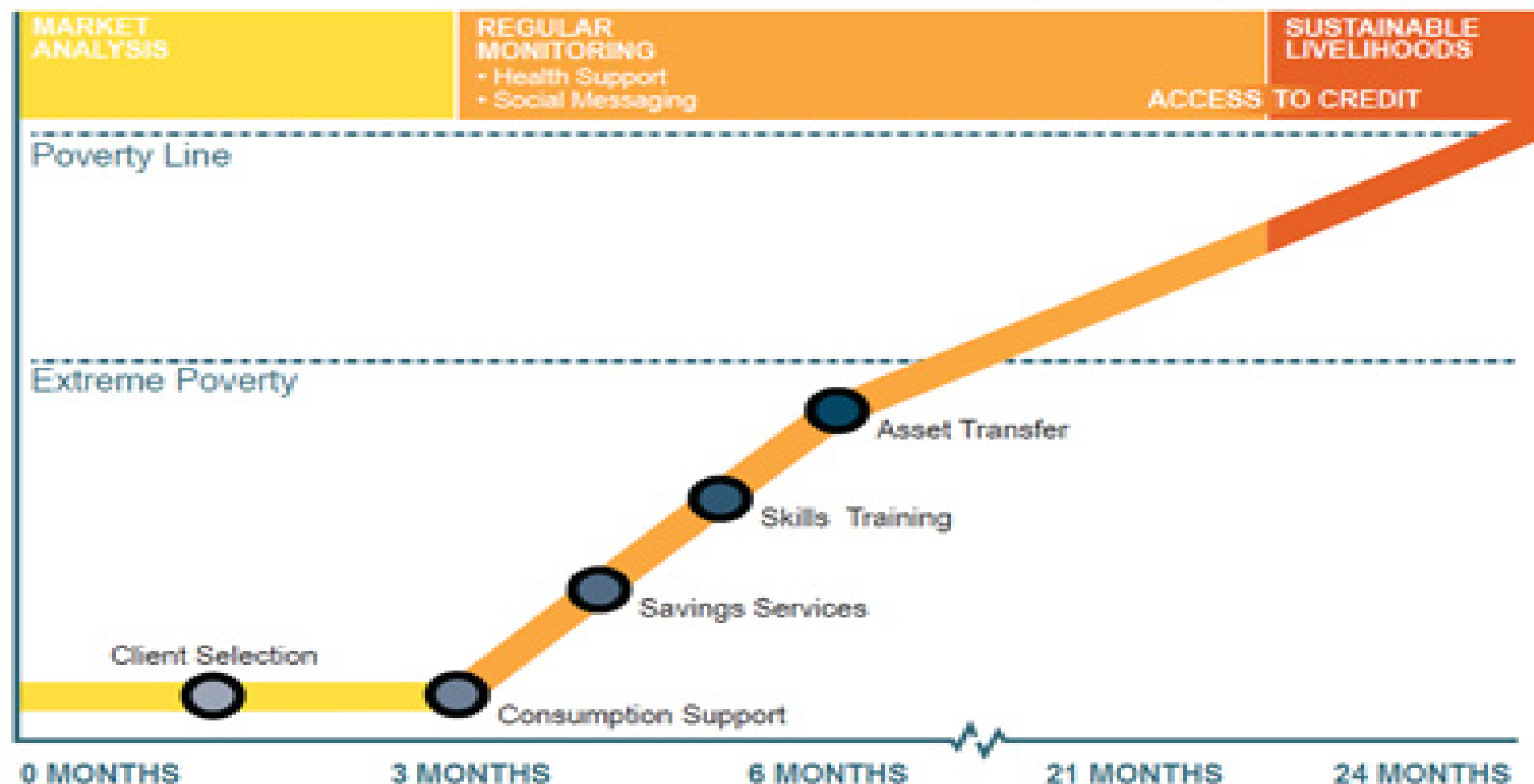
Region	GRANT TYPE							
	OAG	WVG	DG	GIA	CDG	FCG	CSG	Total
Eastern Cape	515,277	62	179,509	11,850	18,850	113,088	1,763,982	2,601,934
Free State	176,278	6	81,368	1,506	6,149	37,739	621,275	930,321
Gauteng	446,382	110	112,698	2,071	15,292	53,659	1,535,619	2,165,831
KwaZulu Natal	608,548	58	296,036	30,109	35,270	123,576	2,642,302	3,735,899
Limpopo	419,849	34	91,198	12,621	12,505	56,506	1,616,135	2,209,848
Mpumalanga	215,975	17	76,669	3,394	8,694	32,837	978,930	1,316,515
Northern Cape	76,866	13	48,389	4,600	4,563	13,728	273,919	422,078
North West	224,008	16	85,981	5,004	8,409	39,897	748,541	1,111,856
Western Cape	272,679	123	149,302	9,852	10,966	27,951	856,791	1,327,224
Total	2,955,861	439	1,121,150	81,007	120,014	498,981	11,044,494	15,821,946

VALUE OF SOCIAL GRANTS (CASH TRANSFERS): 2008-2013



BRAC GRADUATION MODEL

THE GRADUATION MODEL



BUILDING BLOCKS OF BRAC' s GRADUATION MODEL

- Targeting
- Consumption support
- Savings
- Asset transfer
- Skills transfer and regular coaching and mentoring

SOCIAL PROTECTION AND GRADUATION

- Hurda *et al* (2012) argues that it becomes difficult to sustain the achievements or impact post-graduation program is there is no link to a national security system.
- Access to a long term national security programme is crucial in sustaining the benefits of a graduation model.
- Linking graduation with social protection provides a platform to create assurance that the poor will not fall back into extreme poverty post graduation.
- Social protection serves to provide a limitation of vulnerability against unanticipated livelihood shocks and it should not be viewed as a poverty reduction mechanism but rather as a rights-based approach against those who are labour constrained with no alternative livelihood strategy.
- ‘Graduation’ should thus be seen as aiming to graduate people out of POVERTY and not out of SOCIAL PROTECTION necessarily, although it might move people from social assistance to social insurance schemes where appropriate schemes exist

SPII' S CONTEXTUAL ADAPTATION OF BRAC GRADUATION MODEL

- The SPII pilot project aims to test the concept of graduation within a peri-urban area, taking into account South Africa's political history whereby land tenure was forbidden for the black majority, leading to the decimation of the black rural peasantry over a hundred years' ago. Peri-urbanisation relates to those processes of dispersive urban growth that creates hybrid landscapes of fragmented urban and rural landscapes.
- SPII's model thus focuses on people who are already economically active but vulnerable, rather than constituting the 'ultra-poor' as with many of the other pilots globally.
- Therefore, providing a departure from other international models which focusses on land and transfers of livestock or crop- growing assets, the project focusses on the transfer **of human capital assets** through the provision of **life skills, basic financial literacy, basic business management skills, regular visits and mentoring** to people who are already involved in a micro, survivalist enterprise.

SPII'S CONTEXTUAL ADAPTATION OF BRAC GRADUATION MODEL

- With the support of the Ford Foundation, SPII has undertaken a pilot programme adapted in the South African context.
- The pilot project aims to test the concept of graduation within a peri-urban area, therefore departing from the international models.
- The project provides the transfer of human capital assets through the provision of **life skills, basic financial literacy, basic business management and weekly visits (mentoring and coaching)** to people who are already involved in a micro, survivalist enterprise.
- SPII's graduation pilot is a 24 month programme that will provide and test the efficacy of specific small, micro and survivalist enterprises support interventions on businesses with a recipient of the Child Support Grant(CSG) in the household.
- The project is based in Evaton, a peri-urban area based south of Johannesburg.

SPII' S ADAPTATION OF THE BRAC GRADUATION MODEL

- In this pilot project, SPII identifies vulnerable households that currently receive social grants and also operate survivalist enterprises in the informal economy.
- The aim is to adapt the graduation model to the South African context through programme of applied interventions, and it is envisaged that these concrete interventions will lead to greater sustainability of local economic activities for vulnerable households.
- Therefore, ensuring that future dependency on grant income as a significant source of income is reduced.
- It is envisaged that an increase in profit for a targeted enterprise will have spill-over effects at a household level, thus reverting the primary development function of the grant to its intended individual level, which is the targeted beneficiary in terms of the social assistance system, namely children, older people and people living with disabilities, thus vulnerable people with special needs who are not part of the labour market.

TARGETING

- Programme targeted small, micro and survivalist enterprises who have a recipient of the Child Support Grant in the household and already operate a small micro survivalist enterprise in the informal economy.
- A two stage approach was used to come up with the final targeted project participant.
- Firstly a non-randomised survey sample was used with a baseline survey of 400 enterprises in Evaton.
- The aim was to interrogate the linkages between the CSG and income generating economic activities in households.
- To establish the vulnerability levels of households, the survey also investigated the household dynamics taking a qualitative approach of the study.
- The sample of 400 enterprises was purposefully not randomised in order to maximise the probability of including target households who are currently undertaking economic generating activities in the informal economy and have a recipient of a Child Support Grant (CSG).
- From this sample, participants were randomised between the treatment and control groups.

INITIALS IMPRESSIONS - Savings

- Through the interventions, SPII introduced participants to formal financial sector services to save money as part of financial literacy, and it has been found that there are reluctances to use these.
- A large number of participants only used formal financial services when required to do so, like receiving a salary for instance, but not for other purposes, such as savings.
- Although there is a willingness to open a bank account, there is a huge inclination to make use of **Stockvels** for savings.
- Stockvels foster greater social interaction, and this is an avenue that has not been explored in terms of the financial inclusion agenda. There is a need to leverage on the success of *stockvels* and there is also a need to harness the lessons from *stockvels* in designing greater financial inclusion instruments/mechanisms.
- High costs of delivery of formal financial services for the marginalised, mainly in rural areas;
- What are banks in South Africa prepared to do to insure greater financial inclusion that goes beyond transactional accounts?

INITIAL IMPRESSIONS

Results from the focus group discussing about the preference between the use of formal financial banks to save and Stockvels, were recorded saying that Stockvels were much easier to be part of, easier to maintain compared to formal banks.



“ In a stockvel there isn't a lot of paper work to deal with like at a bank. When its time to get your money you get in full with no hassles or waiting periods like in banks”. Household No.147



THANK YOU!

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