Institute for Economic Justice submission to the United Nations Special Rapporteur on Extreme Poverty and Human Rights' Roadmap for Eradicating Poverty Beyond Growth

The Institute for Economic Justice (IEJ) is a progressive economic policy think tank based in Johannesburg, South Africa. Our programmes sit at the nexus between research, policy and advocacy, and seek to advance economic justice, systemic change, and the equitable distribution of resources to ensure rights realisation and planetary wellbeing.

The social security and labour project within the (IEJ) conducts research and advocates for the expansion of the country's social protection floor, with a focus on bridging the gap in income support for working-age adults, through the introduction of a 'universal basic income grant'.

Table 1: Matrix of policy recommendations

<table>
<tr><th rowspan="2"></th><th rowspan="2">Level of governance</th><th colspan="3">Time horizon</th></tr>
<tr><th>Short-term
(2-3 years)</th><th>Medium-term
(5 years)</th><th>Long-term
(10 years)</th></tr>
<tr><td>Policy actions</td><td>National South Africa (Middle income, high inequality context)</td><td><u>Fiscal policy</u>

Reject the proposed VAT increase of 1 percentage point over two years, as tabled in the 2025/26 National Budget Statement. Increasing VAT is regressive and will counteract any pro-poor spending increases.

Introduce alternative progressive fiscal/revenue-raising measures in order to increase real spending on public services, public employment programmes, social protection and infrastructure, options include:
Building the state's governance and operational capacity to collect existing taxes.
Raising the Corporate Income Tax (CIT) rate back to at least 28% as the previous reduction to 27% failed to attract investment. The CIT rate has declined from nearly 50% in 1993 to 27% today.
Removing tax breaks for high-income earners, such as those linked to pensions or medical aid contributions.
Scrapping ineffective corporate tax breaks, such as the employment tax incentives.
Tapping into the Gold and Foreign Exchange Reserve Account (GFECRA) held by the Reserve</td><td><u>Fiscal policy</u>

More effectively taxing wealth and income from owning wealth, for instance through greater inheritance taxation, taxing financial transactions, and planning for a net wealth tax.

The National Treasury has assumed an outsized role in policy making across government. This should be challenged through democratisation of the budget process using existing constitutional and parliamentary provisions, with legislative amendments, as appropriate. In the democratic era Parliament has never amended the National Budget as determined by the National Treasury, nor engaged meaningfully with fiscal policy and the fiscal framework, despite being legally empowered to do so. Real contestation, using these powers, is likely to take place for the first time over the 2025/26 budget. This should serve as a basis to institutionalise and normalise democratic engagement with, and substantive parliamentary scrutiny of, every National Budget.

The budget process should incorporate formal mechanisms for consideration and advancement of human and constitutional rights, gender</td><td><u>Social protection policy</u>

The realisation of a comprehensive social protection floor in South Africa including basic income support with universal eligibility for those aged between 18-59; which provides an adequate level of income informed by the national poverty lines; which does not impose conditionalities; which is a permanent and guaranteed feature of a progressive and redistributive fiscal framework which addresses South Africa's Apartheid legacies of inequality; which complements accessible, functional and adequately-resourced public services; and which ensures strong public oversight, regulation, and accountability especially in relation to those elements where digital systems and private sector actors are involved in provisioning infrastructures.</td></tr>
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Bank which still has over R300 billion available to the government.

Take further steps to lower the cost of South Africa's debt, which is much higher than peer countries due in large part to a lack of a credible macroeconomic strategy.

- South Africa pays around 5% of GDP on public debt interest payments, while developing countries and upper-middle-income countries pay, on average, 2.2% and 1.8% respectively.
- Instead of slashing spending and raising regressive taxes we need a sustainable debt management strategy which should include such measures as capital controls to stabilise short-term, speculative capital flows and provide room to reduce interest rates; capital allocation tools such as regulated lending by banks to steer credit to productive sectors of the economy at affordable rates, including through Reserve Bank lending; central bank intervention in the primary market to purchase government bonds; and using prescribed assets to make large pools of capital available at affordable rates.

Reject the fiscal anchor. The National Treasury has proposed the introduction of binding fiscal rules which would commit the government to maintaining a primary budget surplus, where revenue exceeds non-interest expenditure. This would stifle public investment, and limit the government's ability to realise rights and tackle the country's intersecting challenges.

Social protection policy

Ensure that budget appropriations for social grants are based on rigorous estimates of the basic needs of eligible populations, in line with requirements in the South African constitution.

Increase the Child Support Grant (CSG) and the Social Relief of Distress (SRD) grant to at least the level of the food poverty line (FPL).

Increase the income eligibility threshold for the SRD grant (for working age adults) to at least the upper bound poverty

responsiveness and socio economic inclusion. These should comprise a substantive and meaningful element of each national budget statement.

Social protection policy

Increase value of the the CSG and the SRD Grants each year above inflation to reach at least the UBPL, and the means-test thresholds of the SRD Grant to multiples of the UBPL (the CSG currently has an income threshold of ten times its value), as the basis for progressively realising a universal basic income floor.

Social protection policy should advance a comprehensive social safety net with the objective of ensuring no-one falls through the cracks, taking into account intersecting vulnerabilities.

- Basic income support for adults (building on the base of the SRD grant) should provide a floor which no-one can fall below, while more targeted interventions should be available for those with additional needs.
- The CSG, old age pensions and the expanded SRD (or basic income support) must be seen as complementary interventions which are both necessary for meeting the needs of households with children and the elderly.
- Additional support should be made available, including for workers in sectors whose access to income is directly impacted by the transition to a low-carbon economy.

line (UBPL), and remove current regulations excluding millions of otherwise eligible beneficiaries from the grant. (see below). The approach used for Child and Old Age grants currently, namely one of ‘affluence testing’ should be extended to the adult grant, as a step towards universal basic income.

Make grant applications and administration available offline at SASSA offices.

Ensure that applications for grants can be made in all official languages of South Africa.

Commit to a timeframe to expand the SRD grant into a permanent form of comprehensive basic income support, and to the progressive realisation of universal eligibility for the 18-59 age group.

Reject proposals including from the National Treasury and the World Bank to make grant receipt for working-age adults conditional on job-seeking activities. Such proposals are paternalistic, not supported by the evidence, and counterproductive in a context of large structural unemployment (sitting at over 40%) and low labour demand.

Remove unconstitutional and unlawful barriers to access to social protection (now being used to exclude adult beneficiaries but likely to be extended to other grants) which have resulted in systemic erroneous exclusion, including the use of blanket bank account surveillance, proxy-means testing and the treatment of all bank account inflows as income for the purposes of means-testing.

- The verification of insufficient means should not be based on monthly bank checks, but on self-reporting of income by applicants, who should be able to furnish relevant supporting documentation where required to support their application.
- Means should not be assessed based on a one-month snapshot of income and financial support, but averaged across several months.
- Given the pervasiveness of household financial pooling and interdependencies, means should not be assessed at the individual level but at the household per-capita level.

		● Ensure the appeals system provides meaningful access to administrative justice, including by reforming the system to allow appellants to submit new information and evidence to support their appeal. ● Given the structural and long-term nature of South Africa's unemployment, income support for working-age adults should not be provided on a month-to-month basis, but should be longer-term and more secure. A much higher-bar should be satisfied for its removal, and that if it is removed, recipients should receive adequate prior notice to enable them to plan accordingly. End the algorithmic predictive policing of welfare fraud, whereby applicants and beneficiaries are assigned risk profiles based on data of an unknown nature held by government and private actors (mainly banks), and as a result may have their grant access disrupted or be deemed to be in debt to the government. Provide alternative channels—including offline channels—for identity verification for welfare applicants and recipients aside from the current biometric verification system, which excludes all holders of "Green ID books", exacerbates the digital divide, and may impose algorithmic discrimination.		
	Global	World Bank and IMF: Abandon requirements and recommendations for conditionality and narrow targeting of social protection which are not rights-aligned and serve to exclude many in extreme poverty. Other donors: provision of direct budget support to low and middle income countries to expand fiscal space for poverty alleviating programmes which are not contingent on GDP growth, or debt reduction. A global wealth tax leveraged on billionaires to fund the eradication of poverty. We support the proposal of Brazil made in the context of its G20 Presidency in 2024 to leverage a 2% tax on billionaires to fund Agenda 2030 priorities, supported by Special Rapporteurs De Schutter and Deva.		