



SUPPLEMENTARY BUDGET ANALYSIS – 1 JULY 2020

THE NEW BUDGET BETRAYS THE PRESIDENT'S R500 BILLION COVID-19 RESCUE PACKAGE

On Wednesday 24 June the Minister of Finance tabled a Supplementary Budget, the purpose of which was to give effect to emergency COVID-19 expenditure.

The Budget reneges on President Cyril Ramaphosa's seven-prong R500 billion rescue package announced on 21 April 2020. The failure to implement the rescue package undermines the constitutional obligation to progressively advance the rights of all.

Instead of R500 billion, the Budget presents a net increase to non-interest spending in the current year of just R36 billion or less than 1% of GDP. This is because, of the R145 billion targeted at COVID-19-related expenditure, R109 billion is funded through the suspension of baseline allocations and reprioritisations. On top of large spending cuts announced in October 2019, this Budget plans a further R230 billion reduction to spending over the next two years.





WHAT WAS PROMISED



WHAT WE ACTUALLY GOT



WHERE IT'S COMING FROM



ANALYSIS



WHAT WE REALLY NEED



1. Social security

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| <p>R50 billion towards new and existing grants.</p> | <p>Cut to R41 billion</p> | <p>Only R25 billion in new spend. Rest from reallocations.</p> | <ul style="list-style-type: none"> • Child support grant only given to caregivers, not each child. • Initial projection of those eligible for the COVID-19 R350 grant was 10-15 million (SALDRU), with Treasury reporting a maximum of 8 million eligible. Only 1.5 million grants have been paid according to the Budget. More than half of applicants have been rejected. SASSA admits that many of these rejections were in error. | <ul style="list-style-type: none"> • Increase to at least the initial R50bn. • Additional funds to increase the R350 COVID-19 grant, and simpler implementation with less exclusionary qualifying criteria. • Additional funds for child support grant increases of at least R500 per child. • A plan to implement a universal basic income grant from October 2020. |
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2. Job protection and creation

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| <p>R100 billion to job protection and creation schemes.</p> | <p>Cut to R6 billion in 2020/21.</p> | <p>Largely from budget reprioritisation, including from existing funding related to small business support and unemployment reduction.</p> | <p>Only 6% of fund actually allocated. Little detail on how the scheme will work.</p> | <ul style="list-style-type: none"> • Fiscal stimulus with large job creation programme. |
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3. Health

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| <p>R20 billion</p> | <p>Only R2.9 billion in new funds out of R21.5 billion allocated.</p> | <p>Mostly from reprioritisation of existing spending on essential social services.</p> | <p>Bed capacity of approximately 27,000 is important achievement but there is no indication as to the extent of ICU bed increases, no allocation toward providing low-income/rural/informal areas with the appropriate PPE, no mention of increasing the capacity of testing laboratories, and no detail given on expenditure items thus far.</p> | <ul style="list-style-type: none"> • Clarity on the funding of this expenditure and costs of each item. • Increased testing and screening capacity. • Provision of PPE to vulnerable areas. • Increased expenditure on infrastructure to develop long-run health capacity. • Use of private-sector capacity. |
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4. Wage support (TERS)

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| <p>R40 billion to pay wages to avoid job and income loss</p> | <p>No indication of changes.</p> | <p>Unemployment Insurance Fund surpluses, so not drawn from fiscus.</p> | <ul style="list-style-type: none"> • National Treasury says: R23bn spent to support 4.7 million workers. • Department of Employment and Labour says: R23.8bn had been spent to support 3.66 million workers. • Either way, less than 30% of the workforce has been supported with 60% of the budget used. | <ul style="list-style-type: none"> • Increased budget. • Clarity on implementation. • Extension of scheme beyond original three months. • Increased allocations per worker. • More effective administration. • Strategy to increase uptake and access. |
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5. Municipalities

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| <p>R20 billion to support municipalities in providing proper water and sanitation, sanitary public transport, food provision, and accommodation for the homeless.</p> | <p>Allocation remains.</p> | <p>R11 billion increase in local government funding, and R9bn reprioritisation of existing municipal budget expenditure.</p> | <p>Little indication of the efficiency nor the amounts used thus far.</p> | <ul style="list-style-type: none"> • Revenue model should be revised to ensure adequate funding of poor municipalities. • Capacity building programmes should begin immediately. • An assessment of expected municipal revenue shortfalls and a plugging of the gaps. |
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6. Tax relief

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| <p>R70 billion in tax deferments were expected.</p> | <p>Thus far a tax shortfall of R26 billion is reported, unclear what portion of this is tax relief.</p> | | <p>Businesses, particularly SMMEs, have struggled to access these programmes.</p> | <ul style="list-style-type: none"> • Simplify systems and make more accessible. • Apply tax (and other payment) relief measures to households. |
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7. Credit guarantee scheme

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| <p>R200 billion</p> | <p>Remains in place. Only R10 billion has been accessed.</p> | <p>Guaranteed by National Treasury.</p> | <p>Slow uptake. Limited access. Positive amendments are being made.</p> | <ul style="list-style-type: none"> • Revisions to T&Cs to encourage uptake. • Increase the accuracy and frequency of loan disbursement reporting. • Outreach strategy to promote access. • Establishment of a complementary bailout fund. |
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As COVID-19 infections increase, additional spending will be more crucial than ever