**COMMITTEES ON APPROPRIATIONS AND FINANCE HEAR THAT 2021 BUDGET RESTRICTS THE POOR THEIR CONSTITUTIONAL RIGHT TO SOCIAL GRANTS**

The Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC) today briefed a joint meeting of the Standing and Select Committees on Appropriations and Select Committees on Finance on their analysis of the 2021 budget and its fiscal framework, respectively.

In briefing the joint meeting, both the PBO and the FFC raised common concerns over the 2021 budget. The concerns include, among others, the nominal increase of social grants below the inflation rate, cuts in education and health, and the projected freeze of compensation of public servants. They attributed that to the reprioritisation of budget priorities.

The nominal cuts on grants was flagged by many Members of the committees as a grave concern. According to the Deputy Chairperson of FFC, Mr Michael Sachs, this presents a threat to the constitutional rights of many poor and unemployed South Africans. To him, what is even worse is the fact that social grants cuts will fall in value in three consecutive financial years, while there are children faced with hunger and poverty every day.

“Given so much hardship and the fact that many people lost their livelihood during the lockdown, is it possible to turn the social relief grants into a permanent arrangement?” asked a Member of one of the committees, Mr Gijimani Skosana.

Mr Mohamed concurred with such a view. He explained: “Given the high rate of unemployment and inequality, the extended relief grants should be made permanent, especially for women-headed households effected by lockdown, which led to the reduction of their income. These grants can make a big difference in this regard.”

Weighing on the most topical issue of the public wage bill freeze, Mr Ahmed Shaik-Emam stated that there is a talk of cutting the wage bill to the tune of R658 billion over the next three years, but there is also a talk of creating 700 000 jobs by government, how will the government balance these priorities?” he asked.

According to the Director of the PBO, Dr Dumisani Jantjies, the government is caught up between a need to balance its books on the one hand, and not to hurt the economy, on the other hand. However, he pointed out, the announcement of public wage freeze should be juxtaposed against emerging trends that indicate the increase in consultancy expenditures of 3.7% in relation to 1.5% on the wage bill, which show the nominal expenditure burden of the wage bill on the national budget.

The PBO’s Deputy Director of Economics, Mr Seeraj Mohamed, told the joint meeting that the question to be asked on the public wage bill is how long are we going to adhere to fiscal consolidation that has led to many cuts to various government programmes. He added: “Real reduction is social spending by the government does not support economic growth. Growth requires greater welfare and purchasing power of household consumption. As such, cuts on the public servants wage bill will impact on household consumption, which is a major driver of South Africa’s economic growth,” emphasised Mr Mohamed.

He said the lack of private sector investment is one of the major concerns confronting our economy’s growth rate.

The Programme Manager at FFC, Ms Sasha Peters, highlighted a concern about the existing disputes between labour and government regarding the public wage bill freeze, which create further uncertainties about the current fiscal framework. “What will happen to the budget if these cuts don’t materialise?” she asked.

The PBO’s Policy Analyst, Ms Nelia Orlandi, told the joint meeting that the total reduction on the National Health Insurance (NHI) is well over R394 million. According to her, this reduction affected the NHI’s revitalisation grant which did not perform.

The Deputy Chairperson of the FFC, Mr Michael Sachs, said the 2021 budget, as it stands, is a retrogression on the provisions of our Constitution that are central to the Bill of Rights. “Access to health by the poor and vulnerable is not a right that is subject to budget choices that the government makes, but is a fundamental right that should be protected at all cost. The cuts on the budget of central hospitals, such as Groote Schuur, should be seen in that context,”  he said.

He further added that cuts on the budget won’t lead to economic growth. But rather is a painful process of trying to stabilise debt, but wat is needed is an economic growth framework to bring a balance between expenditure and debt stabilisation. He added: “The problem is not the division of revenue but the shrinking of the pie.”

**By Abel Mputing**

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