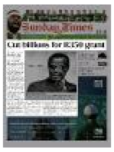

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Cut billions for R350 grant

Treasury tells ministers deep cuts are needed if state wants to keep 'Covid' grant in future

By **KHULEKANI MAGUBANE, AMANDA KHOZA and KGOTHATSO MADISA**

● The government would have to raise VAT or close dozens of state programmes to lower spending enough to allow it to continue with the R350 social relief of distress (SRD) grant beyond March next year.

This was the stark message believed to have been delivered to President Cyril Ramaphosa and his ministers at a top-level meeting with National Treasury officials at Spier Wine Farm in Stellenbosch this week.

The meeting followed the release of a Treasury memo last week warning that the government faces unprecedented revenue and spending pressures as the economy falters amid load-shedding, inflation and stagnant growth.

Adding to the pressure on the fiscus, the Treasury released figures last week showing that the budget deficit had hit R143.8bn, the largest since 2004 and greater than economists' forecasts of R115.5bn.

With elections early next year, the grant has emerged as a political hot potato for the ruling ANC. By one Treasury projection, it could cost the country R129bn a year by 2030/31.

Treasury is said to have suggested that the grant could be funded by a two percentage point increase in VAT or the ending of dozens of government initiatives. These include visible policing, the expanded public works programme, the mine health and safety inspectorate, welfare support and environmental protection, and other intervention programmes on food security and informal settlement upgrades.

While the Treasury has declined to comment on the meeting with Ramaphosa, Presidency spokesperson Vincent Magwenya this week confirmed that the meeting was held to discuss the state of the economy.

He declined to comment further.

However, earlier this week Ramaphosa hinted at the government's political dilemma and the resistance against spending cuts, saying lower spending was "not necessarily" the solution.

"What should we do? The discussion is ongoing. It is not necessarily cutting spending, it is seeing how best you focus on your key delivery areas," he said. "After considering key investment areas, you look at how you recalibrate the other spending, you reprioritise."

The government last implemented an austerity freeze in 2013 as it looked to ease out of a difficult economic situation in the wake of the global financial crisis of 2008/9.

Numerous sources in government said a presentation on proposals for changes included a 1% increase in VAT to unlock R24.5bn or a 2% VAT increase which would net the state R49.4bn for the grant.

The Treasury is said to have advised on programmes to raise R42bn for 2024/25 if the R350 grant is increased to R365 in line with inflation, or R55bn if the grant is increased to R450 a month.

It also proposed the closure of at least 118 programmes to extend the grant into the long term.

"The challenge [is] making trade-off between short-term and long-term investments and between quality and quantity. None of current programmes can absorb over 8-million people at the similar cost," a well-placed source said.

In its submission, the Treasury set out three scenarios. One entails keeping the SRD grant at R350 until 2030/31, which would cost R64bn. In the second scenario the grant would be adjusted for inflation over the same period and would cost R89bn. In the third, modelled to get closer to covering the food poverty line over the same period, would cost R129bn.

Since its introduction, the SRD grant has been extended several times despite the Treasury's reservations over its affordability.

However, there is a push from within the ANC and social justice organisations for it to not only be made permanent, but to become a springboard to a basic income grant.

Programmes the Treasury proposed for closure included realising R950m from the direct charge against the National Revenue Fund. Provincial allocations and public servants' salaries are some of the direct charges.

It also proposed terminating the department of social development's social assistance programme to save R253m; closing the police visible policing programme to save R52.1m; closing the Mine Health and Safety Inspectorate for a R233m saving; terminating the Oceans and Coasts programme for a R486m saving; and closing the Maritime Transport programme to realise a R379m saving.

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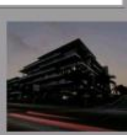
MAN OF MANY FACES

South Africans woke to the news yesterday that Prince Mangosuthu Buthelezi had died, aged 95. The veteran politician and statesman was seldom out of the political headlines for the best part of 50 years, first as prime minister of the Zulu kingdom, then as head of Inkatha locked in a low-intensity civil war with the ANC. After 1994, he was home affairs minister in the government of Nelson Mandela. See page 4 for news on his passing and read Chris Barron's magisterial obituary on page 11. Picture: James Oatway

INSIDE



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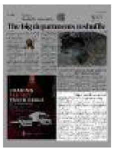
Low morale and a skills exodus Business Times



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Major sacrifices ahead if R350 grant to stay

Others earmarked for the chop include Stats SA's Statistical Support and Informatics programme for a R324m saving; civil aviation for a R314m saving; the department of social development's welfare services policy development and implementation support for a saving to the state of R312m; the department of agriculture & land affairs' food security programme for a R9m saving; and the department of housing's informal settlements support also for a R9m saving.

Organised labour was up in arms when approached for comment yesterday.

Public Servants Association's Claude Naicker said the organisation was "extremely alarmed" at the proposed cuts.

"This will eventually create much crisis and panic in the public service. The first thing that the government must do is consider discussing these proposals and cost cutting measures with organised labour so that we can make alternate proposals as to how we can rectify this situation."

Naicker said a number of government institutions including hospitals, schools and police stations are understaffed and "this is creating a crisis for those overburdened staff".

Nehawu national spokesperson Lwazi Nkolonzi said: "We cannot support such proposals as they will be to the detriment of our members, workers and the working class."

Cosatu's Matthew Parks said the federation would soon meet government leaders to explain its position on the proposed cuts.

"We will not agree to any cuts that will weaken the capacity of the state to deliver public services.

"Government previously offered early retirement and voluntary severance packages. Very few workers took them up as most can't afford to retire early and jobs in an economy with a 42% unemployment rate are very scarce ... Any proposals to offer early retirement or VSPs in that context will collapse the state's capacity to deliver public services and thus again we won't entertain such madness."

Sadtu's Mugwena Maluleke said the union is willing to engage with the government.

"There are requirements in law that the government as an employer would have to come to the public service and bargaining chamber and present data and we will engage the government at that level when there is compliance in terms of the law because there must always be a teacher in front of the class."

Saftu's Zwelinzima Vavi said the crisis is "self-inflicted".

"It's because of their own policy choices that we warned were not sustainable. Instead of changing its disastrous policies it's now launching a historic attack on the standards of living of the working class and the poor by freezing wages of public servants, freezing vacant posts, cutting budgets even in the front line service delivery areas such as health, education and security."

DA MP Dion George said when he warned that there was no money to fund the grant next year he was told that the minister of social development, Lindiwe Zulu, was developing a framework.

"There is no money in the budget for that SDR grant and the DA believes that there is enough money if the government makes the right choices. Our economy is not growing and they are busy chucking money into state-owned enterprises so the model is not working."

He said the government needs to address the big-ticket items that are draining the fiscus. However, he said proposing early retirement for older employees was not the solution.

What is positive about the conversation is "it finally has dropped and the government is now realising that we cannot fix the economy because we cannot borrow more. The government is in an enormously bad space."

Institute for Economic Justice senior policy specialist Neil Coleman warned that raising regressive taxes such as VAT and cutting essential public services hit the poorest households in South Africa the hardest. He said these actions would negate the positive impacts of improving the SRD grant.

"It would also negate the stimulus and growth impacts of expanded social protection, and all but guarantee continued deterioration in economic indicators and economic stagnation," Coleman said.

Research associate at the Social Policy Initiative Duma Gqubule said the government was well-positioned to extend the SRD grant.

"The budget has become totally not credible. Every year for the past years they have budgeted to contain the public service wage and they never meet their target. They budgeted nothing for the continuation of the SRD when they know that it is going to continue," he said.

He was confident that the SRD grant would continue to be implemented, given that the ANC was on an election campaign and Ramaphosa has been campaigning on the poverty relief ticket.

Executive director and head of research at Firstsource Money Redge Nkosi said while Ramaphosa wants to be seen to be talking to Treasury and the Reserve Bank, he will eventually have to continue paying out the grants.

"It should be clearly understood that the president is a political animal. He has a constituency to attend to that is the majority of South Africans, who are poor and African. Politically, I don't think he would want to mess with this constituency at all."

ANC spokesperson Mahlengi Bhengu-Motsiri said the governing party was awaiting a "comprehensive briefing by our deployees on these matters."

"We, like South Africans, will be irked by any tardy approach to services that affect the most destitute in our communities. We intend to summon all the relevant comrades deployed in that space to address these issues," she said.