

Business Day

Poverty relief should be focus of reworked budget, says FFC

The Financial and Fiscal Commission told MPs that the immediate priority of government should be on providing social relief to the poor

26 MAY 2020 - 14:02 LINDA ENSOR

The immediate focus of the reworked budget that finance minister Tito Mboweni will table in parliament in the next month or so must be on social relief measures rather than fiscal consolidation.

Financial and Fiscal Commission (FFC) CEO Kay Brown made the comments during an FFC briefing to parliament's standing committee on appropriations on Tuesday. The FFC is a body created by the constitution to oversee and make recommendations on intergovernmental fiscal relations and the fiscal framework.

Brown said that while the longer-term focus should be on bolstering economic growth and on restructuring the economy, the immediate focus must be on alleviating poverty and inequality, particularly on health and the provision of services by municipalities.

Brown was part of a team of FFC programme managers and senior researchers led by chair Dan Plaatjies, which presented the commission's view on the reprioritisations that the Treasury should make in its forthcoming budget.

Finance minister Tito Mboweni will table a special appropriation bill in parliament, which will reflect the Treasury's revised view of economic growth, the debt-to-GDP projections and the expected budget deficit to take account of the effect of the credit-rating downgrade and of the Covid-19 lockdown on the economy. It will also reflect a R130bn reprioritisation of budgets to partly fund the R500bn relief package.

The economy has been projected to contract by up to 20% in 2020, according to various estimates, depending on the longevity and severity of the economic shutdown.

"The commission recommends that the cycle of low growth and high inequality broken through bold actions aimed at giving poor South Africans better access to good jobs so that they can fully participate in the economy," the FFC presenters said.

Brown said the FFC did not believe the R500bn package was an economic stimulus as it was mostly aggregate demand neutral and was intended to provide social relief. Only the R95bn that will be borrowed from multilateral institutions for business support and job

protection could be considered a fiscal stimulus, and was not adequate given the scale of the job losses. The Covid-19 relief package fell far too short of the expected shock to the economy.

Plaatjies added that a stimulus would require the government to create new industries. Nonperforming government programmes should be slashed to facilitate this.

According to the FFC, the relaxation by the government of its fiscal consolidation stance must be accompanied by robust reform focusing on digital education, land reform and agriculture for food security, improving governance and fighting corruption and reviewing the subsidy framework for social programmes. Fraud and corruption and inefficiencies in the delivery of essential services must be addressed.

It also recommended that tertiary education subsidies be limited to only poor households and that the means test that is used to determine who qualifies for state grants be reviewed in the light of the increased impoverishment brought about by Covid-19.

“The government needs to reprioritize public-sector infrastructure spending by postponing infrastructure projects that are still at a pre-feasibility stage or new infrastructure that is not directly related to Covid-19 but with caution, as delaying the implementation of some of the infrastructure projects will result in an increase in service delivery backlogs and future costs. So careful analysis is required,” the FFC said.

A total of R815bn has been allocated for infrastructure spending over the next three years.

“Expenditure on goods and services that are not critical for service delivery and Covid-19 fight provides more room for reprioritisation.”

Training and development, travel, subsistence and catering budgets could be cut and 23 conditional grants could be reprioritized.

The FFC supported the Treasury’s proposals for economic reform contained in a paper released in 2019.

ensorl@businesslive.co.za

<https://www.businesslive.co.za/bd/national/2020-05-26-poverty-relief-should-be-focus-of-reworked-budget-says-ffc/>