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Government's COVID-19 economic response inadequate and punitive, says BJC

Access to sufficient food and relief from economic hardship are fundamental rights entrenched in the South African Constitution alongside the right to access healthcare services. And yet, notes the Budget Justice Coalition (BJC), the economic measures put in place by the government so far are punitive to the poor and working class in South Africa, based less on the human rights of all people – including women, children and foreign nationals – and more protective of business interests. As a result, these groups face exclusion, hunger and destitution. BJC makes a number of proposals to remedy this.

Evidence is piling up that millions of people are suffering as a result of a loss of income and the restrictions placed on the informal market by the lockdown regulations. This threatens to undermine the initial progress made in the public health response to the disaster.

Given the likelihood of ongoing restrictions on work and movement for the remainder of the year at least, the BJC believes the state can and must do more to prioritise its available resources to support the health care needs, incomes, livelihoods and access to food *for everyone*.

1. The economic relief package

At **R500 billion**, approximately [10% of GDP](#), the total size of the economic relief package is significant. The BJC is however concerned about how much new money is actually being provided, where it is coming from and who it will benefit.

R130 billion is to come from budget reprioritisation. While we accept that some money will be saved as a result of the lockdown, such as travel and accommodation costs, expenditure on infrastructure, for example, should not be saved as unspent funds, but rather reallocated once the lockdown is over in order to help stimulate the economy. To-date, no clear indication has been given about which line items will be targeted for savings. In the past, [BJC has raised concerns](#) around declines in per capita expenditure on health, education and housing. While it recognises that some projects will be halted as a result of COVID-19, many of these can be postponed to the next budget year. **The return to an austerity budget promised**

by the National Treasury after COVID-19 will only deepen the economic and social destruction exacerbated by the virus – when a massive stimulus will instead be needed.

BJC understands that almost **R100 billion is being sought from international finance institutions**: the IMF, World Bank and New Development Bank. Historically, finance from the IMF and World Bank has come with huge costs, including requirements to cut future spending, that have negatively impacted many countries in the Global South. BJC thus demands transparency on the conditions the government may be exposing future generations of South Africans to by taking money from these institutions. The BJC calls on the government to reject finance that comes with conditions which impact our sovereign policy discretion and are anti-poor, and to focus on domestic resource mobilisation instead.

The BJC raises questions about the **R200 billion of finance guarantees to support businesses**. As the Treasury is guaranteeing these loans, they could end up having implications for future expenditure. If there are many defaults on the loans, the cost will be absorbed by the public purse. As a contingent liability, **the loans can and should be absorbed by the South African Reserve Bank instead**. Relief for businesses should not come at the expense of realising and protecting human rights in the future.

Tax relief for businesses does not necessarily translate into the payment of wages or the retention of workers. The BJC also wants a clear commitment that job retention is a condition of the finance guarantees **and the R70 billion in tax relief** for businesses. Any business that is registered or shifts a portion of its profits into tax havens should not receive any taxpayer support.

National Treasury's worst case COVID-19 scenario estimates that up to 7 million jobs could be on the line. Yet only 17% of the funds announced – **R88 billion** – are budgeted for direct cash transfers via social grants and UIF payments to the poor and working class. The need far outstrips the allocation of these funds.

Little information has been provided yet on the **R100 billion allocated to job protection and creation** - despite job losses continuing to pile up. We call for transparency on these measures.

Government must undertake a developmental quid pro quo for taxpayer funded business support, just like a private investor would demand, but in this case, to implement inclusive economic reforms for the public good. This could, for example, be in the form of a [five year development programme](#) to employ more workers, to equalise wages for men and women, to procure more from local small businesses, and to scale up implementation of BB-BEE.

BJC would like to know if the **R4.5 billion estimate cost of the military deployment fits into this package**.

2. The Government has not done enough to prevent or address the rising levels of hunger

The total budget allocated for social grants is not adequate. At least 55% of SA's population (30 million people) live below the Stats SA poverty line of R1 267 per person per month (in 2020 Rands) and yet **the R50 billion allocated for the social grant component of the disaster relief package represents only a tenth of the total economic relief package of R500 billion**.

Prior to COVID-19, [Oxfam-SA](#) put the number of people in South Africa who regularly experience hunger and malnutrition at 13 million. The largest survey since the lockdown began, conducted by the [Human Sciences Research Council](#) with almost 20 000 respondents, found that almost a quarter (24%) had no

money to buy food. More than half of residents in informal settlements and townships have run out of money for food. This equates to around 15 million people in South Africa right now who are experiencing hunger.

[Research shows](#) that poor households start going short on food in the middle of the month and these shortages are worsened during the lockdown. The inordinate delay of almost six weeks from the start of the lockdown on 26 March to the actual topping up of the child support grant by R300 on 06 May has contributed to endemic hunger amongst South Africa's most vulnerable communities. The situation was not responded to with sufficient urgency and [proposals](#) to #TopUpTheGrants in mid-April were ignored.

The social relief package is insufficient, inequitable and punitive to women and children. On 21 April 2020 the President announced that child support grant (CSG) beneficiaries will receive an extra R300 in May and from June to October they would receive an additional R500 each month. But subsequent briefings by SASSA, the Minister of Social Development and the Minister of Finance, indicate that although all CSGs will be increased by R300 in May, from June the R500 increase attached to the CSG is a single increase for the caregiver (the recipient of the money) rather than the child (the beneficiary for whom the money is intended). This backtracking on the President's promises to children saves the state R13 billion, yet combined with the closure of school feeding programmes, and restrictions on caregivers' eligibility for the COVID 19 grant and food parcels, plunges families with children into destitution. On this, the following points should be considered:

- Given the increases that have now been announced for all the other grants, modelled estimates show that if the CSG increase is attached to the caregiver rather than each child, **this will leave 2 million more people below the food poverty line** than would be the case if the increase were attached to every child.
- The relief package does not acknowledge or cater for the fact that, in addition to job losses and rising food costs, around 10 million children have since mid-March lost their daily main meals **due to the closure of schools, the National School Nutrition Programme, and ECD feeding schemes.**
- The 7.1 million caregivers who receive CSGs on behalf of children have been excluded from accessing the new R350 Covid-19 grant. **The majority of these caregivers (around 6 million) were unemployed or working in the informal sector prior to lockdown.**
- In addition, the government's roll out of emergency food parcels to date has been far too small to meet the vast need created by the nationwide lockdown. The 250 000 distributed parcels that the President announced on 21 April is a small fraction of what is needed when around 15 million people may be experiencing hunger.

3. Considerations on the unemployment COVID-19 grant

The allocation for the special COVID-19 grant is approximately R20 billion over six months, but it does not extend to the majority of people in need. The special COVID-19 grant is intended for unemployed individuals who do not have access to a social grant or UIF payment. Calculations by SALDRU show that there **are approximately 15 million people who could qualify for the grant.**

It has become clear over the past week that the plan is to reduce the number to be reached by additional targeting mechanisms, such as applying some kind of income threshold, so that only **8 million people are reached.** Recent [reports](#) indicate that banking details, proof of residence and identity documents will be required, thereby excluding the millions who are unbanked or who do not have proof of residence due to

living in informal settlements or rural areas where addresses are not available. Furthermore, the administrative and cost implications of this targeted approach are likely higher than a universal approach.

The decision to implement a targeted COVID-19 grant has been taken without sufficient transparency or explanations. The BJC is of the view that **a universal grant would be a more equitable and feasible mechanism** to implement than this limited COVID-19 grant. However as this appears to be *fait accompli* at this time, the BJC calls for the rationale for targeting and for the eligibility criteria **to be scrutinised through a public engagement** process to ensure that these measures are evidence-based, equitable, reasonable, and possible to implement successfully.

Recouping a universal grant from the upper deciles through tax instruments would be an easier and more equitable exercise and will lead to less exclusion of the lower deciles than a narrow targeting approach.

The amount of the proposed COVID-19 grant, at R350 per month, is even lower than the CSG, less than a third of the value of StatsSA's upper bound poverty line (R 1267 in March 2020 Rands). The rationale for restricting the amount to R350/person needs to be subject to a public engagement process.

Reconfiguring the social grant disaster relief package

The BJC recommends that:

1. The budget for the social grant component of the relief package should be increased in recognition of the size of the population in need.
2. The CSG increase of R500 should be attached to each child grant paid.
3. Unemployed caregivers, who are in receipt of a CSG for their children's basic needs, should not be excluded from the COVID-19 unemployment grant.
4. The assumptions, projections, and eligibility criteria for the COVID-19 unemployment grant (including the income threshold being applied) should be made public so that there can be informed engagement.
5. Cabinet urgently considers a universal income grant instead of a very narrowly targeted COVID-19 unemployment grant, which is likely to create inequality, confusion and conflict and to cost more. SARS should be used to recoup the grant from the upper deciles.
6. Informal food traders must have greater freedom to trade, with or without a permit.
7. Food parcel distribution must be ramped up, requirements for beneficiaries to produce SA ID's abandoned, and community based organisations allowed to distribute food relief without a permit.

4. Food retailers need to provide COVID-19 relief, not exploit the disaster

Poor access to food may be exacerbated by the unscrupulous behaviour of the big four food retailers, Shoprite/Checkers, Pick n Pay, Spar and Woolworths. Rather than stepping up to ensure access to affordable, nutritious food during the COVID-19 crisis, evidence is emerging that these retail giants are continuing to increase the price of food staples relied on by low-income families.

A Food Price Barometer report published on 28 April by the [Pietermaritzburg Economic Justice and Dignity Group](#) finds that a monthly basket of basic staple foods has increased by R253, from R3 221 on 02 March before the onset of the COVID-19 crisis, to R3 474 on 23 April. This represents a 7.8% increase at a time when millions of families are having to provide more meals at home, but on reduced household incomes.

This is especially problematic when informal traders are still not on the streets to offer more affordable alternatives, and the major retailers are [positioning themselves](#) to exploit the financial distress experienced by existing spaza shops by opening their own spazas in townships.

5. The COVID-19 response must be based on human rights

The concept of an economy that is fair and equitable, respecting people's dignity, is simple. This has been enshrined in the Constitution and in international human rights instruments ratified by South Africa post-1994 at the United Nations and the African Union.

In the context of a global pandemic, investments in the human rights to safe housing, water and sanitation, nutritious food, education, quality, free health services and income security are more crucial than ever. South Africa is in a state of disaster (not emergency) and therefore the Constitution still applies in its entirety.

The promotion, protection and realisation of human rights cannot be simply implied in the economic responses outlined by the government, but must be explicitly addressed. The government is obligated to take measures to prevent, or at least to mitigate against, the human rights impacts of COVID-19, and to ensure that everyone's rights are protected, with particular consideration for marginalised and vulnerable populations, including foreign nationals residing and working in South Africa.

South Africa's COVID-19 responses should provide impetus for the long-term mobilisation of resources and capacity toward the fulfilment of all socio-economic rights, to further the spirit of the South African constitution.

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ENDS

ABOUT THE BUDGET JUSTICE COALITION:

Civic organisations who are part of the [Budget Justice Coalition](#) include: the Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), the Dullah Omar Institute at UWC (DOI), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), OxfamSA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, and the Treatment Action Campaign (TAC).

The purpose of the Budget Justice Coalition is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way in accordance with the Constitution.