



Publication: Business Day - Main
Title: Warning on grant cost
Publish date: 18 Sep 2023
Page: 2

Reach: 14530
AVE: R 27119.05
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Warning on grant cost

● *Treasury says relief grant could cost R130bn by 2030*

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The amount required to increase the R350 social relief of distress (SRD) grant could reach R130bn per year by 2030 should the monetary value of the grant be gradually adjusted closer to the food poverty line, according to the Treasury.

The Treasury's projection of R130bn a year by 2030 is based on an estimate of a gradual increase to R700 per SRD grant recipient over the next seven years. Should the grant's monetary value be increased to R480 by 2023, it would cost the state R89bn, while it will cost the state R65bn should the monetary value remain the same within the next seven years.

Stats SA measures the food poverty line at R663 per person per month, the lower-bound poverty line at R945 and the upper-bound poverty line at R1417.

The estimates by the Treasury are contained in a presentation to the presidency and the rest of the executive ahead of November's medium-term budget policy statement. In the presentation the Treasury proposes that the government implement a raft of measures to rein in public spending, including cutting the number of government

departments amid weakening of macro fiscal conditions.

This is as the Treasury moves to stabilise public finances amid unprecedented lower-than-estimated revenue and spending pressures stemming from high debt and stagnant growth.

However, the proposals were rejected by labour unions which met President Cyril Ramaphosa and the cabinet during its by-weekly meeting last Wednesday.

Business Day understands Ramaphosa is due to meet organised business within the next month when cost containment measures will be on the agenda.

The SRD grant was introduced at the beginning of the Covid-19 pandemic to cushion the poor against the economic effects of the lockdown. It was extended several times until March 2024 thanks to a tax windfall from mining companies that allowed finance minister Enoch Godongwana to pay down debt and provide personal tax relief in 2022.

But the government has gradually made the requirements for applicants more stringent, thereby decreasing the number of beneficiaries.

The SRD was initially intended for unemployed adults and later to adults with little or no

income. The Treasury allocated an extra R36bn to the SRD grant in the 2023/24 fiscal year. Civil society groups and social development minister Lindiwe Zulu have been clamouring for the introduction of a basic income grant and the Treasury has been considering the possibilities.

Should the grant be extended by an additional year beyond March 2024 at its current monetary value, the Treasury estimates that it would cost the state R46.6bn in 2025/26 and R52.7bn in 2026/27.

"Sassa [SA Social Security Agency] will also require R407m in 2024/25, R426m in 2025/26 and R445m in 2026/27 for the grant administration," the presentation reads.

To fund the extension by a year, the Treasury proposes the closure of IIS government programmes including the expanded public works programme and the mine health and safety inspectorate. Another proposal to fund the continuation of the grant is the hiking of VAT by two percentage points.

A VAT increase to 16% or 17% could be somewhat inflationary in the short run, but could raise about R24.5bn or R49.4bn, respectively. Due to its regressive nature, raising VAT will have a negative effect on inequality unless compensated



Extension of social grant:

The R350 social relief of distress (SRD) grant was introduced at the beginning of the Covid-19 pandemic to cushion the poor against the economic effects of the lockdown. /SA government via X (formerly Twitter)

for through expenditure programmes (social grants, etc), the Treasury says.

In response to the proposed tax hikes to fund the extension of the R350 grant, lobby group The Universal Basic Income Coalition said it would deepen SA's inequality crisis.

"Extending the SRD beyond March 2024, and increasing both the SRD and CSG [care dependency grant] grants to the food poverty line (now R760) is the absolute bare minimum ... [and] hurts the poorest households the most, as does cutting essential public services.

"These actions would negate the positive impacts of extending and increasing social grants. The government would be giving with one hand and taking away with the other," the group said in a statement.

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