IEJ STATEMENT

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

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South Africa is facing a dire socio-economic crisis with widespread poverty, persistent and high unemployment and growing hunger. While its value is grossly inadequate and there have been myriad problems with its administration, the R350 Covid-19 SRD grant has played a critical role in providing support to some of the most vulnerable people who bear the brunt of this crisis and have not previously been eligible for income support.

Instead of steps to make this permanent and progressively scale it up, National Treasury has prepared regressive and unworkable proposals that seek to exclude many, if not the majority, of its current recipients. This threatens the livelihoods of millions of people. This is apparent in a set of proposals from Treasury and Presidency that have come to light. While there are connections between the two proposals, they also differ substantially. As assessed in a detailed memo released by the IEJ today the proposals, particularly by Treasury, are deeply problematic, both in terms of the underlying logic and subsequent proposed design.

The Treasury proposals are opaque and convoluted, but clearly propose replacing the SRD with an overly complicated and highly exclusionary system. The proposals are underpinned by a logic of narrowing the grant beneficiaries as much as possible - that is excluding as many people as possible - and preferring non-income support interventions. The proposals separate poor people into three somewhat arbitrary and hard to distinguish categories ("extreme poor/multiple constraints", "poor/some constraints", "less poor/fewer constraints") and then proposes a complex web of interventions dependent on the category. This includes the removal of income support entirely in the third category and, in the remaining two, the possible replacement of the SRD grant with a household grant or a jobseekers grant, adding yet another layer of conditionalities, many of which are nonsensical given South Africa's context.

There is a clear preference in the document for attaching income support to job-seeking conditionalities. This seems to draw largely from a 2021 World Bank proposal for replacing the SRD grant with a jobseekers' grant aimed only at *active* jobseekers. This is highly problematic:

- It assumes that jobs exist in the economy for people to "seek", ignoring the structural nature of South Africa's persistent unemployment and the failure of existing job-seeking databases and skills development programmes to produce any real change.
- It rests on the fundamentally patronising and moralistic assumption that without such conditionalities, grants are likely to increase dependency and laziness; something which is not supported by any of the evidence from South Africa or globally.

- The attachment of such conditionalities adds an extensive layer of bureaucracy to the process of applying for the grant. This is both counterproductive and inefficient, as evidenced in the administration of the SRD since conditionalities were introduced in April 2022 that resulted in the exclusion of as many as 5 million previous SRD grant beneficiaries.
- The policy risks having perverse outcomes, for example, should the policy end up having a (shared) household grant for the "extreme poor" and a (individual) jobseeker grant for the "poor", then those more in need receive less than those regarded as 'less in need'. This categorisation also risks further stigmatisation of poor people.

The household grant is similarly problematic if it is to replace individual income support:

- In targeting household heads, not household members, it will radically reduce the number of beneficiaries, lessen the poverty-reducing impact of households pooling a number of individual grants, and limit the positive impact that social grants can have on women's autonomy. In this it is fundamentally anti-poor.
- It is administratively burdensome to test for such complex conditionalities and poorly suited to the South African context where there is no single, fixed definition of a household, such a situation runs the risk of heightened corruption.
- This is no doubt why a previous Treasury proposal for this grant failed to gain support in government and garnered strong opposition by civil society.

In addition to a jobseekers' grant, Treasury floats a highly-limited version of a possible 'caregivers grant'. Treasury appears to support a version in which only those caring for children under the age of 2 qualify. Such a limitation radically alters the scope of the grant. There are approximately 7 million caregivers overall and 4 million who receive the SRD grant but only 1.5 million with children under 2 and in late pregnancy. A combined jobseekers' grant (going to only Treasury's 'middle group' category of 4.1 million jobseekers targeted for this grant) and caregivers' grant could well be restricted to around 5.5 million beneficiaries, around half of the SRD grant beneficiaries in March 2022.

The preference for widespread exclusion is also present in Treasury's extensive argumentation for why a continuation of the SRD grant, or variations thereof, are 'unaffordable', a position which privileges narrow fiscal considerations over human wellbeing. It rejects with superficial consideration a myriad of proposals that have shown ways in which the grant *can* be fiscally appropriate, through progressive financing. It also ignores the manner in which the grant would stimulate the economy boosting economic growth and creating a multiplier effect, in the process reducing the cost to government through increased revenue (including from VAT). Further, it is a profoundly political choice to channel large tax overruns (over R200 bn) to reducing debt rather than to extend income support to millions living in poverty and experiencing daily hunger.

The Presidency document has, on the whole, a more realistic appraisal of various options, and takes a more detailed and thoughtful approach to wider issues. However it fails to fully follow through on the developmental aspects of its analysis. These aspects include: acknowledgement of the international evidence on the developmental value of grants; that the country needs immediate high-impact interventions which address the poverty crisis; and that employment strategies will only have an impact over the medium term. 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 promotion of local economic activity, including self-employment and job-seeking.

Devastating implications

The upshot of these proposals, if adopted, would be that millions of poor people – those who should be the primary target of cash transfer programmes like this – will be excluded from receiving support for the grant, either because they do not qualify or because the complexities of the system being imposed make it entirely inaccessible to them.

It is likely that these proposals are intended for incorporation into the MTBPS in October 2022 with timelines in the Presidency document signalling the intention to finalise the proposals by 9 September 2022. Worryingly, indications point to the unilateral role of Treasury, who have little expertise in this policy area, in deciding these policies despite them being opposed by the Department of Social Development, the entity responsible for, and with expertise in, social protection.

These developments should also be read in the context of the fact that the 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. This signals a lack of respect for democratic participation and makes a mockery of the President's continual reference to social compacting. At this critical juncture in South Africa's history and with the precarity of the current global economic situation, we cannot afford to embark on a regressive path which will exclude millions of the poor through unworkable and unconstitutional measures. This historical conjuncture gives us a unique opportunity to make transformative inroads in addressing poverty, something which has evaded the government post-apartheid.

Representatives of the coalition have written to the Presidency today to express our strongest objections both to the contents of the proposals, and to the failure of government to engage with the coalition despite repeated undertakings to do so. The detailed memo analysing these documents was sent to Presidency, DSD, and Treasury with a proposal to urgently meet with the civil society coalition to provide feedback on these proposals; hear alternatives from the Coalition on pathways to basic income; and to make arrangements for a follow-up meeting with the President, following our successful meeting in January.

We will continue to pressurise for an urgent response to our demands, and will engage with a range of stakeholders and civil society actors, including unions, business, and community organisations, to explain our concerns with these dangerous proposals, and to mobilise for a clear pathway to the introduction of a fair and workable system of income support for all those who need it in South Africa.

[ENDS]

For further comment:

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