

Fin24

Govt's R32bn response to unrest will likely hamper economic growth, Parliament told

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- **The Fiscal and Financial Commission says government's R32 billion special appropriation bill is expected to leave it short on funds for investments to boost the economy.**
- **Senior FFC researcher Sasha Peters says putting a hold on non-core programme spending is highly recommended.**
- **FFC research specialist Cheng Tseng says Finance Minister Enoch Godongwana needs to consider the policy options and affordability of some form of income protection or basic income grant.**

The Fiscal and Financial Commission (FFC) told Parliament's Standing Committee on Appropriations that the R32 billion special appropriation bill, tabled to respond to the impact of July's unrest, is expected to leave government short on funds for catalytic investments to boost the economy.

The FFC briefed the parliamentary committee on Wednesday, unpacking the implications of government's special appropriation bill, which saw spending adjustments to departments including social development, economic development, defence and the police ministry.

July's unrest had its beginnings in the outcry following former president Jacob Zuma's incarceration for disregarding the Constitutional Court and refusing to subject himself to the Judicial Commission of Inquiry into State Capture.

However, this quickly morphed into waves of violence which saw the looting and destruction of businesses mostly in KwaZulu-Natal (KZN) and Gauteng, with the cost of unrest exceeding R20 billion in KZN alone and the impact on national GDP estimated to be R50 billion.

FFC researcher Siyanda Jonas told the commission that while the priorities in the bill remained valid, the second special appropriation bill for 2021 was being considered on the back of civil unrest, South Africa's slow emergence from an easing third wave of Covid-19 infections, as well as South Africa's official unemployment rate reaching a record 34.4% in the second quarter.

"Total national appropriation by vote reduced by R2.3 billion in the 2021 budget. Before subnational transfers, however, it gained by R5.2 billion due to provisional allocation for contingencies through government's Covid-19 response," said Jonas.

