
MEMO ON TREASURY AND PRESIDENCY PROPOSALS TO REPLACE THE SRD GRANT

7 SEPTEMBER 2022

ATTENTION:

- PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA
President Cyril Ramaphosa,
Per email: Roshene@presidency.gov.za; presidentrsa@presidency.gov.za;
 - THE MINISTER OF SOCIAL DEVELOPMENT
Minister Lindiwe Zulu
Care of: Ms Zama Kumalo; Ms Monica Zabo; Ms Lumka Olifant
By email: ZamaK@dsd.gov.za; MonicaZ@dsd.gov.za; LumkaO@dsd.gov.za
 - THE MINISTER OF FINANCE
Minister Enoch Godongwana
Care of: Mary Marumo
By email: mary.marumo@treasury.gov.za; minreg@treasury.gov.za
-



Proposals to replace the SRD grant with a jobseekers, caregivers, and/or household grant will exclude millions of the poor, and are regressive, unworkable and unconstitutional

IEJ Memo on National Treasury and Presidency proposals

September 2022

1. Background

Both Presidency and National Treasury (NT) have produced documents on the future of the R350 SRD grant which expires in March 2023. The proposals are possibly intended for incorporation into the MTBPS in October 2022. Significantly, timelines in the Presidency document indicate the intention to finalise the proposals by 9 September 2022. There are connections between proposals by the two departments, but the documents are substantially different. In this memo we evaluate the various proposals made, with a focus on the NT's as these appear to be in response to the options offered by Presidency.

NT's August PowerPoint ("Consideration when deciding on the future of the R350 Grant") contains proposals to partially replace the SRD R350 grant with a jobseekers grant or household grant for some, possibly in combination with a truncated version of a caregivers' grant, while excluding other poor persons entirely. This appears to be adapting a 2021 proposal made by the World Bank (WB) for replacing the SRD grant, with a jobseekers grant only aimed at active jobseekers (the WB proposal is that this would go to around 3.8 million beneficiaries at R350). The Treasury document is opaque, and convoluted in terms of what it is exactly proposing, but it follows a similar logic of narrowing the grant beneficiaries, and linking it to work-seeking conditionalities. It also contains extensive argumentation around why a continuation of a SRD grant, or variations, are 'unaffordable'.

Presidency's paper drafted in July ("Putting SA to Work") also focuses on the possible extension of, or alternatives to, the SRD grant. The Presidency document has, on the whole, a much more realistic appraisal of various options, and associated challenges. It also takes a more detailed and thoughtful approach to wider issues, these aspects include: acknowledgement of the international evidence on the developmental value of grants, that they assist people into the labour market, promote economic activity, etc.; that the country needs immediate high-impact interventions which address the crisis of poverty, and that employment strategies will have an impact over the medium term; the need to improve and extend public works; and so on. The logic of these elements, however, needs to be consolidated, extended, and better integrated into the proposed policies. For example, the policies do not follow through on the complementarity between grants and jobs. The Presidency document, therefore, also includes some problematic proposals, including the jobseekers' grant.

Note: context includes the fact that Presidency has reneged on commitments made in April 2022 to meet with the civil society coalition in preparation for a planned follow-up meeting with the President by the end June 2022. Indications are that these proposals have been developed over the last several months, and that the decision not to engage civil society was deliberate.

2. Overall assessment

As with last year's (rejected) proposals to replace the SRD with a household or family grant, NT's proposals are mainly aimed to preempt the possibility of a basic income being institutionalised in the form of an extended and transformed SRD grant. This is despite the success of the SRD grant in combating the worst forms of hunger and poverty, at least until March this year, and the fact that the governing party has resolved not only to extend and improve the SRD grant, but also to introduce universal basic income (see below).

NT's document is incoherent and riddled with inconsistencies, and fails to make any logical case for the changes it is proposing, other than to cut back the costs of whatever scheme is implemented. It has no assessment of its workability, nor its impact on the population whose lives the proposals are meant to improve.

The document is framed by an exclusive focus on unemployment.

- **While unemployment is a national crisis that requires urgent addressing, the primary job of basic income is to combat poverty and hunger.**
- **Neither document looks seriously at promoting basic income as an instrument to assist with livelihoods** despite the stated intention of using grants as a lever to improve labour market outcomes (misguided as this strategy is in many respects), for example, through raising the level of the grant [to increase its positive demand impact and catalyse communities to set up businesses.](#)

The NT proposal's use excessive targeting as a manner of reducing eligibility to contain numbers, thereby excluding those most in need and making the grant unimplementable. Apparent ignorance of the harm of this approach is surprising in the light of the massive exclusion errors the SRD grant is currently experiencing, directly as a result of the conditionalities put in place since April 2022.

- **Targeting grants at employment** is not only unrealistic, given the realities of our labour market, and the trajectory of unemployment, it also results in putting in place all sorts of conditionalities which prejudice the very poor that grants are supposed to assist, for example by proposals to exclude discouraged work seekers from the jobseekers' grant.
- **The schemes proposed are extremely complex,** making implementability a severe obstacle.
- **The proposal fails to consider the administrative and systemic changes** that would be required (although the Presidency document is far more thoughtful in this regard).
- **The proposals ignore the extensive research by civil society organisations, for example, on the problems with grant conditionality, and disregard the recent resolutions of the governing party's Policy Conference proposals.** The latter opposed means testing, and proposed that support for jobseekers, informal workers, etc. needs to be additional instruments on top of a universal grant (see below and attached).

In all these regards the poorest would be worst affected, with the proposals unconstitutional and regressive, arbitrarily excluding many who previously received social protection.

In addition:

- **The financing estimates in the NT document lack credibility**, ignore the large tax surplus accrued since 2020, exclude progressive tax options, and both documents focus on gross not net costs.
- **The data used is questionable**, for example, on SRD beneficiaries where NT uses a WB paper relying on outdated NIDS-CRAM data, rather than SASSA and other recently available data.

3. What is being proposed and assessment of each proposal

As indicated above, the NT presentation is opaque, and does not present its proposals in any coherent way, possibly because it is wary of its proposals being rejected outright. We summarise each of the proposals to the extent possible, and make an assessment of their implications. The Presidency's document has a range of other proposals which are dealt with in brief thereafter.

NT proposes a selection, or potential combination, of four grants that would only go to limited sub-groups of those currently receiving the SRD grant:

- The SRD grant;
- A jobseekers' grant;
- A household grant; and
- A caregivers' grant.

In addition, NT proposed various 'add-ons' – presumably to make up for the obvious gaps in the original proposals – in the form of:

- Social insurance;
- Skills development; and
- Informal sector / economic support

Treasury segments 10.6 million SRD beneficiaries into three categories along the lines used by the World Bank report (see Table 1 below):

- Group 1: Extreme Poor with multiple constraints (4.6 million or 44%)
- Group 2: Poor with some constraints (4.1 million or 38%)
- Group 3: Less Poor with fewer constraints (1.9 million or 18%)

Table 1 Three groups of SRD beneficiaries used by NT

All 10.6 million Covid SRD R350 beneficiaries			
	Extreme poor/multiple constraints	Poor/some constraints	Less Poor/fewer constraints
Poverty Status of beneficiaries	Below the food poverty line (proxied by reporting "hunger/no food" in the NIDS-CRAM)	Poor (but not food poor)	Not poor, some employed (proxied by reporting >matric in NIDS-CRAM)
Appr. number of people	Around 4.6 million (44%)	Around 4.1 million (38%)	Around 1.9 million (18%)
Job readiness of beneficiaries	Cannot work due to too many constraints (less than a matric, live far from economic centers, multiple social constraints, trauma, other constraints that make work difficult)	Can work if assisted in managing constraints and job are available (some social constraints, living in townships, matric completed, some ability to work)	Work ready, need access to jobs (matric+, job networks, more developed socio-emotional skills, some assets)
Current (likely) Social Assistance receipt by the household	-----SRD R350 grant ----- ----- Child Support Grant -----		

It is left unspecified how it is functionally determined (in the administration of the programmes) which of the three categories one falls into. Is it on the basis of a means test *over and above* the various restrictive requirements of the grant you are then eligible for?

The two NT options are copied from their slides below.

Table 2: National Treasury Option 1: "Efficiency package"

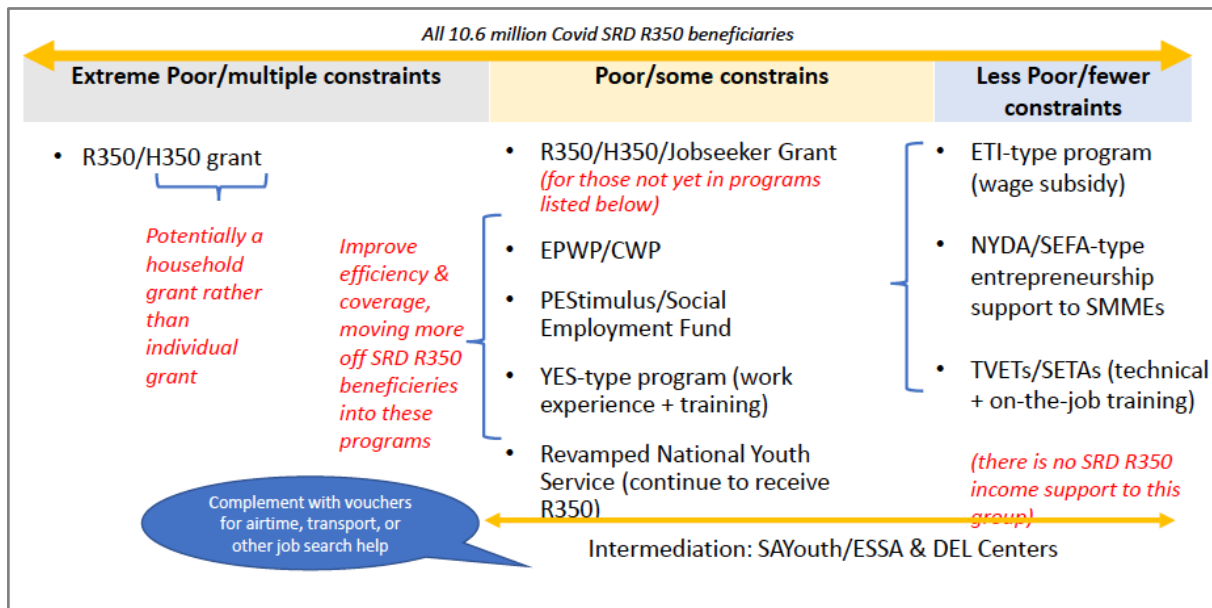
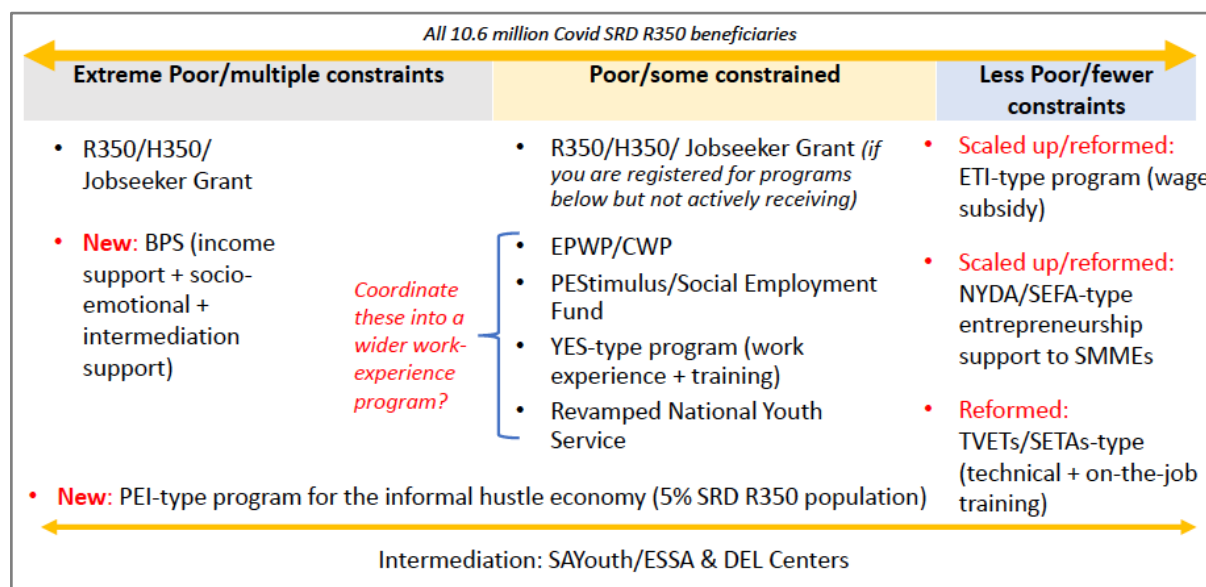


Table 3 National Treasury Option 2: “Enhanced activation package”



Our understanding of these proposals is as follows.

In option 1:

- The first group of 4.6 million – extreme poor – receive either the SRD or household grant (with NT preferring the latter) on the basis that ‘they cannot work due to too many constraints’.
- The middle group (consisting of 4.1 million beneficiaries) get the jobseekers’ grant, if they cannot be absorbed by public works programmes, or private sector incentivised schemes. This is close to the 3.8 million active workseekers that the World Bank report suggests would get the jobseekers’ grant.
- The third group of 1.9 million – so-called ‘less poor’ - receive no grant.
- This is complemented by vague reference to proposed vouchers, transport or other job search help, and intermediation via proposed employment centres, for the latter two groups.

In option 2:

- The extreme poor might get a SRD, household, or jobseekers’ grant, but the proposal is vague on this.
- The middle group would get the jobseekers’ grant, but *only if* they had registered for various jobs programmes, but were not yet ‘actively receiving’ those. For this group, the distinction (if any) between ‘not yet in programs’ listed (option 1) and ‘registered for programs below but not actively receiving’ (option 2) is never explain.
- The less poor would also not get any grant.
- This is complemented by unexplained reference to a proposed new PEI-type program for ‘informal hustle economy’ (whatever that means), and intermediation via proposed employment centres.

In addition, the NT proposes a introducing a ‘caregivers grant’ although it is unclear how this fits within the two options above. This is directed towards those that ‘cant [sic] reasonably direct to work [sic] – e.g. looking after infants’.

The caregivers’ grant is proposed as an odd sort of compromise on the basis that, although a BIG or a permanent SRD grant is the preferred option for the Department of Social Development (DSD), a jobseekers’ grant combined with caregiver grant ‘might be an acceptable compromise’ for DSD, given

that 'DSD has historically done work and made proposals on Job seeker grants and Care giver grants'. NT states that 'having both job seeker and care giver (grants) deals with fact that some cannot work e.g caring for children <1-2 years'.

It is also worth noting here that:

- **NT is trying to reintroduce the household grant** which they had previously tried to introduce to replace the SRD grant, despite this having been rejected by government and the President himself.
- **The description of the third group by NT differs significantly from that used in the Presidency document** - while the former describes them as 'not poor, with some employed' (bizarrely based on the 'proxy' that they have matric, despite the fact that employment would have disqualified them from receiving the grant!), the Presidency document describes them as poor, and proposes that they (as well as the other two groups) should be able to access the R350 grant (see slide 18).

3.1 Assessment of jobseekers' grant

The jobseekers grant relies on three fault premises:

1. **That employment is available and we solve the issue of unemployment through facilitating job search – this is fantasy.** Unemployment in South Africa is structural and while assistance to seek for a job is valuable, it will only marginally help to reduce unemployment and do little to stave off hunger and poverty, the actual purpose of social grants.
2. **That we should divide the poor into those 'undeserving' (who don't bother to look for work) and the 'deserving' (who do).** This is moralistic nonsense that fails to appreciate reasons why people may (or may not) be actively job seeking.
3. **That we should prefer a grant underpinned by job-seeking behaviour because other grant modalities discourage people from entering the labour market and create 'dependence'.** There is no evidence that giving people a grant discourages them from entering the labour market. If anything, [the South African and international evidence shows the opposite](#) (as acknowledged in the Presidency document).

The proposal also has a number of unintended (or intended?) consequences:

- **Combining a jobseekers' grant (for the middle group) with a household grant for the poorest (first group), as appears to be NT preferred options, provides more limited income support for the neediest.** This is because while the jobseekers grant would be individual, the household grant is spread across a household. Excluding from the jobseekers grant those not be actively seeking work also risks excluding those in the greatest need of income support;
- **Setting up a plethora of administrative requirements and conditionalities,** that is both expensive and cumbersome (or impossible) to administer, and results in the exclusion of even those who want to find work, but battle to navigate the administrative hurdles. This danger of conditionalities excluding people *en masse* has clearly been witnessed with the current iteration of the SRD grant. The requirements of a jobseekers' grant would be even more difficult to navigate. These challenges include:
 - How would you prove, as the World Bank proposal which inspired NT requires, that you are actively looking for work? If it is through the simple act of placing your name on a workseekers' register as a condition for the grant, *then all 12 million* of the unemployed should be able to qualify - contrary to Treasury's model that only the 4.1 million in their 'middle group' are regarded as suitable beneficiaries. How would this arbitrary and discriminatory targeting be implemented? Even if such targeting could be implemented, it would be regressive, discriminatory, and in all probability unconstitutional.

- If the proposal is to limit those applicable to those registered with various public employment schemes then the administrative challenges multiple, including as Presidency notes, the challenge of linking up with municipalities and other government department databases.
- Presidency also notes the large exclusion errors that are likely to result from work seeking tests, particularly for the informal sector, and the likelihood of these resulting in adverse audit findings.
- If income support, as demonstrated by the evidence, assists people into the labour market, a jobseekers grant that excludes a host of people, would perversely have the effect of actually *inhibiting* both work-seeking activity, as well as self-employment and the setting up of informal economic activity and small businesses.

One Presidency option suggests that *all unemployed* should be placed on a jobseekers register. Although this is simpler than NT's proposal, this only serves to add a layer of bureaucracy to the current system, which is already unwieldy, and has a host of unintended exclusion errors. In Presidency's own assessment – see the 'Weighing the Options' table in Appendix – the requirements they would place, including updating jobseekers' profiles on a regular basis etc., would create a 'medium' to 'high' administrative burden (as opposed to the broad-based SRD grant which has low implications for administrative complexity). This administrative burden would be 'extremely high' if NT's narrower targeting was adopted. But any of these scenarios are unnecessary and burdensome.

Contrary to the proposal that a jobseekers grant substitute for basic income, the ANC Policy Conference resolution proposes that *on top of a Universal Basic Income Grant*, there should be an *additional grant* for jobseekers and to support other forms of economic activity: 'people may apply for a *second type of income support* to recognise their social investment as care workers, to support their working capital as micro entrepreneurs, or to support their activities as active job seekers... this economic empowerment grant should be indexed to the Lower Bound Poverty Line on introduction' (emphasis added). This is interesting because it recognises the costs of looking for work, of unpaid care work, or setting up small businesses; and distinguishes the purposes of this support from basic income support which is supposed to combat poverty. Nevertheless, the introduction of such a grant would have its own administrative challenges.

3.2 Assessment of household grant

Following a [comprehensive critique](#) by the civil society coalition of proposals for introduction of a household grant, the proposal was withdrawn. Now, NT proposes to 'possibly' reintroduce the household grant proposal through the back door, for the group of 'extreme poor with multiple constraints' who it deems to be unsuitable for the jobseekers' grant. A household grant by its nature goes to far fewer individuals, as only one grant is allocated per household.

This reintroduction is despite the fact that concerns raised previously by civil society show that this is a bad, regressive, and unimplementable idea. Key concerns raised include:

- **A grant targeted only at household heads, not household members, is anti-poor**, as it will radically reduce the number of beneficiaries, and lessens the poverty-reducing impact of households pooling a number of individual grants;
- **Those in the 'extreme poor' category would be worse off than those in the 'poor' category** as the former would split one household grant between a household and the latter would get a jobseekers grant for each individual.
- **There is not a single, clear definition of a 'household' or 'family' in South Africa.** Households are fluid and porous in nature.

- **It will have a devastating effect on women and children**, with the potential to deepen dependency of household members on the ‘head of the household’, and worsen gender power imbalances, and GBV.
- **It will cause multiple administrative inefficiencies.**
- **It does not directly account for household conditions or number of dependents**, and will be skewed against women-headed households carrying heavier burdens and/or higher number of dependents.
- **It would be administratively impossible to implement effectively**, confronting challenges of informal dwellings, proof of residence, and so on, with no usable database or household registry required for roll-out of such a scheme. Research done for NT on the family grant concluded it was not feasible.
- **It is prima facie unconstitutional** as it will remove the SRD grants from so many people currently receiving it, a regression on the constitutional obligation to progressively realise the right to social security for all.

3.3 Assessment of caregivers’ grant

The NT document notes different potential variations of a caregivers’ grant - stating there are ‘different views on which caregivers should be included, for example, for those with children up to age 2 or 18’. These radically alter the scope of the grant – there are approximately 7 million caregivers overall, 4 million who receive the SRD Grant and 1.5 million with children under 2 and in late pregnancy.

The NT position is once again determined by the desire to exclude as many caregivers as possible.

- Given that the existing situation is that caregivers of *all* children qualify to receive the SRD grant, it is revealing that NT floats the idea that it should be limited to 1.5 million women with children under two, or in late pregnancy. In view of NT’s open position that the numbers of grant beneficiaries needs to be reduced, it is likely that they will push for this option. If, as is probable, that this is the case, NT’s notion of a *combined* caregivers’ grant and jobseekers’ grant could well be restricted to around 5.5 million beneficiaries, around half of the SRD beneficiaries in March 2022.
- The logic of a truncated caregivers’ grant in the NT proposal is to only give support to those who can’t work because of their caregiver responsibilities. Thus they float the notion of caregivers in late pregnancy and those looking after infants younger than two. For those who ‘are able to look for work’ all the weaknesses of the jobseekers’ approach (discussed above) are brought to bear.

Care work as we have seen so powerfully in the COVID-period, is inherently valuable, and should be supported regardless, not circumscribed with multiple conditions. This is particularly true in situations where carers are battling to support dependents in dire economic circumstances. Removing income support from caregivers – by excluding those with older children currently receiving the SRD grant – has dire implications for the household, for children, and society at large. If most caregivers no longer qualify for a grant (if the grant is limited to those with children below two) it could force them into low-paid exploitative work, or even illegal activities, while not removing their burden of caring. See, for example, reports of children being [forced into prostitution](#) because of the non-delivery of the SRD grants since April.

From an administrative point of view, Treasury’s proposals again create further complexities in determining who is a caregiver, given the range of caring relationships in our society.

Leaving aside the dubious assumption that Treasury has the competence or mandate to design social protection policy, DSD had compelling reasons for combining the caregivers and SRD grant and is unlikely to support their fragmentation in this manner. This is underscored when one analyses the logic of NT's proposals for a caregivers' grant.

3.4 Assessment of add-ons

NT doesn't seem confident in the effectiveness of the jobseekers' grant, and concedes 'it is difficult to reach all (who are) needy through job seeker grants' (slide 8 NT presentation). Therefore they propose a seemingly random set of 'add-ons' such as UIF 'continuation grant' for over-40s; skills interventions; and support for the informal sector. Presumably the caregivers' grant for women with children younger than two is another such add-on category.

If it is 'difficult to reach all (who are) needy through job seeker grants' this will be remedied by appropriate design of basic income support that is simple, equitable, and accessible to those who need it. This is not logically remedied by the creation of an exclusionary grant plus 'add-ons' that don't assist those who have been excluded, of dubious design or effectiveness, and which only puts extra pressure on the state by introducing unnecessary complexities. To the extent that these are (potential useful) programmes (like support for the informal sector) that happen outside the social grants system, this is a separate matter, and should complement basic income support, not replace it.

In addition, Treasury's notion of extending skills programmes, labour market activation measures, and so on, only to those they deem likely to work (as opposed to those who 'cannot work due to too many constraints') is doubly exclusionary, and arbitrary.

Similarly, the Presidency document proposes: 'Various forms of support targeted at grant recipients, including opportunities for skills training (through SETAs), counselling, job search and matching to opportunities'. Again while this seems reasonable and laudable on paper, questions need to be asked about whether this only applies to a certain grouping, and whether this approach is effective in practice.

Government needs to assess the effectiveness of existing labour market activation programmes, the feasibility of extending these to millions of social grant recipients, and the danger of ploughing massive resources into programmes that are unlikely to achieve their intended objective, if the main rationale for embarking on this exercise is to make receipt of grants conditional on job search. A recent [article](#) in Business Day questions whether these programmes are in fact effective given current economic realities.

3.5 Presidency's additional targeting proposal

As noted, the Presidency document tackles the future of the SRD grant in a far more sophisticated and evidence-based manner. It includes the option of extending the SRD grant using the existing approach of income means testing – although with both the grant quantum and means test levels being unreasonably low. However, it includes a number of other possible 'targeting mechanisms' that are unworkable and/or discriminatory.

In addition to those discussed above, these are:

- **A spousal means test means that applicants would only qualify if the *combined income of both partners was less than the food poverty line!*** Having increased the income threshold for the SRD grant from R350 to R624 because this extremely low threshold was excluding so many applicants, it is now in effect proposed to reduce this threshold for those with partners,

which will exclude a large number of applicants. Presidency notes this will have ‘Huge unintended impact on female-headed households or single parents, who cannot afford to get divorced or whose spouses have abandoned them.’ As it is, the income threshold remains far too low at R624, excluding millions of people living in poverty with income between R624 and the Upper Bound Poverty Line. It is also inconsistent with the threshold used for the Child Support Grant, which is set at R4,800 for a caregiver (or double that in the case of a caregiver with a partner).

- **Utilising airtime purchases rather than income to bank accounts as the manner through which the means test is administered.** This is a bizarre proposal that would be cumbersome and costly to implement and discriminate against those in desperate circumstances who receive airtime from family or friends.
- **Utilising insurance policy purchases as the means test** would be similarly cumbersome and disincentive people to take out insurance products.
- **Utilising the SARS and UIF database as employment tests.** The UIF database has been shown to be unreliable and the SARS databases partial.

Interestingly, the Presidency also notes problems with the existing means tests conducted by assessing whether income in bank accounts exceed the means test amount. These include moving people out of the formal banking system, undermining digitalisation of G2P efforts, and promoting cash and hidden economies.

3.6 Note on Public Works

Presidency’s presentation also spends considerable time on discussing public works programmes. IEJ supports the need to expand and improve these. However, this is a different task, with different objectives, to the provision of basic income support. Proclaimed benefits of public works include providing work experience, training and skills, and facilitating entry into formal employment.

At the same time public works programmes face particular challenges:

- They can be expensive to administer;
- They can be prone to corruption and forms of capture;
- Their training and skilling element doesn’t always materialise;
- They can displace formal employment particularly in the public sector; and
- They have different wage rates, and while some are empowering, others can be exploitative.

There is a need for a thorough assessment of the three different types of public works programmes in South Africa (namely the EPWP, the CWP, and the Presidential Employment Stimulus), which each have their own characteristics, and how the above concerns can be addressed. This should be supported.

Nevertheless, the danger of conflating basic income support and public works programmes should be avoided. They have different functions and objectives – the former to combat poverty and hunger, and the latter to provide employment opportunities and experience.

3.7 Summary on proposed options

Taken individually the above highlights various problematic aspects with the grant modalities proposed by NT. Taken together, the proposed options, which make use of different grants for different groups under a series of restrictive conditions, are unworkable and unnecessary. It is premised, not on reasonable approaches to social policy but on an obsessive desire to exclude as many as possible on the basis of the perceived unaffordability of basic income support.

4. Financing

Much of the NT document is dedicated to motivating why the extension of the SRD grant, or its replacement with various instruments, would be extremely problematic to finance, even at the level of R50 billion – which is the lowest cost of the different scenarios considered by Presidency, and only slightly higher than the cost of the existing SRD grant (budgeted at R44 billion). NT refers in its analysis to the ‘unaffordability of most options’.

Although the NT document is supposed to talk to the Presidency proposals, there is no modelling of the various options that Presidency has proposed for consideration, nor a discussion of how these different options could be financed. The Presidency document contains modelling and costing of the four options contained in the Appendix below. Costs (which include cost of an increase in PEPs aimed at absorbing grant beneficiaries) range from R52.4 billion at the low end to R113.9 billion at the high end, starting with between 9 and 10.6 million beneficiaries in 2023, and modelled *inter alia* on a level of R350, and a FPL level.

NT devotes extensive space to showing that multiple financing options proposed by various policy actors are not workable; stressing the threat to the fiscus, and rising debt; that increased spending is not viable; that any additional resources must be devoted to reducing the budget deficit and debt; that spending reprioritisation is a key avenue; that tax increases have failed to raise significant revenue; that progressive tax measures are not feasible and won’t achieve their objective; that wealthy and middle class South Africans are already overtaxed; that raising VAT or reducing zero rating (albeit regressive) is the key financing option available; and that the Minister of Finance will, exclusively, determine what tax changes can be made. They also propose scaling down or closing of certain programmes and rationalisation of departments or entities as a solution to raising the R50 billion required.

We don’t analyse these assertions in the NT document in any detail, as they are riddled with issues, and it is a rabbit hole that is not very productive to go down here. As we show below the entire NT analysis is based on fundamental misconceptions about the nature of the financing challenge, and the cost of extending the SRD grant, financing instruments available, and resources which could be directed to this programme, with the necessary political will.

Fundamental flaws in NT’s approach include:

1. **Their assumption that the gross cost of the grants are the same as their net cost.** This ignores that the net costs of the grants can be calculated to be around *half of their gross cost*: at least 12% of the grant expenditure is returned in VAT; about 25% of the cost is returned via a progressive clawback mechanism such as a Social Security Tax (SST); IEJ and others estimate an initial partial take-up of around 60% rising to 80% in the medium term, lowering the initial costs substantially; and grants raise tax revenue through economic multipliers. None of this is considered by NT.
2. **Their opposition to harnessing increased revenues to finance a programme that directly and indirectly benefits over half the population in favour of a dogmatic, ideological view that any additional revenue should be devoted to reducing the budget deficit and debt.** This is unconscionable in the context of the extreme distress, hunger, and poverty in the country, given that less than 5% of the budget will relieve such a high proportion of the population from this crisis; and in the context of a large surplus tax revenue since 2020 estimated at *over R200 billion* in relation to projections in the 2021 Budget, which could easily finance this expenditure in the short to medium term, and could certainly be combined with other financing mechanisms to expand income support.

3. **Ideological decisions that certain financing policy choices should be excluded because NT is not in favour of certain options.** Treasury conflates what is possible with policy choices – for example, they dismiss a Social Security Tax (SST) on the basis that ‘Treasuries don’t like’ dedicated or ringfenced taxes, without engaging with the merits of the proposal, which allows all to contribute according to their ability, and to receive the grant based on their need.
4. **Presenting increased expenditure as a zero-sum game,** that is, an item can only be increased if others are reduced. NT’s proposals in the document to scale down or close certain programmes and rationalise departments or entities to finance this expenditure is opportunistic and divisive. If it is justified to reduce a programme or rationalise entities, this must be justified on its own terms – just as NT needs to be open that an assessment of needs in a particular area may require expansion of capacity, and increased expenditure. The grant debate cannot be used as a lever to slash spending and pit grants against other important programmes of government.
5. **The assumption that only regressive taxation, namely VAT can be effectively used as a financing instrument, and that progressive taxes must, for one reason or another, be discounted is problematic.** International studies [find](#) that contrary to NT’s assertion, the use of VAT to finance grants, has negative implications for growth and employment, in addition to their regressive impact on the incomes of the poor.
6. **NT too easily dismisses the value of progressive tax instruments,** including but not only the wealth tax, and presents selective evidence on a range of [financing proposals](#) that have been made by researchers, creating the strong impression that they have predetermined their conclusions in a way that is designed to protect the wealthy from contributing their fair share. A more balanced and objective discussion of a range of financing options that have been placed on the table needs to take place.

Significant elements of the NT presentation can only be regarded as fear mongering, that has little substance or evidence. For example their statement that ‘accommodating higher fiscal pressures’ is projected to lead to ‘cumulative GDP losses of R901 bn over the long-term horizon’ is simply made without substantiation. No specificity is given as to what additional spending is being referred to here, or how this seemingly arbitrary figure was arrived at. There are other similar examples of mere assertions without evidence that can be cited.

Treasury’s reluctance or refusal to engage with the political mandate announced by the President and the governing party to extend basic income, and to find ways to make that happen is arrogant and unacceptable. This attitude is typified by their insistence that only the Minister of Finance can determine what tax changes can be made, ignoring the fact that while technical factors are important, in the end these are political decisions about priorities, and how to direct and raise resources.

We have little doubt that if there was the will to find the resources, both for an extension and improvement of the SRD grant and its translation into permanent income support, this could be readily done, just as the President’s decision to extend the grant over a period of three years has been accompanied by the ability to find the resources, even in a period of fiscal austerity.

5. Way forward

There is an urgent need to inject a note of reality into this discussion, and to refocus it: basic income support being considered in South Africa today, even if it is increased to the FPL, which it should be, is providing a mere survivalist form of income, and is aimed to combat poverty and hunger. Its main purpose is not to get people into employment, although as the evidence shows it will have beneficial employment and economic stimulus effects.

We shouldn't fragment it, hollow it out, and render it ineffective because of using it inappropriately to pursue a policy objective that needs to be pursued using other instruments. There is currently a crisis in delivery of the SRD grant affecting over 5 million South Africans who have lost their grants as a result of conditionalities imposed purportedly because of budget requirements. Many of these proposals, while no doubt well intended, will unintentionally worsen this situation.

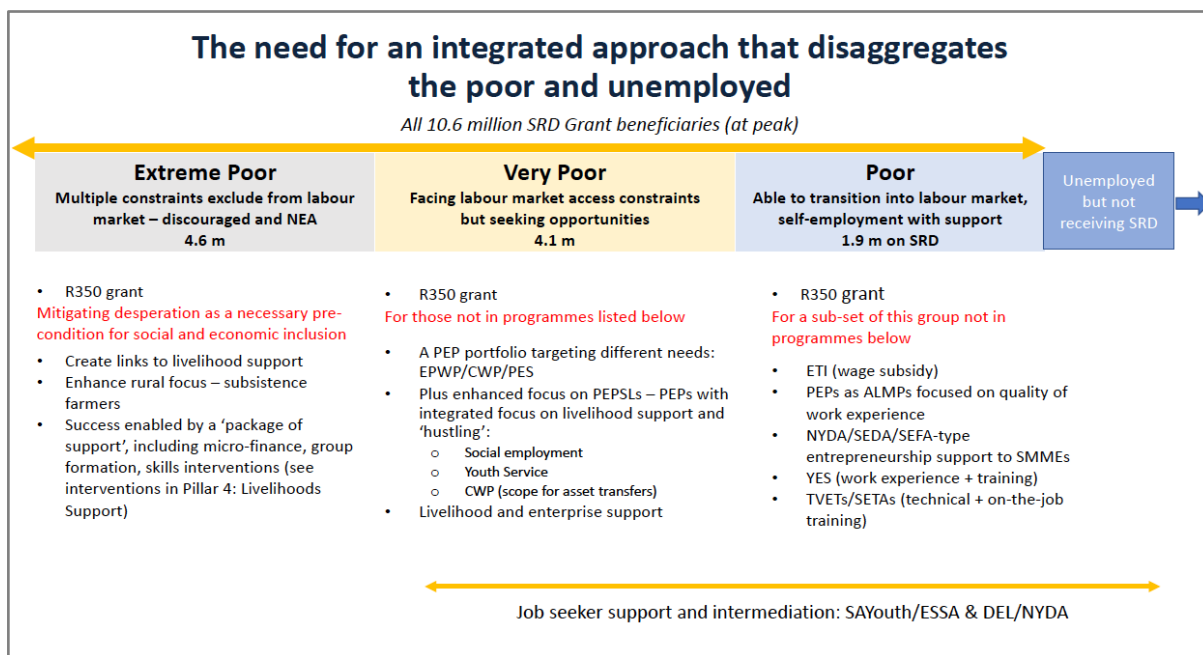
The key focus now should be on improving the efficiency and accessibility of the grant; reducing exclusion errors; and improving the value of the grant to at least the FPL; while agreeing on pathways to a system of basic income. This needs to be done urgently as we now only have around six months before the SRD grant expires, and as we have repeatedly stated in our communications with Presidency, budget and policy processes need to be put in place to ensure a smooth transition.

These documents have been prepared without consultation with civil society organisations, despite undertakings that this would be done. If consultation had taken place, we believe that our inputs would have resulted in significant changes in the documents, given the fundamental nature of our concerns.

Even at this late stage, certain steps can be taken to mitigate the damage arising from the fact that Presidency has reneged on their own undertakings. These include:

1. Meaningful engagement to address comments on the NT and Presidency documents.
2. Engagement with the civil society Coalition on the proposals made to the President in January 2022 on Pathways to Basic Income Support. We are confident that the Coalition would be prepared to advance further proposals if it is clear that their inputs are being taken seriously, and there is some integrity to the process.
3. Urgent preparation for the engagement with the President on these matters that Presidency had undertaken would take place by the end of June, and setting of a date in September for a meeting with the President.

Appendix: Presidency Options to Consider and Modeled Costs



Weighing the options

Grant	Core eligibility criteria	Value	Conditions	Administrative burden
SRD Grant	18-59 Unemployed Income (+ spouse) below FPL Not receiving other support	R350	None	Low
Jobseekers Grant	18-59 Unemployed Income (+ spouse) below FPL Not receiving other support	R350	Must register on integrated database Provided with information and targeted support	Medium
Jobseekers Grant + Caregivers Grant	Jobseekers Grant 18-35 Unemployed Income (+ spouse) below FPL Not receiving other support, including CSG Caregivers Grant Same as above, and CSG recipient	R350	Jobseekers Grant Must register on integrated database Must update profile/answer questions on a regular basis (e.g. quarterly) Must be in school/second chance matric if aged 18-24 and without matric Must be available for work Caregivers Grant Child enrollment in school	High
Minimum Income Guarantee	18-59 Unemployed Income (including spouse) below FPL Not receiving other support	R350	Must register on integrated database Must be in school/second chance matric if aged 18-24 and without matric Must be available for work, except in defined circumstances (e.g. caregiver)	High

Updated modelling of scenarios

Scenario 1	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Grants									
No of jobseekers	9 100 000	9 555 000	10 032 750	R68 141	R75 125	R82 826	R40 131	R44 244	R48 779
No of caregivers	1 500 000	1 575 000	1 653 750	R11 292	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	10 600 000	11 130 000	11 686 500	R79 373	R87 509	R96 478	R46 746	R51 537	R56 820
PEPSLs	1 000 000	1 500 000	2 000 000	R20 489	R32 415	R44 110	R20 489	R32 415	R44 110
Total beneficiaries (grants less PEPS)	9 800 000	9 930 000	10 086 500	R93 871	R110 489	R127 379	R63 707	R78 396	R93 151

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Grants at peak level of SRD Grant applications (i.e. realistic expectation of number of recipients based on past trend)
- PEPSLs scale up to 2 million additional jobs and livelihood opportunities over the MTEF, *additional to current EPWP targets*

Updated modelling of scenarios

Scenario 2	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Grants									
Jobseeker lower deciles only	7 500 000	7 875 000	8 268 750	R56 160	R61 916	R68 263	R33 075	R36 465	R40 203
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grants	9 000 000	9 450 000	9 922 500	R67 392	R74 300	R81 915	R39 690	R43 758	R48 243
PEPSLs	750 000	1 000 000	1 000 000	R15 367	R22 055	R24 107	R15 367	R22 055	R24 107
Total beneficiaries (grants less 80% of PEPSLs)	8 400 000	8 650 000	9 122 500	R78 266	R90 065	R99 418	R52 411	R62 109	R68 461

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Enhanced targeting reduces scale of grants to lower deciles (e.g. through effective income threshold that includes spousal income)
- PEPSLs scale up to 1 million additional jobs and livelihood opportunities over the MTEF, *additional to* current EPWP targets

Updated modelling of scenarios

Scenario 3	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
Grants									
Jobseekers lower deciles only	7 500 000	7 875 000	8 268 750	R56 160	R61 916	R68 263	R33 075	R36 465	R40 203
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	9 000 000	9 450 000	9 922 500	R67 392	R74 300	R81 915	R39 690	R43 758	R48 243
PEPSLs	1 000 000	1 500 000	2 000 000	R20 489	R32 415	R44 110	R20 489	R32 415	R44 110
Total beneficiaries (grants less 80% of PEPSLs)	8 200 000	8 250 000	8 322 500	R81 891	R97 280	R112 817	R56 651	R70 617	R84 574

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Enhanced targeting reduces scale of grants to lower deciles (e.g. through effective income threshold that includes spousal income)
- PEPSLs scale up to 2 million additional jobs and livelihood opportunities over the MTEF, *additional to* current EPWP targets.

Updated modelling of scenarios

Scenario 4	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Grants	Number of recipients			Cost (Grant @ FPL) + 5% pa			Cost (Grant @ R350) + 5% pa		
No of jobseekers	9 100 000	9 555 000	10 032 750	R68 141	R75 125	R82 826	R40 131	R44 244	R48 779
No of caregivers	1 500 000	1 575 000	1 653 750	R11 232	R12 383	R13 653	R6 615	R7 293	R8 041
Subtotal grant recipients	10 600 000	11 130 000	11 686 500	R79 373	R87 509	R96 478	R46 746	R51 537	R56 820
PEPSLs	750 000	1 000 000	1 000 000	R15 367	R22 055	R24 107	R15 367	R22 055	R24 107
Total beneficiaries (grants less 80% of PEPSLs)	10 000 000	10 330 000	10 886 500	R90 247	R103 274	R113 981	R59 467	R69 888	R77 037

Assumes 80% of PEPSL participants qualify for SRD

Assumptions:

- Grants at peak level of SRD Grant applications (i.e. realistic expectation of number of recipients based on past trend)
- PEPSLs scale up to 1 million additional jobs and livelihood opportunities over the MTEF, *additional to current EPWP targets*

ANC Policy Conference Resolution on Basic Income Grant

The ANC supports the introduction of the universal Basic Income Grant to meet basic needs and reduce unsustainable wealth and income inequality.

Universalism is a vital principle that supports the dignity of all. Grants can be clawed from the wealthier by using the tax system.

Since there are social grants for children and people with disabilities, the focus should shift to add the 18-59 age group of the population.

The data of the social relief of distress intervention should be used to establish baseline data of how the Basic Income Grant can be used to catalyse inclusive social and economic change.

The social grant expenditure value chain should be used to drive transformation in local economies. Social grant income can have a multiplier of 1,5 which could be maximised through localised support for economic activities.

Government should develop a strategy to link working age unemployed grant recipients to economic activity: this could include recognition for existing care work undertaken by grant recipients, recognition of and support for informal livelihoods already undertaken. A jobseeker's programme should be improved that links registration of unemployed adults with public works programmes or available private sector work.

All available public employment schemes should be centrally-accessible to maximise access for the unemployed and linked to available skills training.

All people should receive an unconditional universal basic income to meet their basic needs indexed to the Food Poverty Line, which will be clawed back from the better off through the tax system, and people may apply for the second type of income support to recognise their social investment as care workers, to support their working capital as micro entrepreneurs, or to support their activities as active job seekers. An additional support for those who apply as support for additional economic activity/ community work undertaken as part of social investment. To be effective this economic empowerment grant should be indexed to the Lower Bound Poverty Line on introduction and increase, with the BIG, as a percentage of the National Minimum Wage subject to GDP growth.

Public works jobs must be decent work.

Government should prioritise child-headed households in the provision of additional social relief measures.

Government should continue to pay the Social Relief of Distress Grant of R350 until the introduction of the Basic Income Grant, and should be linked to the food poverty line.

Government should come up with a financing strategy within 12 months that identifies new sources of financing which could include a wealth tax, closing tax loopholes and base profit shifting by corporates, a transactions tax and other means to prevent money being taken away from other state programmes.