

SONA

Basic income grant an issue as economy struggles

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THE GOVERNMENT will this week give direction on whether it will provide a further social security net for struggling citizens as many more people have joined the unemployment ranks on the back of dwindling national revenue.

President Cyril Ramaphosa will deliver the State of the Nation Address (Sona) on Thursday evening, advising the nation about the government programme for the year.

Ramaphosa will also reflect on the progress made with regards to the commitments of the previous year's address.

Investec chief economist Annabel Bishop on Friday said the Sona was expected to give insight into the serious problems plaguing the economy, as well as supportive measures for growth and job creation.

South Africa has been forecast to see economic growth of between 1.7 and 2 percent in 2022.

Bishop said the Sona will also address progress made in combatting Covid-19 and its effects on the economy as the Social Relief of Distress Grant was eventually likely to see further extension into a form of basic income grant.

"However, the likelihood is that nothing new will be enacted to substantially reduce the smothering regulatory burden which limits the growth of SA's private business sector," Bishop said.

"Some progress has already been made towards fiscal consolidation through reducing current expenditure via civil servant remuneration, but not via interest payment or rent on land.

"The Sona will likely show little difference, and typically showcases little new implementation on driving economic growth each year."

Unemployment has risen to an all-time high at 34.9 percent, largely driven by the Covid-19 pandemic and the civil unrest that erupted in July 2021.



PRESIDENT Cyril Ramaphosa will deliver the State of the Nation Address (Sona) on Thursday evening, advising the nation about the government programme for the year. | JAIRUS MMUTLE/GCIS

The basic income grant has become a pertinent issue with a number of interest groups calling for its permanent introduction.

The National Treasury has, however, not made any pronouncements on this and has instead called for further research on it in light of fiscal consolidation.

The planned government borrowings for the 2022/23 financial year sits at 74.7 percent of gross domestic product (GDP).

Interest payments as a percent of GDP continues to swell from 2.2 percent in 2007/08 to 5.1 percent by 2024/25,

lowering the sustainability of government finances.

Social protection grants are one of the government's largest expenditure items, already accounting for nearly 14 percent of all government spend.

Deloitte's government and public services industry leader Gaba Tabane said it looked unlikely that the finance minister could find any space in the current fiscal framework to introduce another social grant.

Tabane said any form of an additional grant would "simply be unaffordable", and that any such consideration would mean that certain programmes would

have to be reprioritised or discarded.

"Sluggish growth and high unemployment rates continue to constrain the economy," he said.

"Fiscal policy will for the foreseeable future continue to focus on reeling in and consolidating government spending in order to rein in growing government debt.

"The finance minister must task National Treasury and the government with re-building the small, micro and medium enterprises sector as an important backbone of the economy for growth, which will lead to employment where people live."