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South Africa's Special COVID-19 Grant:
A Brief Assessment of Coverage and Expenditure Dynamics

Development Policy Research Unit
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I INTRODUCTION

In response to the adverse economic effects of the COVID-19 pandemic, the South African government expanded its system of social assistance through a short-term 6-month heterogeneous increase in all existing social grants. In addition though, the state introduced a special COVID-19 Social Relief of Distress (SRD) grant, set at R350 per month.

The grant was instituted initially for six months from May to October 2020.and is targeted at individuals above the age of 18, unemployed, and neither receiving any income nor any other social grant or support from the UIF.

Using pre-crisis data, Bhorat et al. (2020) estimated that up to 10 million individuals may be eligible for the grant. Together with the 8 million recipients (caregivers) and 13 million beneficiaries (children) of the Child Support Grant, and 5 million recipients of other grants, we estimated that the 'Ramaphosa COVID-19 social assistance package' had the potential to reach 36 million people, or 63 percent of the South African population.

While the top-ups to existing grants have come to an end, the COVID-19 grant has since been extended for an additional three months to January 2021.

This follows findings that the grant reached over 4 million previously unreached individuals in the space of four months (equivalent to the growth of the grants system in the last decade), and that application for and receipt of the grant has been relatively pro-poor (Köhler and Bhorat, 2020).

In this brief, we analyse aggregated administrative data provided by the National Treasury on applications, coverage, and expenditure of the COVID-19 grant over the last six months, and provide estimates on the expected coverage and cost of its 3-month extension. We disaggregate our analysis into two sections.

The first considers the 'Current' period, which covers the period May to September 2020. We exclude October from this period given that, at the time of writing, the data was not yet available.

We then consider coverage and cost implications for the 'Future' period, to account for the 3-month extension of the grant to January 2021, inclusive of October 2020.

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2 Coverage and Expenditure: May – September 2020

2.1 Current Grant Coverage

Overall, a total of 9.15 million unique applications for the COVID-19 grant were considered between May and September 2020. More than 18.5 million COVID-19 grants were distributed as of 17 October[1], indicative that several recipients received the grant more than once. Each application appears to have been reviewed on a monthly basis, with nearly 73 percent of applications (6.6 million) being made in May, decreasing to 830 000 new applications in July, and 195 000 in September.

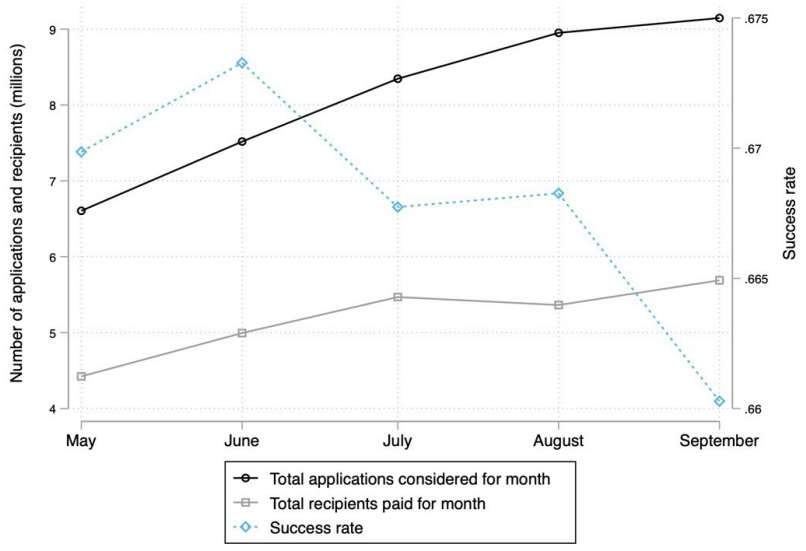
Figure 1 presents the evolution of the number of applications and recipients from May to September 2020. The total number of applications considered on a monthly basis rose by approximately 40 percent, from 6.6 million for May, to 9.2 million for September.

Approximately two in every three applications were successful over the period, with the success rate declining marginally from 67 percent in May, to 66 percent in October, indicating that the increase in demand for the grant was close to on par with an increase in applications approved. Whereas 4.4 million individuals were paid for in May, this increased to just under 5.7 million for September.

There is, however, a slight gap between the number of recipients who were approved to receive the grant and the number who received payment. For example, at the height of this disparity in August, 10.3 percent of approved applications (or about 620 000 of 6 million applications) were at the banking process bottleneck and not been paid. In September, this proportion of approved applications in the banking bottleneck decreased to 5.8 percent.

We also observe substantial variation in the number of COVID-19 grants distributed across provinces. Table 1 presents the provincial distribution of the number of COVID-19 grants from May to September 2020.

Figure 1: Applications and recipients of the COVID-19 grant, May to September 2020



Source: Authors' own calculations. Data provided by National Treasury.

Regardless of month, the highest number of grants were distributed to recipients in Gauteng and Kwazulu-Natal, collectively accounting for nearly half (44%) of all grants distributed from May to September. The lowest shares of all grants distributed were to recipients in the Northern Cape (1.9%) and the Free State (5.4%).

The highest number of grants (8.6 million) were distributed in July, but the number distributed grew substantially over

[1] As per the Department of Social Development: Source: https://twitter.com/The_DSD/status/1317367240027742213

the period (more than 3 000 percent). The Eastern Cape and Northern Cape saw the largest relative increases of 6 500 percent and 4 600 percent respectively, whereas Kwazulu-Natal saw the largest absolute increase of 742 000 grants. Of the 3.2 million more grants distributed in September relative to May, three provinces (Gauteng, Kwazulu-Natal, and Eastern Cape) accounted for about 56 percent.

Table 1: COVID-19 Grant Disbursement, by Province: May to September 2020 ('000s)

	May	Jun	Jul	Aug	Sep	Total 'Current' Coverage	Share (%)	Change (May - Sep)		Share of change
								Absolute	%	(%)
EC	6.97	381.38	1 161.06	257.5	459.91	**2 266.81**	13.5	452.94	6 497.04	14.35
FS	5.52	137.39	467.03	109.38	180.83	**900.14**	5.36	175.31	3 177.58	5.56
GP	33.87	555.63	1 931.95	454.82	626.72	**3 602.99**	21.45	592.85	1 750.29	18.79
KZN	22.68	587.9	1 926.36	453.91	764.16	**3 755.01**	22.36	741.48	3 269.31	23.5
LP	14.01	397.79	1 155.46	315.99	439.35	**2 322.60**	13.83	425.34	3 035.04	13.48
MP	6.53	227.81	717.96	185.53	278.11	**1 415.93**	8.43	271.58	4 161.73	8.61
NC	1.4	42.8	156.31	47.96	65.09	**313.56**	1.87	63.69	4 549.07	2.02
NW	5.79	176.64	565.75	156.9	233.28	**1 138.37**	6.78	227.49	3 926.09	7.21
WC	7.74	146.87	551.75	159.07	212.42	**1 077.84**	6.42	204.68	2 644.41	6.49
SA	**104.51**	**2 654.21**	**8 633.61**	**2 141.05**	**3 259.86**	**16 793.24**	**100**	**3 155.35**	**3 019.06**	**100.00**
% of total May-Sept disbursement	**0.62**	**15.81**	**51.41**	**12.75**	**19.41**	**100.00**	-	-	-	-

Authors' own calculations. Source: Data provided by National Treasury.

Unemployment serves as one key eligibility criterion of the COVID-19 grant. As one measure of targeting efficacy, we compute intra-provincial ratios calculated as the mean number of grants distributed from May to September as a proportion of the number of unemployed individuals (based on the QLFS 2020:2). We employ both the narrow and broad definitions of unemployment, considering that the latter includes discouraged work-seekers, which may be more appropriate than the narrow definition in the context of a national lockdown. These estimates are presented in Table 2.

Table 2: COVID-19 Grant Disbursements and Unemployment Levels, Within Province

	Mean number of COVID-19 grants distributed ('000s)	Unemployed (narrow) ('000s)	Unemployed (broad) ('000s)	Ratios	
				Grants:unemployed (narrow)	Grants:unemployed (broad)
EC	453	684	1 308	0.66	0.35
FS	180	215	446	0.84	0.40
GP	721	1 608	2 827	0.45	0.25
KZN	751	535	1 973	1.40	0.38
LP	465	323	999	1.44	0.46
MP	283	170	924	1.67	0.31
NC	63	86	210	0.73	0.30
NW	228	240	753	0.95	0.30
WC	216	434	819	0.50	0.26
SA	3 359	4 295	10 259	0.78	0.33

Authors' own calculations. Source: Data provided by National Treasury; QLFS 2020:2 (StatsSA). Notes: [1] Unemployment estimates weighted using relevant sampling weights. [2] Mean number of COVID-19 grants distributed calculated as the within-province mean from May to September 2020.

Our results suggest then that nationally, in the average month across the current period, about 3.4 million COVID-19 grants were distributed. Given that there were 4.3 million and 10.3 million unemployed individuals in 2020:2 by the narrow and broad definitions, respectively – we estimate that 0.78 COVID-19 grants were distributed for every unemployed individual in the country using the narrow definition, but only 0.33 grants using the broad definition.

Considering inter-provincial variation, Mpumalanga, Limpopo, and Kwazulu-Natal exhibit the largest narrow unemployment ratios. For every unemployed individual in Mpumalanga, 1.67 COVID-19 grants were distributed, followed by 1.44 grants in Limpopo and 1.40 grants in Kwazulu-Natal.

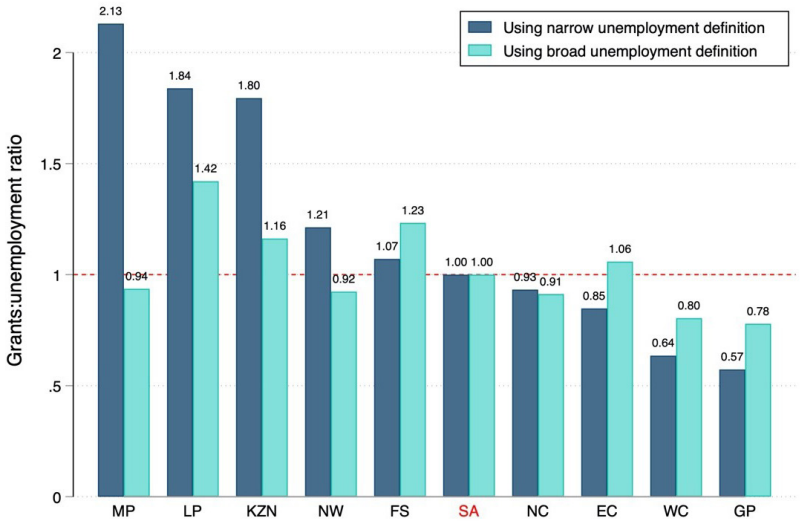
The lowest narrow unemployment ratios are observed for Gauteng (0.45) and Western Cape (0.50). On the other hand, considering the broad unemployment ratios, Limpopo, Free State, and Kwazulu-Natal exhibited the highest ratios of 0.46, 0.40, and 0.38, respectively. It is important to note that on the expanded definition, none of the provinces delivered grants in excess of the expanded unemployment numbers.

The above ratios strictly consider within-province absolute levels of COVID-19 grants and unemployment relative to one another. However, it is important to account for the fact that different provinces account for different shares of national unemployment. To this end, we estimate ratios calculated as a given province's share of the number of COVID-19

grants distributed in the average month from May to September, divided by the province's share of national unemployment (again using both definitions). These ratios are presented in Figure 2. A ratio in excess of 1 indicates that the provincial share of grants distributed nationally is larger than the provincial share of national unemployment – another indicator of cross-provincial targeting efficacy.

Using the narrow definition of unemployment then, it is clear that Mpumalanga yields the highest ratio, at 2.13, of COVID-19 grants relative to the province's share of national unemployment. Another way to think of this, is that the province is over-claiming CPVOD-19 grants relative to its share of the unemployed.

Figure 2: COVID-19 Grant and Unemployment Distributions, By Province



Authors' own calculations. Source: Data provided by National Treasury; QLFS 2020:2 (StatsSA). Notes: [1] Ratios in excess of 1 indicate that the provincial share of grants distributed is larger than the provincial share of national unemployment.

Alternatively, provinces such as the Eastern Cape, Western Cape, and Gauteng – on the narrow definition of unemployment – are potentially under-claiming relative to their share of national unemployment. Using the broad definition, however, these shares are similar, reflected by the ratio close to 1 – suggesting that the grant has been effective in targeting both active and discouraged work-seekers at the provincial level. Notably, Gauteng exhibits the smallest ratio value, regardless of unemployment definition, despite the province accounting for one of the highest shares of COVID-19 grants distributed nationally.

2.2. Current Grant Expenditure

Between May and September 2020, a total of about R5.9 billion was paid out for the COVID-19 grant. However, the distribution of expenditure by month varied widely. Table 3 presents the distribution of monthly expenditure on the COVID-19 grant by province from May to September 2020. Whereas approximately R36.6 million was spent in May, just under R1 billion was spent in June, and over R3 billion in July. In other words, whereas just 0.62 percent of total expenditure between May and September was spent in May, nearly half (43 percent) was spent in the month of July alone.

This is because, in some instances, the month in which many individuals applied for the grant did not coincide with the month they were actually paid. For instance, just 105 000 grants were distributed in May, whereas 70 percent of applications (6.6 million) were made in May, as discussed

Table 3: COVID-19 Grant Expenditure, By Province: May to September 2020 (R millions)

	May	Jun	Jul	Aug	Sep	Total 'Current' Expenditure	Share of total (%)	Change (May - Sep) Absolute	Change (May - Sep) %	Share of change (%)
EC	2.44	133.48	406.37	90.12	160.97	**793.38**	13.5	158.53	6 497.05	14.35
FS	1.93	48.09	163.46	38.28	63.29	**315.05**	5.36	61.36	3 177.58	5.56
GP	11.86	194.47	676.18	159.19	219.35	**1 261.05**	21.45	207.5	1 750.28	18.79
KZN	7.94	205.77	674.23	158.87	267.46	**1 314.25**	22.36	259.52	3 269.31	23.5
LP	4.91	139.23	404.41	110.6	153.77	**812.91**	13.83	148.87	3 035.05	13.48
MP	2.28	79.73	251.29	64.93	97.34	**495.58**	8.43	95.05	4 161.73	8.61
NC	0.49	14.98	54.71	16.79	22.78	**109.74**	1.87	22.29	4 548.98	2.02
NW	2.03	61.83	198.01	54.92	81.65	**398.43**	6.78	79.62	3 926.08	7.21
WC	2.71	51.4	193.11	55.67	74.35	**377.24**	6.42	71.64	2 644.41	6.49
SA	**36.58**	**928.97**	**3 021.77**	**749.37**	**1 140.95**	**5 877.64**	**100.00**	**1 104.37**	**3 019.06**	**100.00**
% of total May - Sept expenditure	**0.62**	**15.81**	**51.41**	**12.75**	**19.41**	**100.00**	-	-	-	-

Authors' own calculations. Source: Data provided by National Treasury.

above. This delay is likely attributable to the verification process and the general set-up costs of administering what was effectively a new national grant. Several individuals were paid for two-months' worth of grants in a single payment. For instance, 8.63 million grants were distributed in July, despite there being 5.5 million recipients for the month. This has implications for expenditure, as exhibited by the variation in spending between months.

Although the distribution of expenditure of the COVID-19 grant somewhat resembles a bell curve which aligns with the timing of the peak of the virus, the increase in uptake of the grant has varied widely by province. In relative terms, the highest increases between May and September were seen in the Eastern Cape, where R2.4 million was spent on the grant in May, but R161 million in September (equivalent to a nearly 6 500 percent increase in expenditure). The Eastern Cape is followed by the Northern Cape and Mpumalanga. However, in all months, the highest levels of expenditure were experienced in Gauteng and Kwazulu-Natal. Collectively, these two provinces accounted for nearly half (44%) of all COVID-19 grant expenditure from May to September.

3. Coverage and Expenditure: October 2020 – January 2021

3.1. Future Grant Coverage

We now consider the period covering October 2020 to January 2021, inclusive of the three-month extension of the COVID-19 grant, noting of course that this would be based on simulated data estimates. To reiterate, we include October here given that, at the time of writing, the data for the month was not yet available. As shown in Table 4, if we assume that the monthly number of grants distributed remains constant at September 2020 levels, we estimate that the extension of the grant from November 2020 to January 2021 will result in 9.8 million additional COVID-19 grants being distributed over the three-month extension period.

Table 4: Projected COVID-19 Grants Distribution, October 2020 to January 2021 ('000s)

Assumed level	Oct	Nov	Dec	Jan	Total coverage		Monthly grants per unemployed, by definition	
					3-month extension	Total 'Future'	Narrow	Broad
September 2020	3 259.86	3 259.86	3 259.86	3 259.86	9 779.58	13 039.44	0.76	0.32
September 2020 + 10%	3 585.85	3 585.85	3 585.85	3 585.85	10 757.54	14 343.38	0.83	0.35
September 2020 + 20%	3 911.83	3 911.83	3 911.83	3 911.83	11 735.50	15 647.33	0.91	0.38
September 2020 + 30%	4 237.82	4 237.82	4 237.82	4 237.82	12 713.45	16 951.27	0.99	0.41

Authors' own calculations. Source: Data provided by National Treasury; QLF 2020:2 (Stats-SA). Notes: [1] Estimates based on September 2020 level of COVID-19 grants of 3.26 million grants per month.

We also compute the national-level ratios of the mean number of grants distributed per month from October to January as a proportion of the number of unemployed individuals using both the narrow and broad definitions, based on the QLFS 2020:2 data. If the monthly number of grants distributed remains constant at September 2020 levels, and the number of unemployed remain constant at 2020:2 levels (two assumptions which are however likely to change), we estimate that for every searching unemployed individual in the country, 0.76 COVID-19 grants will be distributed per month from October to January. When discouraged work-seekers are included under the broad definition, this ratio decreases by more than 50 percent to 0.32.

If instead of this assumption of constant take-up, we rather assume the number of COVID-19 grants distributed monthly will be 10 percent, 20 percent, or 30 percent larger than September 2020 levels, we estimate that the extension of the grant will result in 10.8 million, 11.7 million, and 12.7 million grants being distributed over the three-month extension period, respectively.

Considering the ratios, we estimate that for every searching unemployed individual in the country, 0.83, 0.91, and nearly 1 (0.99) COVID-19 grant(s) will be distributed per month from October to January under the 10 percent, 20 percent, and 30 percent assumptions, respectively. Using the broad definition of unemployment, the ratio rises from 0.32 assuming a September 2020 level of take-up, to 0.41 assuming a take-up of September 2020 levels plus 30 percent. Ultimately then, it is clear that should take-up rates rise by 30 percent in the period to January 2021, the number of grants distributed will be equivalent to close to all the narrowly unemployed in the country.

3.2. Future Grant Expenditure

Considering future expenditure of the COVID-19 grant, if we assume that the monthly COVID-19 grant expenditure remains constant at September 2020 levels, we estimate that the extension of the grant from November 2020 to January 2021 will result in over R3.4 billion in additional expenditure.

If instead of this assumption of constant take-up, we rather assume the number of grants distributed monthly will be 10 percent, 20 percent, or 30 percent larger than September 2020 levels, then we estimate that the extension of the grant will result in R3.8 billion, R4.1 billion, and R4.5 billion in additional expenditure respectively, over the total future period.

Table 5: Projected Future COVID-19 Grant Expenditure, October 2020 to January 2021 (R millions)

Assumed monthly level	Oct	Nov	Dec	Jan	Total 'Future' expenditure	
					3-month extension	Total 'Future'
September 2020	1 140.95	1 140.95	1 140.95	1 140.95	3 422.85	4 563.80
September 2020 + 10%	1 255.05	1 255.05	1 255.05	1 255.05	3 765.14	5 020.18
September 2020 + 20%	1 369.14	1 369.14	1 369.14	1 369.14	4 107.42	5 476.56
September 2020 + 30%	1 483.24	1 483.24	1 483.24	1 483.24	4 449.71	5 932.94

Authors' own calculations. Source: Data provided by National Treasury.
Notes: [1] Estimates based on September 2020 level of COVID-19 grant expenditure of R1.14 billion per month.

4: COVID-19 Grant Expenditure in a Relative Context: Current and Future Periods

Assuming constant take-up at September 2020 levels, we estimate that over the whole period from May 2020 to January 2021, a total of just under 30 million COVID-19 grants would have been distributed. This is equivalent to 3.3 million grants being distributed in the average month. Using our measure of targeting efficacy, we estimate that if we assume take-up grows by 10 percent, 20 percent, or 30 percent relative to September 2020 levels, then the estimated total grows to 31.1 million – 33.7 million COVID-19 grants distributed over the period, or between 3.5 million and 3.8 million in the average month.

Table 6: Projected COVID-19 Grant Coverage, May 2020 to January 2021 ('000s)

Assumed monthly level for 'Future' period	Total May - Sept ('Current')	Total Oct - Jan ('Future')	Total coverage May-Jan	Average monthly coverage	Monthly grants per unemployed, by definition	
					Narrow	Broad
September 2020	16 793.24	13 039.44	29 832.68	3 314.74	0.77	0.32
September 2020 + 10%	16 793.24	14 343.38	31 136.62	3 459.63	0.81	0.34
September 2020 + 20%	16 793.24	15 647.33	32 440.57	3 604.51	0.84	0.35
September 2020 + 30%	16 793.24	16 951.27	33 744.51	3 749.39	0.87	0.37

Authors' own calculations. Source: Data provided by National Treasury; QLF 2020:2 (StatsSA).
Notes: [1] Estimates based on September 2020 level of COVID-19 grants of 3.26 million grants per month.

Using our measure of targeting efficacy, we estimate that for every unemployed individual in the country, 0.77 – 0.87 COVID-19 grants will have been distributed under the narrow definition, and 0.32 – 0.37 under the broad definition.

Table 7: Relative COVID-19 Grant Expenditure, May 2020 to January 2021

	May - September	October - January	Total (May 2020 – January 2021)
Total COVID-19 grant expenditure (R millions)	**5 877.60**	**4 563.80**	**10 441.44**
As % of GDP	0.126	0.098	0.223
As % of total consolidated fiscal expenditure	0.288	0.224	0.512
As % of total social assistance expenditure	2.664	2.069	4.773

Authors' own calculations. Source: Data provided by National Treasury; 2020 MTBPS (National Treasury, 2020).

To put the above COVID-19 grant expenditure values into perspective, we make comparisons to other government macroeconomic and fiscal estimates including Gross Domestic Product (GDP), total consolidated fiscal expenditure, and total social assistance expenditure. We use the latest revised spending estimates, as per National Treasury's 2020 Medium-Term Budget Policy Statement (MTBPS) presented in October, and the MTBPS forecast of a 7.8 percent contraction in real GDP for 2020 relative to 2019 levels.

Table 7 shows that the cost of the COVID-19 grants distributed between May and September was equivalent to 0.126 percent of GDP, 0.29 percent of total consolidated fiscal expenditure, and 2.7 percent of total social assistance expenditure. If these grants were distributed at the same level as in September, we estimate that for the October to January period, the distribution would cost a further 0.1 percent of GDP, 0.22 percent of total consolidated fiscal expenditure, and 2.1 percent of total social assistance expenditure.

This would bring the total COVID-19 grant expenditure from May 2020 to January 2021 to R10.4 billion, equivalent to 0.22 percent of GDP, 0.51 percent of total fiscal consolidated expenditure, and nearly 5 percent of total social assistance expenditure.

The total cost of the COVID-19 grant from May 2020 to January 2021 of R10.4 billion (0.22 percent of GDP) above is under the assumption that the level of monthly grant expenditure remains constant at September 2020 levels (3.3 million grants per month) between October 2020 and January 2021. If instead, we assume that the number of grants distributed increases by 10 percent, 20 percent, or 30 percent, we estimate the total expenditure for the May 2020 to January 2021 period to increase to 0.233 percent, 0.243 percent and 0.253 percent of GDP, respectively – as shown in Table 8.

Table 8: Relative COVID-19 Grant Expenditure: Varied Take-Up Assumptions

	Total expenditure (May 2020 - January 2021) (R millions)	Expenditure as % of GDP	Expenditure as % of total consolidated fiscal expenditure	Expenditure as % of total social assistance expenditure
September 2020 levels (Oct-Jan)	10 404.86	0.223	0.511	4.716
10% increase in level (Oct-Jan)	10 897.82	0.233	0.535	4.940
20% increase in level (Oct-Jan)	11 354.20	0.243	0.557	5.147
30% increase in level (Oct-Jan)	11 810.59	0.253	0.580	5.354
Average shifts				

Authors' own calculations. Source: Data provided by National Treasury; 2020 , and MTBPS (National Treasury, 2020).

5: Conclusion

This brief input has presented an overview on the impact of the COVID-19 grant in terms of applications, coverage and expenditures for both the current and extension periods. Between May and September 2020, a total of about R5.9 billion was paid out for the grant. Even if the COVID-19 grant was scaled up by 30 percent for the extension period, it would not exceed the R6.8 billion allocation that was announced in the 2020 Medium Term Budget Policy Statement. Our figures show that at September 2020 disbursement rates, the extension period would cost R3.4 billion. If the grant is scaled up by 30 percent, total expenditure would cost R4.4 billion, reaching an equivalent of 99 percent of the unemployed

population when using the narrow definition of unemployment, or 41 percent when using the broad definition.

South Africa – like most countries – has adopted expansionary fiscal measures to mitigate the adverse economic effects of the pandemic. Our analysis showed that if grant distribution remained constant at September 2020 levels, total expenditure for the May 2020 - January 2021 period would amount to 0.22 percent of GDP, 0.51 percent of total consolidated fiscal expenditures and 4.7 percent of total social assistance expenditure.

Though the country is facing significant debt challenges, these measures are necessary to assist in containing the spread of the virus while protecting livelihoods.

6: References

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