# Social relief grant faces scrutiny amid spending cuts

By Kopano Gumbi

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South Africa's social relief grant is likely to be extended beyond next March, economists said, which may add an unbudgeted R50bn ($2.6bn) to state expenses and require difficult trade-offs before an election year.


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The social relief of distress (SRD) grant of R350 a month was introduced in 2020 to support those hardest hit by the Covid-19 pandemic. The government has been debating whether it could end this support claimed by 8.5 million people or make it permanent.

Finance Minister, Enoch Godongwana will present a midterm budget on 1 November indicating how he plans to deal with revenue shortfalls and expenditure overruns at a time when more than a quarter of social development funding is used on grants.

#MTBPS: Social Relief of Distress grant extended to March 2024

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Removing the SRD altogether would be tricky ahead of the 2024 elections where President Cyril Ramaphosa's African National Congress party could lose its majority for the first time since the end of Apartheid as social and economic conditions worsen.

"Realistically you're going into an election year, you don't have a vibrant economy, you have households clearly under pressure - I can't see it being removed," said Kevin Lings, chief economist at financial services firm Stanlib.

Goolam Ballim, chief economist at lender Standard Bank, said he expects the grant to be extended into fiscal 2024-25 with the possibility that it continues beyond that.

But that will force the government into trade-offs, either by raising taxes, borrowing more or cutting other grants.

Winding down housing grants and other smaller grants such as military veteran transfers could be one approach, BNP Paribas said in a note.


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Elizabeth Raiters, founder of Pay the Grants, a civil organisation that has been advocating for SRD's continuation, has the same concern. "They (Treasury) have said they may have to cut other spending or other grants to afford the SRD grant, but I don't think that is fair," she said.

Another option outlined by Treasury would be to raise taxes or borrow more, a risky move that could inflate the debt-to-GDP ratio to 72% in the midterm budget as spending on higher public wages and failing state-owned entities compounds the problem.

The SRD, in addition to other welfare support, was extended one year to March 2024 at a cost of R36.1bn.

Treasury has estimated it would cost at least R50bn more a year to keep it in place permanently.

## ABOUT THE AUTHOR

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