

A BASIC INCOME GUARANTEE FOR A BETTER SOUTH AFRICA

**The evolution of social assistance in South
Africa after 1994**

1. INTRODUCTION

“Everyone has the right to... social security, including, if they are unable to support themselves and their dependents, appropriate social assistance. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights.”

(Section 27 (1) (c) and 27 (2) of the South African Constitution)

“I am now convinced that the simplest approach will prove to be the most effective – the solution to poverty is to abolish it directly by a now widely discussed measure: the guaranteed income.”

Martin Luther King Jr, 1968

‘We need an economic bill of rights. This would guarantee a job to all people who want to work and are able to work. It would also guarantee an income for all who are not able to work. Some people are too young, some are too old, some are physically disabled, and yet in order to live, they need income.’

Martin Luther King Jr, 1968

Brockerhoff (2013) provides a brief sketch of how South Africa developed a social assistance system that gave broad coverage to the old and children, while providing none for working age adults. Noting that the concept of “targeted social assistance” for the “deserving poor” dated back to Victorian models of social welfare, she said the South African system was “set up and designed to target those parts of the white population who despite preferential treatment in education and employment might find themselves in need of social assistance – the young, the old and people living with disabilities.” The idea of providing pro-poor relief dated back to the activities of the Dutch Reformed Church in 1657.

With the advent of industrialisation, and urbanisation in the wake of the opening of mines, the demand for a welfare system for White people grew. Means-tested social pensions were first introduced in 1928 for those Whites and Coloureds who were not covered by occupational pension schemes, which had been introduced during the 1920s. The welfare net expanded during the 1930s with the introduction of the state maintenance grant (SMG) and others for the blind (1936) and the disabled (1937). Lund (2008) says the SMG was imported from British social policy and built on the model of a nuclear family with formal marriage, where fathers were employed in a labour market with full or nearly full employment and provided the household’s primary source of income. The SMG was designed to respond to the unlikely events of widowhood, divorce, abandonment or single parenthood.

Brocherhoff (2013) says few whites claimed social pensions because most of them had well-paid jobs and were covered by occupational insurance schemes. The poor white problem, which had led to forms of social security emerging in the 19th century, had been effectively eliminated in 1939 through various laws that ensured preferential treatment and the creation of a so-called “civilised labour policy” as part of the 1925 Wage Act. This law established a minimum income for whites and an employment guarantee. In 1943, take-up rates for the elderly were 40% for Whites, 56% for Coloureds and 4% for Africans stringent (Van der Berg, 1998).

In 1944, the government extended old-age pensions to Africans, whose benefit levels were less than a tenth of those of whites and the means test was more stringent (Van der Berg, 1998). In 1946, the government extended the disability grant to Africans (Brockenstein, 2013). By 1958, Africans made up 60% of the 347 000 old age pensioners, but received only 19% of spending (Van der Berg, 1998). During the 1970s, the government established “independent” homelands for different ethnic groups and appointed puppet leaders for these Bantustans. There was a gradual process of deracialising social assistance to bolster the puppet regimes. This led to a rapid increase in funds flowing to the Bantustans for old age pensions. Coverage also increased outside the homelands.

In 1978, Africans made up 70% of 770 000 pensioners (Van der Berg, 1998). From the late 1970s, the apartheid government reluctantly accepted the principle of moving to parity in social spending. Spending on old age pensions increased to 1.8% of Gross Domestic Product (GDP) in 1993 from 0.6% in 1970. During the same period, African pensions rose five times in real terms while those for white people fell by a third. By 1990, Africans accounted for 67% of pension payments. In 1993, 1.2 million Africans received the old age pension. They accounted for 81% of the total beneficiaries of 1.5 million people. In the same year, the take-up rate for old age pensions (the percentage of pensioners relative to the population of pensionable age) was 69.4% for all population groups. – 89.5% for Africans; 84.9% for Coloureds, 61.5% for Indians and 20.3% for Whites. However, there were still huge racial inequities in the value of grants. In 1990, per capita spending on all grants was: R142 for Whites; R221 for Coloureds; R179 for Indians and R79 for Africans (Van den Berg, 1998)

2. MACROECONOMIC POLICIES AFTER 1994

Whichever way one slices the data, South Africa’s economic performance has been deeply disappointing since its miracle transition to democracy in 1994. Between 1994 and 2020, Gross Domestic Product (GDP), the value of all goods and services produced in the economy, has increased by an average of 2.3% a year. GDP per capita, an international benchmark of average living standards, which takes into account the growth of a country’s population, increased by an average of about 0.65% percent a year. As a result, in 2020 GDP per capita was only 16.1% higher than it was in 1994. (SARB 2021). There have been four phases in terms of post-apartheid economic policies and performance.

2.1 From the RDP to Gear

The African National Congress (ANC) went to the elections in 1994 with an economic development blueprint called the Reconstruction and Development Programme (RDP). Adelzadeh (1996) said: “Politically, the document represented both a consensus across different interests and a compromise between competing objectives. Economically, the RDP was successful in articulating the main aspirations for post-apartheid South Africa, that is, growth, development, reconstruction and redistribution, in a consistent macroeconomic framework, using the Keynesian paradigm,” The push for a progressive Keynesian post-apartheid development path had come from the ANC-aligned Macroeconomic Research Group (MERG), which had released a landmark report *Making Democracy Work* in 1993 and civil society organisations, including trade unions.

But the ruling African National Congress (ANC) made a neoliberal U-turn only four months after the inauguration of Nelson Mandela as the country’s first democratically elected president on 10 May 1994. Adelzadeh (1996) said the release of the RDP White Paper in September 1994 signified the first major point of departure from the goals and ethos of the original RDP document. “In a departure from the Keynesian towards the neoliberal framework, the White Paper transformed the role of fiscal prudence from a means to achieve the RDP objectives to an objective of the RDP,” he wrote. In June 1996, the government replaced the RDP, with the Growth, Employment and Redistribution (Gear) programme, which was a neoliberal stabilisation plan (Department of Finance, 1996; Adelzadeh, 1996).

This was despite the fact that there was no macroeconomic instability at the time. In 1996, South Africa’s debt to GDP ratio was 49.5%. Foreign debt was 1.9% of GDP (National Treasury 2021). The annual inflation rate for 1996 was 7%. Sovereign debt and inflation were low. There was no need for a neoliberal stabilisation plan. Adelzadeh (1996) said: “It is reasonable to conclude that the substantive abandonment of the of the RDP as originally formulated is indicative of a panic response to the recent exchange rate instability and a lame succumbing to the policy dictates and ideological pressures of international financial institutions. The proposed framework and policy scenarios represent an adoption of essential tenets and policy recommendations of the neoliberal framework advocated by the International Monetary Fund in its structural adjustment programmes.”

Gear’s slash and burn monetary and fiscal policies – which included sky-high prime lending rates that peaked at 25.5% in August 1998 and deep cuts to capital spending – depressed the economy. There was an annual average GDP growth rate of 2.9% between 1996 and 2003. GDP per capita increased by an annual average of 0.69% during this period. The number of unemployed people, according to the expanded definition, which includes discouraged work seekers, soared to 8 million in March 2003 from 4.6m in October 1996. The expanded unemployment rate increased to 40.6% in March 2003 from 33% in October 1996 (SARB 2021; Stats SA 2000; Stats SA 2009).

2.2 Post-Gear Boom (2004 – 2008)

After the end of Gear, there were expansionary monetary and fiscal policies, which took place within the context of an improved global economy and a boom in world commodity prices. The Reserve Bank dropped its repo rate by 650 basis points to a low of 7% in April 2005 from 13.5% in June 2003. Household consumption expenditure increased by an annual average of 5.2% between 2003 and 2007 (SARB 2020). Average house prices trebled between 2001 and 2008 (Businessstech 2016). Between 2003 and 2008, government final consumption spending increased by an annual average of 5.2%. Public investment by government and state-owned companies increased by 19.2% a year. Gross Fixed Capital Formation (GFCF) increased by 14.4% a year to 23.5% of GDP in 2008 from 16% in 2003.

Between 2004 and 2008, the economy grew by an average of 4.8% a year. GDP per capita grew by an average of 3.7% a year. (SARB 2021). The economy created 3.1m jobs as employment increased to 14.8m in December 2008 from 11.7m in March 2003). The number of unemployed people fell by 2.1 million to 5.9 million. The expanded unemployment rate declined to 28.7%. (Stats SA 2009). It is a myth that there was jobless growth during this period. The faster growth was due to domestic economic policies and not the commodity boom. During the 2001 to 2008 commodities boom, the world's top 20 mining countries achieved an average mining GDP growth rate of 5% a year, while SA's mining sector GDP shrank by 1% a year, according to the Minerals Council of South Africa (MCSA, 2011).

It appears that the strong rand wiped out the benefits of booming world commodity prices. Also, for every year between 2004 and 2007, gross domestic expenditure (GDE), a measure of the performance of the domestic economy, grew much faster than GDP, which takes into account the impact of the external sector or net exports. GDE grew by 7.2% a year compared with GDP which grew by 5.1% a year. The external sector was a drag on the GDP growth rate. There was a sharp increase in mining investment between 2006 and 2008. But it only accounted for about 9.7% of total investment during this period (SARB 2021) Finally, all sectors of the economy expanded employment during the mini-boom. But the mining sector shed 110 000 jobs. It was the only sector of the economy that lost jobs.

2.3. The Lost Decade (2009 to 2019)

South Africa had a "lost decade" between 2009 and 2019 in terms of economic development as it failed to recover from the Global Financial Crisis and Great Recession of 2007 to 2009. GDP declined by 1.5% during 2009. There was a mild recovery between 2010 and 2013 on the back of interest rate cuts and modest increases in government consumption and investment spending. The Reserve reduced the repo rate by 700 basis points between December 2008 and July 2012. Government consumption spending increased by 3.1% a year between 2010 and 2013. Public investment (by general government and public corporations) increased by 3% a year. As a result, GDP grew by an annual average of 2.8% a year> GDP per capita increased by 1.2% a year during this period. (SARB, 2021). There were budget

revenue surpluses – defined as in-year budget revenues compared with budget forecasts – of R28.9bn during this period (Treasury 2020).

During the second period, from 2014 to 2019, there was a collapse in trend GDP growth to an annual average GDP growth rate of 1% on the back of tighter monetary policies and lower government consumption and investment spending. GDP per capita declined by 0.5% a year. The Reserve Bank increased interest rates by 200 basis points between January 2014 and March 2016. National Treasury implemented austerity. The growth in real government consumption spending fell to one percent a year between 2014 and 2019. Public investment (by general government and public corporations) collapsed by 22.4% between 2015 and 2019 (SARB 2021). The collapse in trend GDP growth during the second period resulted in budget revenue shortfalls of R250bn between 2014/15 and 2019/20 (Treasury 2020)

There is a view that the collapse in the trend growth rate during the second period was partly due to the end of the commodity boom in 2012 (Sachs 2020). But mining's direct contribution to the economy is small. Between 2014 and 2019 its share of GDP decreased marginally to 7.9% from 8.2%. Its share of total investment remained the same at 11%. Primary mineral sales as a percentage of total exports fell to 26.8% from 27.9%. (MCSA 2020). The annual average contribution of mining to GDP growth between 2014 and 2019 was -0.1% (Stats SA, 2020). During the crisis before the crisis, South Africa had a "lost decade" in terms of economic development between 2009 and 2019. The economy recorded its worst performance during the post-apartheid period. GDP increased by 1.4% a year. GDP per capita declined by 0.01% a year (Stats SA, 2021; SARB, 2021). The February 2020 budget had forecast three more years of declining GDP per capita (National Treasury 2020).

2.4. The Lockdown (27 March 2020 to Present)

Since the start of the lockdown, one of the most stringent in the world as measured by the Oxford Covid-19 Government Response Stringency Index, South Africa's economy has entered into a fourth phase of the post-apartheid economy (Oxford 2021). The country is witnessing the shocks of a crisis that can eviscerate the promises and dreams of its liberation. GDP declined by 6.4% during 2020 (Stats SA 2021). Under current austerity policies – planned budget cuts of R264.9 billion over the next three years until 2024 - South Africa could have a second "lost decade" until 2030.

2. SOCIAL ASSISTANCE AFTER 1994

In 1994, South Africa's first democratic government inherited an inefficient and ineffective social welfare system, which had fragmented and duplicated services that did not meet the human needs of vulnerable and poor citizens. "There were 14 different departments for various race and ethnic groups and the then homelands that were also administered through the welfare system" (The Presidency, 2015). The *White Paper for Social Welfare* said the welfare budget was made up of two components: social security (referred to as social assistance in this paper) and welfare assistance and services. "The social security component amounts to 88% of the welfare budget, and welfare assistance and services to 8%, while 4% is allocated to capital expenditure." The social assistance budget was spent on grants for the elderly (60%), the disabled (24%) and maintenance grants (14%) (Department of Welfare, 1997). The inherited racist social security system had relatively wide coverage of grants for the elderly but almost none for African children. There was also no income support for the working age population.

However, the RDP had said very little about social assistance. It called for a developmental social welfare programme and the review of all apartheid policies and laws. It said there was a need for a national social security system that would meet the needs of workers in both the formal and informal sectors and the unemployed. A safety net would include social assistance in the form of cash or in-kind benefits that would be given to those most at risk. The assistance could include grants, public works programmes, the provision of food, clothing and healthcare to those in need. The RDP White paper did not mention the word social assistance. In 1996, the section 27 (1) of the Constitution said everyone has the right of access to social security, including if they are unable to support themselves and their dependents, appropriate social assistance. It said the state must take reasonable legislative.

Like the RDP the 1997 *White Paper for Social Welfare* called for developmental social welfare. Brockhoff (2013) cited the then minister of welfare who said "the main feature of developmental social welfare was that social development and economic development were interdependent and mutually reinforcing." However, the White Paper was also vague on the issue of extending social assistance to the working age population, the main weakness of the inherited social assistance system. There was no roadmap to meeting the Constitutional obligation to provide social security to all South Africans who could not support themselves or their dependents.

After criticism of the draft White Paper by from the Congress of South African Trade Unions, Brockhoff (2013) wrote, the final document had a commitment to develop "a comprehensive social security policy and legislation" The document said there was a need for "comprehensive social assistance for those without other means of support, such as a general means tested social assistance scheme." It continued: "Although the Department of Welfare has a central role to play in serving the social security needs of the great number of people who have no formal employment and live in grinding poverty, the creation of an effective social security system requires integrated inter-departmental and inter-ministerial planning and co-ordination, in consultation with civil society..."

According to the 1996 Budget Review: "Social security and welfare spending by the general government comprised 3.5% of GDP in 1993/94. Of this, 0.7% of GDP comprised benefits paid by the Unemployment Insurance Fund (UIF) and the various workmen's compensation funds. "Social grants paid out of government revenue amounted to 2.4% of GDP. "Welfare services of various kinds, including subsidies to welfare organisations make up the balance of welfare spending. Grants paid by welfare departments amount to 88% of government spending on welfare (excluding social security funds) and constitute 7.5% of government spending. Grants for elderly persons comprise 60% of the total, grants for disabled persons take up 24% and maintenance and foster care grants make up most of the balance. On 31 May 1995 there were 2.85 million beneficiaries of grants." (Department of Finance, 1996). Therefore, the welfare budget, excluding social insurance such as the UIF, was about 2.8% of GDP.

Lund (2008) said 12% of the social assistance budget went to grants for child and family care, and 84% of these grants went to the SMG with the remainder going to Foster Care Grants (FCGs), for those taking care of children who are not their kin, and to the Care Dependency Grant (CDG), intended for caregivers of profoundly physically or mentally impaired children to enable them to be cared for at home rather than in residential institutions. Racial parity in awards to the elderly and to disabled people was achieved by the end of September 1993, and in July 1995 the value of these grants was R410 per month. The CDG was R410 per month for the whole population. The FCG was R288 per month.

There were two parts to the SMG: allowances for parents and the child at R410 and R127 a month respectively. The grant was available to a parent initially only mothers or guardians living with a child under 18 years of age on condition that the parent/guardian was unmarried, widowed or separated; had been deserted by the spouse for more than six months; had a spouse who received a social grant or had been declared unfit to work for more than six months; or had a spouse who was in prison, a drug treatment centre or similar institution and had been for more than six months.

Until 1992, the grant was payable for up to four children, then reduced to two children only. It was means tested and the applicant had to prove that she – and later he (after 1992 men could be included as well) - had attempted to obtain maintenance from the partner or other parent of the children through the private parental maintenance system. Lund's lengthy explanation of the onerous and comic conditions to obtain the grant illustrates the absurdities of means-tested social grants.

While the level of the SMG was equalised for all population groups, the grant had limited reach – 200 000 women and about the same number of children. And there was racial inequity in terms of access. The Lund Committee of Child and Family Support (Lund, 1996) said: "All South Africans were eligible for the grant, but for a variety of reasons African women were largely excluded from access." In a 20-year review of social security, the Presidency (2015) said: "In 1993, the last year for which racially disaggregated welfare spending data is available, only 0.2% of African children were in receipt of maintenance grants, while 1.4% of white children, 4% of Indian children and 5% of Coloured

children received the grant.” The Lund Committee said about R1.2 billion was spent on the SMG in 1995.

It would cost between R5 billion and R20 billion annually, depending on assumptions made, if all women who were eligible for the grant were to get it. The Committee recommended the phasing out of the SMG and the introduction of a new flat-rate child support benefit for children aged 0 – 9 years. The level of the grant would be derived from the Household Subsistence Level for food and clothing for children, which was then R90 in Bloemfontein, according to the Committee’s research. In April 1998, the government introduced a child support grant for children aged 0 – 7 years. It took 15 years to meet the Constitutional obligation to extend the grant to all children.

There was initially a slow take-up of the grant. After three years, only 25% of the targeted group were receiving the grant (Taylor 2002). In March 2002, Vivienne Taylor, the chairperson of the *Committee of Inquiry into a Comprehensive System of Social Security for South Africa* presented a seminal report *Transforming the Present – Protecting the Future* to Minister of Social Development Zola Skweyiya. The Committee had a wide brief that extended beyond social assistance, which is the focus of this report. It recommended that the government should extend the CSG to all children under the age of 18.

Between 2003 and 2005, the government phased in the extension of the grant to children under 14. The CSG was extended to: children under nine from April 2003; children under 11 from April 2004; and children under 14 from April 2005. In 2009, cabinet said I would extend the CSG to children under 18. Implementation would be phased in during 2009/10 starting with children under the age of 15. National Treasury’s 2010 Budget Review said: “Growth over the medium-term expenditure framework is largely the result of the extension of the child support grant to eligible children up to their 18th birthday. The extension of child support will be phased in over three years, with additional allocations of R1.3 billion, R3.1 billion and R5 billion in 2010/2011, 2011/2012 and 2012/2013 respectively.”

The Taylor Committee also recommended the implementation of a Basic Income Grant to close the gap in the social assistance policy. Its report said: “The last vestiges of state racial discrimination have subsequently been removed, but a key underpinning principle of the old system remains in place, i.e the assumption that those in the labour force can support themselves through work, and that unemployment is a temporary condition. In reality those who cannot find work (and who do not, or no longer, qualify for UIF payments, fall through a vast hole in the social safety net.” It continued: “Ideally, people should be able to earn a living through employment rather than rely on welfare payments. However, given the size of the unemployment problem and the extent of the growth challenge, full employment is not a feasible scenario in the short to medium term.”

The report was adamant that there should also be income support for the working poor. “Importantly, with changing forms of employment, and hence changing statistical definitions of unemployment, the distinction between ‘employed’ and ‘unemployed’ is also becoming blurred. For the purposes of social policy, for example, the difference between an unemployed person and someone employed in the informal sector at virtually no income appears insignificant since such work does not provide adequate job and income security. Is the person in chronic underemployment not just as deserving of income security? Why provide income support to someone with zero hours of work last week and not to someone who did a few (two) hours?”

“Moreover, unlike industrialised countries, large proportions of the formally employed are in poverty and are categorised as ‘working poor.’ In the context of a labour surplus economy, more and more people are being pushed into the informal economy. The Committee’s research into unemployment trends and workerless households reveals that those involved in informal work or in the ‘informal sector’ also tend to fall into the category of the working poor. In short, there is a growing need for a platform of general social protection that supports both the unemployed and the working poor.”

3. ASSESSMENT OF SOUTH AFRICA’S SOCIAL ASSISTANCE PROGRAMMES

During the 2019/2020 fiscal year, South Africa spent R207.5 billion on social protection, which was equivalent to 3.4% of GDP, according to the 2020 Budget Review. (This report decided used 2019/2020 data because the following year’s numbers were distorted by one-off Covid-related spending items and a collapse in GDP, which pushed social protection spending up to 4.5% percentage of GDP, well above average of about 3.5% of GDP during the previous decade. This percentage of spend number will also have to be adjusted downwards due to a rebasing of GDP data in August 2021). The government spent R175.2 billion (2.9% of GDP) on social grants for 18 million beneficiaries. This was equivalent to 84.4% of total spending on social protection. (National Treasury 2020: National Treasury 2021).

By comparison, the government spent 2.4% of GDP on social grants for 2.9 million beneficiaries in 1996. Therefore, there has been a small increase – of 0.5 of a percentage point as a share of GDP - which must now be shared between 15 million more beneficiaries. The government spent; R65 billion on the CSG for 12.8 million beneficiaries; R76.9 billion on the old age pension for 3.7 million beneficiaries; R23.1 billion on disability grants for 1 million beneficiaries; R5 billion on the FCG for 350 000 beneficiaries; and R3.4 billion on the CDG for 155 000 beneficiaries. The distribution of social grant spending was: 36.3% for the CSG; 43.9% for the old age pension; and 13.2% for disability grants (Department of Finance, 1996 National Treasury 2020: National Treasury 2021).

The International Labour Organisation (ILO) Recommendation No. 202 says member states should establish and maintain social protection floors as a nationally defined set of basic social security guarantees, which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. National social protection floors should comprise at least the following for social security guarantees: access to essential healthcare, including maternity care; basic income security for children; basic income security for persons in active age who are unable to earn income, in particular in cases of sickness, unemployment, maternity and disability; and basic income security for older persons.

In South Africa, according to the ILO (2021), 49.3% of the population was covered by at least one social protection benefit in 2020, the second highest in Africa after Tunisia (50.2%) – but still only half-way through the set indicator in the United Nations Sustainable Development Goals (SDGs) of universal coverage. The world average was 46.2%. The coverage in other regions was: Europe and Central Asia (83.9%), the Americas (64.3%), Asia and the Pacific (44.1%) and Africa (17.4%).

The ILO (2021) said South Africa had public social protection spending (excluding health) of 5.5% of GDP compared with a world average of 12.9%. The expenditure in other regions was: Europe and Central Asia (17.4%), the America's (16.6%), Asia and the Pacific (7.5%), Arab States (4.6%) and Africa (3.8%). South Africa had coverage of 76.6% for child and family benefits. This was above the world average of 26.4%. The coverage in other regions was: Europe and Central Asia (82.3%), the Americas (57.4%) and Africa (12.6%). South Africa spent 1.5% of GDP on children and families, which is above the global average (for children aged 0-14) of 1.1%. But the CSG at R460 per month is 35.7% below the 2021 food poverty line of R624 per month. There is wide coverage of 66.5% for people with severe disabilities. This is well above the world average of 33.5%. The coverage for other regions was: Europe and Central Asia (86.0%), Asia and the Pacific (21.6%) and the Americas (71.8%).

South Africa had coverage of 81.4% for older people. This is above the global average of 77.5%. The coverage in other regions was: Europe and Central Asia (97.2%), Asia and the Pacific (73.5%), the Americas (88.1%) and Africa (27.1%). South Africa's public social protection spending for older persons was 1.5% of GDP. The world average was 7.0% of GDP with wide variations across regions. But there was poor coverage of only 11.9% for unemployed people. This was below the global average of 18.6%. The coverage for other regions was: Europe and Central Asia (51.3%), the America's (16.4%), Asia and the Pacific (14%) and Africa (5.3%). Public social protection spending on people of working age was 2.5% of GDP. This compared with a world average of 3.6% of GDP.

In January 2015, South Africa ratified the United Nations (UN) International Covenant on Economic, Social and Cultural Rights (ICESCR), which calls for countries to use "maximum available resources" and "all appropriate means" to progressively realise the rights that are in the Covenant." These include rights to: work, fair wages, safe and healthy working conditions, joint trade unions and strike, social security, an adequate standard of living, freedom from hunger, the highest attainable standard of

physical and mental health, free and compulsory primary education and secondary and higher education, which should progressively become free.

In its first report on South Africa that was adopted on 29 November 2018, the CESCR said the levels of all non-contributory social assistance benefits were too low to ensure an adequate standard of living. It said those with little or no income between the ages of 18 and 59 and are capable of working are not covered by existing schemes. The Committee recommended that South Africa should: raise the levels of non-contributory social assistance benefits to a level that ensures an adequate standard of living for recipients and their families; ensure that those between 18 and 59 have access to social assistance; establish a social protection floor in line with the rights-based definition under ILO Social Protection Floors Recommendation, 2012 (No. 202); expand the coverage of the Unemployment Insurance Fund to all workers, regardless of their status; and consider introducing a universal basic income grant.

4. GLOBAL AND SOUTH AFRICAN RESPONSES TO THE 2020 ECONOMIC CRISIS

In response to unprecedented lockdowns and the resulting pandemic-induced recession, most countries decided to spend their way out of the crisis. Global stimulus packages were worth \$16 trillion by 17 March 2021, equivalent to about 17.1% of world GDP, according to the IMF (2020). The direct state contribution to these stimulus packages – through additional spending and foregone revenue – was \$10 trillion or 10.6% of world GDP. Central Banks in the United States (\$4 trillion), Eurozone (\$4.2 trillion), Japan (\$1.3 trillion) and England (\$0.6 trillion) printed \$10.1 trillion between the end of December 2019 and June 2021 to support their economies.

For the first time, about 20 emerging market central banks implemented quantitative easing (QE), the purchase of government bonds on primary and secondary markets. The IMF concluded that QE had lowered bond yields and had not contributed towards currency depreciation. There was no punishment from international investors. “This positive experience may motivate more emerging-market central banks to consider unconventional monetary policy as a big additional part of their policy toolkit, especially where conventional policy space becomes limited” (IMF 2020).

By comparison, a report by the Studies in Poverty and Inequality (SPII) says South Africa’s response to the economic crisis was inadequate. On 21 April 2020, President Cyril Ramaphosa announced a R500bn stimulus package that was worth 10% of the country’s Gross Domestic Product (GDP). The report looked through the smoke and mirrors of the package and found that National Treasury had effectively cancelled the stimulus. The real stimulus – new money that was injected into the economy – was only R123.5bn, about a quarter of the headline number that the president cited.

There were two-components of the real stimulus. There were above-the-line (on-budget) measures – higher government spending and foregone tax revenues - of R46.6bn, equivalent to 0.9% of GDP in 2020. These measures comprised: a R34.6bn increase in non-interest spending and tax relief of R12bn during 2020/21. There were below-the-line (off-budget) measures of R76.9bn, equivalent to 1.5% of GDP. These measures comprised: R18,2bn that banks advanced to their clients as part of the government's R200bn loan guarantee scheme; and R58.7bn that the Unemployment Insurance Fund paid to 5.4m people who were temporarily unemployed because of the lockdown. Therefore, the stimulus package was equivalent to 2.5% of GDP. The direct state contribution was only 0.9% of GDP.

As part of the stimulus, National Treasury allocated R40.9bn towards the additional grant payments. But only R25.5 billion was new money. This was because R15.4bn was not payable during 2020/21 because of early payment of grants and so was paid out of the previous financial year's allocation. The government topped up the CSG, with a one-off payment of R300 in May 2020. During the following five months until the end of October 2020, 7.2 million care givers (as opposed to 12.8 million beneficiaries of the CSG) received an extra R500 a month. Other grant beneficiaries received an extra R250 until the end of October 2020. A social relief of distress (SRD) grant was paid to about 6 million beneficiaries (the numbers varied each month) who did not receive any other grants, until April 2021.

In October 2020, the government announced an Economic Recovery and Reconstruction Plan (ERRP) (The Presidency, 2020). The plan has two inter-related pillars. First, the government has established a R100 billion infrastructure fund, which was first announced in September 2018, to leverage private investment. But the budget has allocated an average of only 0.1% of GDP a year to the fund during the three-year MTEF period: R4 billion in 2021/2022; R6 billion in 2022/2023; and R8 billion in 2023/2024 (National Treasury 2021). The fund has barely got off the ground and appears to have only spent R1.7 billion. A presentation by finance minister Enoch Godongwana to the ANC National Executive Committee, said there was projected underspending of R2.3 billion from the infrastructure fund that will partly fund a R19.6 billion cash gratuity to increase in public sector workers (ANC 2021)

Second, the government has launched Operation Vulindlela, a joint initiative between the Presidency and National Treasury to implement structural reforms, which were outlined in an economic strategy in October 2019 (National Treasury 2019). Structural reform is code for privatisation, deregulation, liberalisation and the withdrawal of the state of from network industries - electricity, transport, telecommunications and water. It refers to measures to improve the supply (or production) side of the economy by removing institutional and regulatory impediments to the functioning of free markets. But Harvard University economist Dani Rodrik says gains from such neoliberal reforms since the 1980s have been elusive. "The experience suggest that structural reform yields growth only over the long term, at best. More often than not the short-term effects are negative."

The IMF (2016) says: “Most reforms are likely to only make a small near-term contribution to ongoing recovery, as it takes time for the gains to materialise.” National Treasury’s economic strategy said the benefits from its proposed reforms were marginal and would take many years to materialise. Structural reforms will not address any of South Africa’s immediate humanitarian and economic crises. Tackling the supply side of the economy when the average large factory had spare capacity of 21.4% in May 2021 will only result in more idle machines. The economy needs more aggregate demand or spending power. Economist Ilan Strauss says talk of structural reform in the midst of a recession is like telling an ICU patient who needs a life-saving intervention about the need to exercise and have a healthy diet.

In February 2021, National Treasury (2021) announced a R264.9 billion austerity budget over the next three years — with cuts of R27.7 billion (0.5% of GDP) in 2020/2021, R87.3 billion (1.5% of GDP) in 2022/2023 and R150 billion (2.5% of GDP) 2023/2024. The Budget Review said: “Over the medium-term expenditure framework period, consolidated noninterest spending will contract at an annual real average rate of 5.2%.” If one added population growth, real per capita noninterest spending would decline 6.6% a year over the next three years. There were cuts in: health (R50 billion, in the middle of a pandemic), police (R39 billion, including 18 000 retrenchments of police officers), social grants (R36 billion), basic education (R25 billion), tertiary education (R24.6 billion) and defence (R15 billion).

The government ended the SRD grant at the end of April ahead of a lockdown to contain the spread of the coronavirus that did not allocate a cent to the millions of people who would suffer from its devastating impact. At the end of July 2021, after the worst social unrest and violence since 1994, which included unprecedented looting and 342 deaths, former finance minister Tito Mboweni announced a R36 billion stimulus package, which was equivalent to 0.7% of GDP. It included the reintroduction of the SRD grant until the end of the financial year at a cost of R26.7 billion (Ministry of Finance, 2021).

The stimulus, which is inadequate compared with the scale of the crisis, will be financed from the government’s excess cash from a tax windfall due to higher commodity prices. It will cancel the planned austerity measures of R27.7 billion for 2021/2022. At the end of the March 2021 fiscal year, the government had cash of R333.9 billion (SARB 2021). Tax revenues during 2020/2021 were R137 billion higher than the estimate that was made during the October 2020 medium term budget policy statement. With commodity prices holding up, despite retreating from recent highs, most analysts expect that National Treasury will have excess cash of more than R100 billion during this fiscal year.

The crisis after the crisis has resulted in the country reeling from intersecting public health, humanitarian and economic crises. On 21 September 2021, South Africa had 2.9 million infections, 86 376 official deaths and 260 241 excess deaths. By comparison South Korea had 290 983 infections and 2 419 official deaths. Business Day editor Lukanyo Mnyanda has called for a commission that would “seek to establish how South Africa came to have one of the most severe lockdowns in the world and still emerged with one of the highest death rates anywhere in the world.” The National Income Dynamics Study Coronavirus Rapid Mobile Survey says 10 million people and 3 million children were in a

household affected by hunger during April and May 2021 (NIDS-CRAM, 2021). During the second quarter of 2021, there were unemployment rates of 74.8% for youth, 47.9% for Africans, 51.5% for African females and 49.5% in Limpopo and 49.6% in the Eastern Cape (Stats SA, 2021).

Analysts expect the economy to have a technical rebound from the 2020 lows during 2021, primarily because there cannot be another severe lockdown. But there is agreement that GDP growth will return to the pre-pandemic trend of low growth in following years. The Indlulamithi initiative has presented three scenarios for the economy until 2030. Under the "Isbhujwa" trickle down outlook, the government will continue with the 1996 policy framework. This scenario will produce average GDP growth of 2.2% a year until 2030. With the "Gwara-Gwara" immiserating outlook the government will also implement austerity policies, as the budget has done. This "second lost decade" scenario will produce average GDP growth of 1.8% a year until 2030, which is barely higher than the country's population growth rate.

The "Nayi-le-Walk" pro-poor outlook requires a shift from the status quo. Under this scenario, the government will implement a six pillar policy framework, which includes bold macroeconomic and social policy reforms. The Reserve Bank will change its mandate to target inflation and a 6% GDP growth rate. The government will introduce a new grant of R1000 a month and make the public works programme an employer of last resort. Under this scenario, there will be GDP growth of 6.2% a year until 2030. The economy will create between 8.7 million and 10 million jobs and the official unemployment rate will decline to 12%. The poverty rate will decline by 50% to 23% (Indlulamithi, 2021)

South Africa needs a new macroeconomic policy framework to deliver GDP growth of at least 6% until 2030. The government's recovery plan has pinned its hopes on structural reforms to unleash an improbable new wave of private sector investment. South Africa has an investment ratio of about 14% of GDP. The annual shortfall to achieve the 30% target in the National Development Plan (NDP) is almost R900 billion. But the planned liberalisation at Eskom is expected to generate only R25 billion a year (0.5% of GDP) of investment for three years. Transnet's reforms are expected to attract private sector investment of only R10 billion a year over a decade. If successful, both measures to attract private investors will only close 4% of the annual investment shortfall.

Private sector investment responds with a lag to rising GDP growth as happened during the 2004 – 2008 mini-boom. It follows GDP growth and does not kickstart the economy. There cannot be a private sector investment boom within the context of austerity policies that will reduce GDP growth and no plan to reverse a public sector investment strike, which has been the main reason for the collapse of total investment since 2015. As Stephanie Kelton, a modern monetary theory (MMT) economist says: "Capitalism runs on sales. In survey after survey, we find that the number one reason businesses are slow to hire and invest in new plant and equipment is a lack of demand for the things they produce. Businesses hire and invest when they're swamped with customers." (Kelton, 2013).

5. THE BASIC INCOME GUARANTEE: AN IDEA WHOSE TIME HAS COME

Two decades after the release of landmark Taylor report, the BIG has made a dramatic comeback in South Africa. “In the context of widespread hunger, declining income and job losses, calls for a Universal Basic Income Guarantee (UBIG) have increased,” the Institute for Economic Justice (IEJ) says. Over the past year, there has been a proliferation of reports, which outline in detail how a BIG can be financed and implemented. This section reviews some of these reports.

5.1 Social Protection Pathways to a Basic Income Grant Beyond Covid-19 by Vivienne Taylor

Taylor, the chair of the ANC’s joint Economic and Social Transformation Task team on the BIG made two presentations in May and August 2020. She said epidemiological, environmental, financial and economic crises were recurring and inherent in an interdependent global economic system. “Social protection floors with basic income support are a social and economic platform for development with equity in good times and a stabiliser and buffer in times of crisis for the most vulnerable and at risk. Evidence shows that economic and social recovery post crises is faster and more sustainable with strong inclusive social protection systems in place.

”In a prophetic statement made a year before the tragic events of July 2021, she said: “The cost of not acting to include those who are excluded from the economy and social protection are continued protests, food riots, violence, destruction of infrastructure and lawlessness. Political, social and economic disruptions and sustained instability prevent economic development and undermine democracy.” Noting that there were 33 million people between 18 and 59, Taylor proposed a graduated approach to implement the BIG with four options in both presentations.

- Extend the old age pension to 775 398 people aged 58 – 59. This would cost between R5.2 billion (assuming 30% coverage) and R8.7 billion (assuming 50% coverage).
- Extend the old age pension to 1 286 969 people aged 55 – 57. This would cost between R8.6 billion (assuming 30% coverage) and R14.4 billion (assuming 50% coverage)
- Implement a BIG of R500 a month for the unemployed. Assuming an unemployment rate of 50% in 2024 (12.9 million people), this scenario would cost R77.1 billion. The cost would decline to: R64.8 billion in 2025 with an expanded unemployment rate of 42% (10.8 million people) and R54 billion with an unemployment rate of 35% (9 million people) in 2028. This option would require unemployed people to register for the BIG.
- A universal BIG of R500 a month for 33 million people (aged 18 – 59) people would have a gross cost of R197.8 billion. Under this option, employed people would pay back the entire grant. Based on a sliding scale, the lowest paid employees would pay additional tax of R6 000 (R500 a month). Higher paid employees would pay a more so that the full gross cost of the grant would be paid for.

“Assuming the full R6 000 a year will be recovered through the tax system from each employed person who receives the grant, there would be no real additional tax burden to employed individuals. With 12.9 million unemployed people, the fiscus would recover R77 billion. The net cost of R120.6 billion would be recovered through a social protection tax or fund.

5.2 Basic Income Support for the Unemployed Aged 18 – 59: A Discussion Paper (Department of Social Development)

In November 2020, the Department of Social Development published a discussion document on the BIG. It provided 24 costing scenarios based on age, which ranged from R24 billion for introducing the BIG at the FPL for people aged 18 to 21 to R421.6 billion for implementing the grant for all people aged 18 to 59. The recommendations used the framework provided by Taylor (2020) which called for a graduated implementation of the BIG based on criteria such as age and employment status. The report included basic income case studies from Namibia, Kenya, India and Finland. It put forward a case for introducing a BIG in South Africa and discussed important design principles relating to universal benefits, means testing, the grant value and reach, affordability, taxes and redistribution.

Table 1: Department of Social Development Costs of the BIG per Age Group

| Age Group | FPL 560 (R million) | LBPL 810 (R million) | UBPL 1200 (R million) |
|------------------|----------------------------|-----------------------------|------------------------------|
| 18 – 21 | 24 511 | 35 456 | 52 527 |
| 18 – 24 | 42 587 | 61 609 | 91 272 |
| 18 – 35 | 116 055 | 167 852 | 248 669 |
| 36 – 59 | 80 703 | 116 757 | 172 974 |
| 36 – 50 | 55 999 | 81 011 | 120 016 |
| 50 – 59 | 24 704 | 35 747 | 52 958 |
| 55 – 59 | 11 088 | 16 038 | 23 760 |
| 18 – 59 | 196 758 | 284 609 | 421 643 |

5.3. From a “Two-speed society” to one that works for all: by Colin Coleman

In July 2020, Colin Coleman, the former South Africa head of United States investment bank Goldman Sachs presented a proposal for a BIG in a lecture at the University of Cape Town. “South Africans aged 18 to 59 permanently without a job, not receiving any form of social grant or unemployment benefit such as the UIF, or any other form of state assistance, must receive government support. I have concluded that it is indeed time to introduce, in a fiscally neutral manner, some form of BIG. Applying the International Poverty Line benchmark of \$2 a day, equivalent to about R1 080 a month, across 10.8 million people, this BIG would cost South Africa around R140 billion per annum, before annual inflation. Alternatively, one could equally choose to target all 32 million adults with R365 a month, with a clawback for those above an income limit, or all 23.4 million labour force participants with R500 a month, also with a clawback,” he said. He propose 14 tax measures worth R140 billion to pay for the BIG.

Table 2: Colin Coleman: Proposed Taxes to Pay for BIG

| | TAX REVENUE/EXPENDITURE SAVING ITEMS | SAVINGS 2020/21 (Rbn) |
|----|---|--------------------------------------|
| 1 | Remove retirement fund deduction for income of above R600 000 a year | 27.0 |
| 2 | Re-engineer VAT system credits/tiering, an upward adjust old age and child support grants to ensure net gain for low income households | 18.6 |
| 3 | Introduce 5% withholding tax on state procurement contracts, creditable against tax payable (5% on R334 billion value of 2019/2020 contracts) | 16.7 |
| 4 | Reduce departmental allocations or claw back irregular/wasteful expenditure, last reported by the auditor general for 2018/2019 to be R94.6 billion by a target of 15% | 14.2 |
| 5 | Eliminate medical aid tax credits for income of more than R300 000 a year | 12.5 |
| 6 | Increase sin taxes by 20% from R55.5 billion in 2019/2020 | 11.0 |
| 7 | Eliminate bracket creep relief | 10.0 |
| 8 | Cap interest deductions for corporates at 25% of net debt / EBITDA and remove carry forward allowance | 10.0 |
| 9 | Increase dividend withholding tax to 25% from 20% | 5.0 |
| 10 | Replace estate duty with progressive inheritance tax | 5.0 |
| 11 | Interest saving on R325 billion of Eskom guaranteed debt by moving it directly onto the government balance sheet | 3.5 |
| 12 | Reduce cabinet size, departmental duplication and other items to achieve a 5% saving on R70 billion spent on general public services during 2019/2020 | 3.5 |
| 13 | Increase carbon tax to 25% of European Union standard | 2.0 |
| 14 | Introduce a licensing fee of R5 000 per annum, initially targeting top 10% of the 1.8 million SMMEs not registered for tax, with the fee payable at the end of their third year's operation onwards | 1.0 |
| | TOTAL | 140.0 |

5.4. Towards income security for all: Institute for Economic Justice Policy Brief

The institute for Economic Justice (IEJ) says the introduction of a UBIG is one of the best tools available to reduce poverty, hunger and destitution. The policy brief provides 30 costing scenarios for the implementation of the UBIG that are based on the level of the guarantee (the three poverty lines, R2 500 a month and R3 500 a month), the targeted group (all people aged 18 to 59, informal workers, the unemployed, the not economically active, the not formally employed) and the level of uptake (80% and 60%). The paper proposes 12 tax measures (many of which are similar to Coleman's tax reforms) that will raise R158 billion to pay for the UBIG in the short term.

The largest tax measure (R64.7bn) is a social security tax that would be progressively levied on all income earners at 1.5% to 3% of taxable personal income. A wealth tax on the top 1% of income earners (354 000 people with an average wealth of R17.8 million and total wealth of R6.3 billion) would raise R189 billion. The policy brief provides different models for VAT collection assuming low income people will spend 80% of their income on items that have the tax charge. The proposal is that the UBIG can be implemented at the lower poverty line in the short term using the 12 tax measures. The wealth tax would enable the government to increase the UBIG to the upper bound poverty line in the medium term.

Table 3: Institute for Economic Justice: Proposed Taxes to Pay for BIG

| | TAX REVENUE/EXPENDITRE SAVING ITEMS | SAVINGS 2020/21 (Rbn) |
|----|--|--------------------------------------|
| 1 | Social security tax | 64.7 |
| 2 | Eliminate retirement fund contribution deductions for those earning above R1 million (2018/2019) | 32.0 |
| 3 | Claw back irregular/wasteful expenditure, last reported by the auditor-general for 2018/2019 to be R42.8 billion, by a target of 30% | 12.8 |
| 4 | Luxury VAT on selected items | 11.0 |
| 5 | Increase dividend tax to 25% from 20% | 7.0 |
| 6 | Eliminate medical tax credits for those earning above R500 000 | 6.3 |
| 7 | Reduction of profit-shifting by multinational companies by a target of 25% (2018) | 5.8 |
| 8 | Reduce cabinet size, departmental duplication and other waste by 5% on "general public services" as per 2020 budget | 5.4 |
| 9 | Replace estate duty with progressive inheritance tax | 5.0 |
| 10 | Cancel employment tax incentive | 4.8 |
| 11 | Increase carbon tax to 25% of EU standard | 2.0 |
| 12 | Increase securities transfer tax to 0.35 from 0.25% | 1.2 |
| | TOTAL | 158 |

5.5 Universal Basic Income Guarantee: Financing Options Analysis (DNA Economics)

In July 2021, DNA Economics published a report for the IEJ, which reviewed seven financing options that were published in their March 2021 policy brief. The report also reviewed resource rent and currency taxes. DNA Economics says: "A resource rent tax is an additional tax levied on extractive companies' economic rent, which is defined as that portion of value added which exceeds the costs of all factors of production, including the required return on capital." In other words, it is a tax on excess profits during a commodity boom. The company says: "a currency transaction tax is a tax on any transactions in which the buying and/or selling of foreign currency or domestic currency are involved."

It estimated revenues based on a tax of 0.005% on currency transactions and assumed daily turnover of \$72 billion, of which 16% was traded in South Africa. It is not clear why the tax was levied at such a low level. The report then projected revenues for the nine financing options over the three-year medium-term expenditure framework period. The taxes would raise R157.8 billion in 2022/24, R160.97 billion in 2023/2023 and R164.9 billion in 2024/25. The fiscal modelling was based on a 60% uptake of the BIG because IEJ had said this was the most likely outcome given the initial uptakes of previous grants.

Table 4: DNA Economics Proposed Taxes to Pay for BIG

| TAX REVENUE/EXPENDITRE SAVING ITEMS | IEJ 2020/21 (Rbn) | DNA 2022/23 (Rbn) |
|---|----------------------------------|----------------------------------|
| <i>Social security tax</i> | 64.7 | 62.2 |
| <i>Eliminate retirement fund contribution deductions for those earning above R1 million (2018/2019)</i> | 32.0 | 22.04 |
| <i>Luxury VAT on selected items</i> | 11.0 | 8.4 |
| <i>Increase dividend tax to 25% from 20%</i> | 7.0 | 7.7 |
| <i>Eliminate medical tax credits for those earning above R500 000</i> | 6.3 | 11.8 |
| <i>Replace estate duty with progressive inheritance tax</i> | 5.0 | 1.8 |
| <i>Increase securities transfer tax to 0.30 from 0.25%</i> | 1.2 | 1.4 |
| <i>Resource Rent Tax</i> | NA | 38.8 |
| <i>Currency Tax</i> | NA | 3.7 |
| TOTAL | 158 | 157.8 |

5.6 Fiscally Neutral Basic Income Grant Scenarios: Economic and Development Impacts (ADRS)

In June 2021, Applied Development Research Solutions (ADRS) presented its fiscally neutral Basic Income Grant scenarios to a Cooperative and Policy Alternative Centre (COPAC) workshop. In a policy brief, Asghar Adelzadeh, the author, says: “Our fiscally neutral scenarios show that it is possible to address the extensive poverty and inequality in South Africa even under an austere policy regime.” The scenarios were based on ADRS’s Dynamically Integrated Macro-Micro Simulation Model of South Africa (DIMMSIM). ADRS has modelled nine scenarios – three scenarios (based on the three poverty levels) for three target populations (the unemployed BIG, the Adult BIG and the Universal BIG).

The scenarios assume that existing austerity macroeconomic policies will continue. “The new grant is designed to be as fiscally neutral as possible, which is expected to be achieved through a mix of tax measures (on wealth, financial transactions, income and exports). The bottom two quintiles will receive the new grant with no changes to their income and wealth tax liabilities. Individuals from the third quintile that will receive the new grant will return the equivalent amount to the state through adjustments of their income and wealth tax liabilities. The top two quintiles that will receive the new grant will return more than the equivalent amount to the state through adjustments to their income and wealth tax liabilities.

The increase in the tax liability of the top quintiles is designed to help the state recoup not only the amount directly paid to them but also the amount paid to the bottom two quintiles.

Overall, the increase in government spending on the new grant is modelled to match the increase in its income and wealth tax revenue. Given the close equivalence between each scenario's injection into household income of the bottom two quintiles and leakage from the income of the top two quintiles is not expected to grow that differently across scenarios. It is therefore important to recognise that that the proposed BIG scenarios are mainly designed as anti-poverty and anti-inequality (ie redistributive) measures that are expected to have limited growth and employment impact. According to the baseline scenario, which assumes the continuation of the policy status quo, economic indicators will gravitate towards pre-pandemic low economic growth and high rates of unemployment and poverty.

Using the upper poverty line, and relative to the base scenario, the unemployed BIG will potentially lower the poverty rate by an additional six percentage points over five years until 2025. The adult BIG will be even more effective and the universal BIG can eradicate income poverty. The BIG will also significantly reduce the depth of poverty, measured by the poverty gap. Depending on the scenario, the poverty gap is projected to decline by between 38% (Unemployed BIG) and 100% (Universal BIG). "Overall, since the focus on BIG scenarios is on benefitting the bottom quintiles, the scenarios with higher grant amounts will be much more effective in reducing income inequality," ADRS says. Even though there is no net injection into the economy, ADRS says the bias towards poor households, with a relatively higher marginal propensity to consume, have a positive impact on economic growth and employment. For the adult BIG, growth increases by an average of only 0.6 percentage points

5.7 Microsimulation analysis by SASPRI for the project on the rapid assessment on the implementation and utilisation of the R350 Covid-19 Social Relief of Distress Grant: Modelling Options for a Basic Income Grant.

Southern African Social Policy Research Insights (SASPRI) used a tax-benefit microsimulation model called SAMOD. It describes SAMOD as "a static tax-benefit model which measures the first order effects of policy reforms. Within SAMOD it is possible to simulate the eligibility criteria of a BIG very precisely in order to estimate who is eligible for the BIG and the cost." SASPRI modelled 11 scenarios for implementing the BIG. The first was a baseline or counterfactual scenario that used 2021 tax-benefit scenarios but no BIG. There were five universal (not financed) options at the levels of the SRD grant (R350 per month) , the food poverty line (R595 per month), the lower poverty line (R860 per month) and the upper poverty line (R1 300 a month) and a phased-in option for people in the 18 to 24 and 55 to 59 age groups. There were four means tested (not financed) options at the levels of the SRD grant, food poverty line with the CSG means test (R 4 600 per person per month) and the food poverty line with the personal income tax (PIT) threshold means test (R7 625 a month).

Finally, there were two universal options at the FPL, partly financed by tax changes – with an adjustment to PIT and the introduction of a social security tax to recoup funds. The finding was that there were 32.7 million people aged 18 to 59. The BIG would cost: R137 billion at the level of the SRD; R233 billion at the food poverty line: R337 billion at the lower poverty line and R509 billion at the upper poverty line. The phased-in option for people aged between 18 and 24 and 55 – 59 would cost R60 billion a year. The cheapest scenario, at R56.2 billion, would be the extension of the existing SRD grant paid to people with zero incomes, including caregivers. Assuming full take-up, the number of eligible people for this scenario is 13.4 million people. But SASPRI says: “A zero income is an extremely stringent means test and risks placing people in a moral hazard who might have a very small (yet inadequate) income stream. It is therefore recommended that this option – if considered at all – is only treated as an emergency and temporary step, prior to either introducing a universal BIG, or raising the means test to a threshold that is more compatible with others that already exist, such as the CSG means test.”

The finding is that all modelled scenarios reduce poverty, irrespective of the poverty line that is used. Unsurprisingly, a R350 BIG for all people aged 18 – 59 reduces food poverty the least and the R1 300 BIG reduces poverty the most, with food poverty rates falling from 21.2% with the no BIG to 13.8% with the R350 BIG and 0.1% with the R1300 BIG. All the scenarios modelled reduce income inequality. The Gini coefficient falls from 0.648 without a BIG to 0.597 with a BIG paid at the level of the FPL. The effect on income inequality also occurs with the three means-tested BIG scenarios.

Table 5: SASPRI BIG Scenarios

| <i>Scenario</i> | <i>Beneficiaries</i> | <i>Annual Cost (Rbn)</i> | <i>Inequality (Gini)</i> | <i>Poverty Rate (FPL)</i> | <i>Poverty Rate (LPL)</i> | <i>Poverty Rate (UPL)</i> |
|---|----------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Counterfactual | | | | | | |
| <i>Baseline (No BIG)</i> | 0 | 0 | 0.648 | 21.2 | 33.5 | 48.9 |
| Universal options (not financed) | | | | | | |
| <i>BIG 350 (R350)</i> | 32.65 | 137.15 | 0.617 | 13.75 | 26.31 | 43.31 |
| <i>BIGFPL (R595)</i> | 32.65 | 233.15 | 0.597 | 10.63 | 21.11 | 39.94 |
| <i>BIGLPL (R860)</i> | 32.65 | 336.99 | 0.579 | 2.62 | 13.60 | 35.68 |
| <i>BIGUPL (R1300)</i> | 32.65 | 509.4 | 0.551 | 0.13 | 5.56 | 28.07 |
| <i>BIG Phased (18-24 & 55-59)</i> | 8.37 | 59.79 | 0.632 | | | |
| Means tested option (not financed) | | | | | | |
| <i>BIG350 (Zero income)</i> | 13.39 | 56.24 | 0.628 | 16.46 | 29.49 | 46.56 |
| <i>BIGFPL595 (R4600 means test)</i> | 25.38 | 181.20 | 0.596 | 10.63 | 21.13 | 40.21 |
| <i>BIGFPL595 (R7275 means test)</i> | 27.53 | 196.56 | 0.595 | 10.63 | 21.11 | 39.94 |

SASPRI considers two scenarios for financing the BIG. The first considers the impact of making three changes to the tax schedule. Clawing back the R595 BIG in from taxpayers via the primary rebate in the PIT schedule would raise R49.82 billion. This implies that the R595 BIG will be recouped from about 7 million taxpayers. Raising the tax rates from the highest earners (an increase of two percentage points for bands 4,5,6 and 7) would raise R8.1bn. Introducing a social security tax (SST) at six percent of gross earnings (with three percent payable by the employee and three percent by the employer) would raise R99.6 billion. The three changes would raise R157.5 billion a year. SASPRI says the changes could result in more revenue since its SAMOD model under-simulates PIT, particularly at the top tax bracket. This scenario, with built-in financing of two-thirds of the cost of BIG, makes little difference in terms of reducing food poverty. There is a slight decrease in inequality.

The second scenario considers the impact of making two changes to the tax schedule. Clawing back the R595 from tax payers via the primary rebate and lowering the tax rate for the lowest tax band from 18% to 8% will result in a net loss of R57.1 billion. Introducing a SST at 20% of gross earnings for people earning more than R10 000 a month with ten percent payable by the employee and ten percent by the employer would result in an increase in revenue of R249.25 billion. This scenario would raise R192 billion a year. It generates exactly the same poverty results as in the scenario of an unfinanced BIG at the FPL. This scenario reduces income inequality slightly - to 0.5875 compared to 0.5974 for an unfinanced BIG and 0.6478 for a situation with no BIG.

The final scenario makes three crude adjustments to the PIT schedule to cover the costs of three BIG scenarios with 80% take-up. First, an increase of 2.5 percentage points to the lowest tax band and three percentage points to all the other bands would generate R48.6 billion, which would pay for the R45 billion cost of the means-tested R350 BIG for those with zero income. Second, increasing the tax rates in each band by eight percentage points would generate R147.8 billion, which would pay for R145 billion cost of the R595 BIG for people below the CSG means test. Third, increasing the tax rates in each band by 10 percentage points would generate R186.3 billion, which would pay for the R186.5 billion cost of the universal R595 BIG. SASPRI cautions that these are not recommendations but an indication of what would be required if PIT had to be adjusted to make the scenarios revenue neutral. They also caution that their SAMOD model under-represents high income groups in the top PIT bracket.

5.8 Draft Report: Financial Feasibility of the Basic Income Grant (Deloitte)

In a September 2020 report for the National Economic Development and Labour Council (Nedlac), where social partners debate economic policies, the accountancy firm Deloitte modelled 42 scenarios – 21 each for a base growth scenario (1.9% GDP growth a year between 2021/2022 and 2024/2025) and a high road scenario (4% GDP growth a year between 2021/2022 and 2024/2025). For each of the growth scenarios, the report looked at the cost of the implementing the BIG for seven target groups – universal for people aged 18 to 59; the unemployed, including people working in the informal sector; people who fall below the LBPL; people who fall below the UBPL; Youth aged 18 to 21; youth aged 18

to 24 and a phased-in BIG – at the levels of: the SRD grant, the LBPL, the UBPL. The phased-in option would aim to achieve universal coverage by 2030 by increasing coverage according to age groups.

During 2020/2021, the old age grant would be extended to people aged 58 – 59. During 2021/2024 2025 the old age grant would be extended to people aged 55 -59. Between 2023/2024 and 2024/2025, the BIG would gradually be extended to people aged 18 – 55. For the 2020/2021 fiscal years, the costs of implementing the BIG (excluding the passed-in option) ranged from: R16.1 billion (for youth aged 18 to 21) to R143.9 billion at the level of the SRD grant; R38.7 billion (for youth aged 18 to 21) to R345.3 billion at the LBPL; and R58.4 billion (for youth aged 18 to 21) to R521.2 billion. In other words, this dizzying array of options ranged between R16,1 billion and R521,2 billion. The report looked at three funding sources – personal income tax (PIT), value added tax (VAT) and corporate income tax (CIT).

For the projection period until 2024/2025, under the base growth scenario, the costs of implementing the grant ranged from 2.8% to 2.9% of GDP for universal coverage at the level of the SRD grant to 9.7% to 10.4% of GDP if the BIG is introduced at the UBPL. The corresponding ratios to total tax revenue are 10.9% to 11.4% for universal coverage at the level of the SRD grant to 38.1% to 40.8% if the BIG is introduced at the UBPL. Under the high road scenario, the costs of implementing the grant ranged from 2.7% to 2.8% of GDP at the level of the SRD grant to 9.7% to 9.8% of GDP if the BIG is introduced at the UBPL. The corresponding ratios to total tax revenue were 10.5% to 10.9% for universal coverage at the level of the SRD grant and 37.9% to 38.1% if the BIG is introduced at the UBPL. The funding requirements can be reduced through economic growth. Deloitte calculated a low PIT claw-back of 5% of the cost of the BIG because of the high number of people below the tax threshold. It also found that there was a low fiscal multiplier of 0.5 percentage points.

5.9 A Basic Income Grant for SA: With a Focus on the Costs and Financing Options (Joint ANC Economic and Social Transformation Task Team BIG)

In a July 2021 report, the African National Congress' (ANC's) joint task team on social and economic transformation (SETC) which said: "In the absence of paid work South Africans should not be punished for structural conditions over which they have no control. A developmental approach takes into account that social grants are an economic investment in people, that these grants have a multiplier effect that generates local economic development and promotes livelihoods." The report drew upon the analysis of the IEJ, DNA Economics and SASPRI and concluded that it was a BIG was "immediately affordable" after taking into account various tax measures and relatively small levels of borrowing. The proposal was that the government should immediately re-introduce the SRD grant at the level of the FPL of R585 until a more long-term basic income support policy can be concluded.

“Reintroducing the Covid relief grant is estimated to cost R40 billion for the remainder of the current financial year and 8.5 million people are expected to benefit from this intervention immediately. In the medium-term, the SETC said the SRD grant should form the basis for a transition to basic income support to the 18 – 59 age group who are without paid work. This would be done using income testing as a criteria. “our estimates are that extending the grant in a targeted manner will increase the cost of the grant to around R90 billion and will benefit approximately 13.5 million people.” Over time, as the economy grows and tax revenue increases, the report says the cost of a BIG will not impact significantly on the fiscus. “Our estimates are that progressively expanding the grant will cost approximately R200 billion and will benefit approximately 28 million of the poorest people.”

6. MACROECONOMIC POLICIES FOR A BASIC INCOME GRANT

6.1 Monetary sovereignty and policy options for developing countries

South Africa is a monetarily sovereign country. MMT economist Kelton (2020) says a monetarily sovereign country that prints its own currency, borrows only in its own currency and does not promise to convert its currency into something that it can run out of (such as gold or another currency) cannot be broke or run out of money. Technically, such a country cannot default on its domestically issued debt. MMT is a new school of economics that is within the Keynesian tradition that has been embraced by many democratic socialists in the United States and heterodox economists in other countries.

According to MMT economists, governments that control their currencies (sovereign currency nations) are not like households. They do not have to balance their budgets. They do not have to tax or borrow before they can spend. They create the money they spend. Taxes serve other purposes such as containing inflation or redistribution. But as Hickel (2020) says: “You tax the rich not to fund government spending, but rather simply to remove money from people who accumulate too much, recognising that inequality is corrosive to society and to democracy and we are all better off without it.”

We can also use taxation to reduce demand to limit resource and energy use and bring the economy into balance with the living world. “The best news of the 21st century is that every single government that controls its own currency can fund a rapid transition to renewables without even thinking twice about cost,” he says. Sovereign currency nations can harness the power of what Kelton refers to as their “public money or sovereign currency.” This means that there are no *financial* constraints on spending. There are limits to spending, but they have nothing to do with budgets or budget deficits.

The limit is the *availability of real resources* or inflation. “Every economy has its own internal speed limit, regulated by the availability of our real productive resources. MMT distinguishes the real limits from delusional and unnecessary self-imposed constraints” (Kelton 2020). MMT teaches us that when the government has a deficit there is an equivalent surplus elsewhere in the economy, including households and companies. A government deficit is a private sector surplus. Kelton (2021) says: “Their black ink is

our black ink. Just as a six becomes a nine when we view it from a different angle, a government deficit becomes a financial surplus when we look at it from another perspective. When the government spends more than it taxes from us, it makes a financial contribution in some other part of the economy.

Kelton (2020) writes that she often gets asked if MMT applies to countries outside the United States. “It does! Even though the US dollar is considered special because of its status as a global reserve currency, lots of other countries have the power to make their monetary systems work for their people. MMT can be used to describe and improve the policy choices available to *any country* with a high degree of monetary sovereignty.” This means that sovereign currency nations in the global South can pursue their economic development objectives, including the achievement of full employment, without worrying too much about the reactions of international investors.

There is no logical reason why such a country that uses the power to issue its sovereign currency to support economic development should automatically see a debasement of its currency through inflation, depreciation or punishment from international investors through a “sudden stop” of capital inflows. The IMF (2020) conducted a study of 20 emerging market central banks, which had, in the wake of the pandemic, for the first time, implemented quantitative easing (QE), including purchases of government bonds on primary and secondary markets. None of these countries had reserve currencies.

The IMF concluded that QE had lowered bond yields and had not contributed towards currency depreciation. There had been no punishment from international investors. “This positive experience may motivate more emerging-market central banks to consider unconventional monetary policy as a big additional part of their policy toolkit, especially where conventional policy space becomes limited.” Though most MMT analysis relates to countries in the global north, economists such as Fadhel Kaboub and Ndongo Samba Sylla have demonstrated how it is relevant for developing countries. Kaboub says developing countries must develop policies that help them regain financial sovereignty to achieve full employment and sustainable prosperity. Samba Sylla has explained how the CFA franc currency, which is used by 14 African countries, is a tool for French neocolonialism on the continent.

In an article, he wrote: “Senegal has the financial status of a local authority or, to be more precise, the status of a colony. One characteristic of local authorities and colonies is that they depend on taxes for their expenditures, as opposed to states that issue their own currency. The latter are able to spend without being constrained by the amount of taxes they collect. Since the government of Senegal does not issue its own currency, it cannot draw from the central bank in the way rich countries and certain emerging countries are in response to the current crisis.”

Most African countries are not sovereign currency nations. Many do not have their own currencies. Some have high levels of foreign currency debt. Others have currency pegs. But South Africa is not Zambia. It prints its own currency. According to National Treasury (2021), only 10.6% of the country’s debt was denominated in foreign currencies at the end of the 2021 fiscal year. It also has a floating

exchange rate. During March 2020 there was the largest “sudden stop” of capital flows to emerging markets in history as investors withdrew \$100 billion and fled to the safety of United States dollar assets as markets began to recognise the scale of Covid-19 shock.

In South Africa, non-residents sold assets worth R100 billion. The rand lost a quarter of its value but has since recovered significantly. During such “sudden stops” South Africa can let its exchange rate absorb the pressure as MMT recommends or implement capital controls – restrictions on flows of capital to and from the country - to protect its monetary sovereignty. The Reserve Bank can also intervene in financial markets and purchase bonds and shares to restore calm. In developed countries, some central banks effectively nationalised their bond markets to determine the cost of long-term capital.

6.2 The BIG and false notions of public finance

Pavlina Tcherneva, an MMT economist, says a focal point of basic income proposals is their budget-neutral stance. Such analysis presumably stems from efforts to quash neoliberal objections to deficit spending. But they rely on what she refers to as “false notions” of public finance which equate the national budget with a household budget. Discussion on how to finance basic income or job guarantees is only relevant for countries that have given up sovereign control of their currencies. “Although the ideology of the taxpayers’s money is entrenched in all contemporary discourse, it is crucial to dispel its false premises. A sovereign currency nation can always pay for its programs of choice, be they basic income, job guarantees, or any other, irrespective of tax collections” (Tcherneva, 2007).

Many of the South African research reports on implementing the BIG, some of which are reviewed above, also rely on “false notions” of public finance. These so-called “pragmatic” proposals incorrectly assume, or give the impression that “taxpayer’s money” is the only way to finance a BIG. Therefore, there can be no central bank financing of the BIG. They take as a starting point the National Treasury’s false position, which is based on public debt fearmongering, that there is no fiscal space to implement a BIG. This means that there cannot be even the most miniscule increase in public debt to finance the BIG. Most of these reports have a static accounting analysis of the financing of the BIG.

They do not have a dynamic economic analysis that takes into account the fiscal multipliers – the additional GDP generated by each rand of new spending. Such an analysis recognises that the BIG can generate tax revenues - that would not have occurred without the grant – that can partly pay for itself. Many proposals that seek to minimise its size to address self-imposed constraints – using criteria such as age and employment status – fail to recognise that the whole point of such a grant is that it must be large enough to provide a meaningful boost or stimulus to the economy and that it is at a sweet spot that allows beneficiaries use it for more than meeting immediate needs to prevent hunger.

The real question to ask is not whether we can afford to pay for the BIG but how much of a boost the economy the grant will provide. The higher the fiscal multiplier the more the grant can pay for itself

without financing. The other real question to ask is whether we can afford not to implement the BIG. The alternative of endless austerity will result in increased unemployment and poverty.

6.2.1 Austerity and the BIG

Budget neutral proposals would retain South Africa's harmful austerity policies. ADRS founder Asghar Adelzadeh says: "Our fiscally neutral BIG scenarios show that it is possible to address the extensive poverty and inequality in South Africa even under an austere policy regime." Such scenarios are useful up to a point. They show that the BIG can be implemented in the short term if there is the political will. However, accepting the existing budget envelope with low-growth over the next few years due to austerity means that the BIG will be impossible to sustain and be unaffordable. The BIG can only be sustainable in the medium to long-term within the context of a new macroeconomic policy framework that will deliver a significantly higher rate of GDP growth of at least 6% until 2030 and beyond.

6.2.2 Fiscal Stimulus and the BIG

Budget neutral proposals defeat the purpose of providing a significant stimulus to the economy. ADRS and SASPRI modelling shows that a BIG at the UBPL would only provide boosts to the economy of 0.5% and 0.6% of GDP respectively. A budget-neutral BIG does not make sense in the context of South Africa, whose economy needs a large fiscal stimulus to propel it onto a new sustainable growth path. The BIG can provide a significant stimulus to the economy.

6.2.3 Tax increases and the BIG

Budget neutral proposals invite legitimate criticism that they ignore the perverse macroeconomic effects of tax increases. Kelton (2020) says: "More than any other school of economic thought, MMT emphasises the importance of deciding *when* tax increases should accompany new spending and *which* taxes will be most effective in restraining inflationary pressures. Raising taxes when it is not necessary can undermine fiscal stimulus." Since the economic recovery is fragile and tax increases can be deflationary, because they withdraw money from the economy, the focus should be on taxes on idle wealth and high earners who do not spend most of their income. Some of the proposed and modelled tax increases to finance the BIG can undermine the recovery by taxing people who are not high earners.

6.2.4 Public debt and the BIG

South Africa has more fiscal space after the revision of GDP statistics in August 2021, which resulted in an 11% increase in the size of the economy during 2020. At the end of March 2021 the government had gross loan debt of R3.9-trillion, which was equivalent to 70.7% of GDP during the same fiscal year. Before the revision, South Africa had a debt to GDP ratio of 80.3%. After subtracting cash balances of R333.9bn, the government had net loan debt of R3.6-trillion, which was equivalent to 64.7% of GDP.

Within the context of a post-pandemic economy there is no universe in which South Africa has a high debt ratio, even when benchmarked against many upper middle-income countries.

In the wake of the pandemic-induced recession and unprecedented fiscal response, the world average debt to GDP ratio increased by 13.6 percentage points to 97.3% of GDP in December 2020 from 83.7% in 2019, according to the IMF (2021). Therefore, almost every country had similar shocks to GDP and tax revenues. In relative terms, South Africa is where it was before the crisis. Selected debt ratios for upper middle income countries were: Angola (127.1%), Argentina (103%), Brazil (98.9%), Egypt (90.2%), India (89.6%), Sri Lanka (86.8%) and Pakistan (87.2%). There is no tipping point at which a rising debt ratio results in economic collapse. South Africa has a GDP growth problem not a debt problem. If it increases GDP growth, the bottom part of the debt ratio, the debt will take care of itself.

6.2.5 Targeting the poor and the BIG

There has been a proliferation of dozens of options to gradually implement basic income, according to criteria such as age and employment status. However, poverty is pervasive. It cuts across age and employment status. The number of people in each of the proposed age cohorts is too small to make a dent in poverty or provide a meaningful stimulus. It would take too long to confront poverty. It took 15 years to increase coverage of the CSG to all children. A basic income grant for the unemployed only would leave out millions of the “employed poor” - people with precarious work in the informal sector (2.5 million) and gig economy and as domestic (1.1 million) and agriculture workers (800 000).

However, studies (DSD, 2020) show that informal workers invest some of their basic income in their enterprises to increase productivity and output. Taylor (2002) said: “With changing forms of employment, and hence changing statistical definitions of unemployment, the distinction between employed and unemployment is also becoming blurred. For the purposes of social policy, for example, the difference between an unemployed person and someone employed in the informal sector at virtually no income appears insignificant, since such work does not provide adequate job and income security.”

6.3 False Binaries (Basic Income and Jobs)

Internationally, universal basic income and job guarantees are seen as competing proposals. But Martin Luther King Jr, the United States civil rights leader, saw the two policies as complementary. In an article in *Look* magazine soon after he was assassinated on 4 April 1968, King called for an economic bill of rights that would “guarantee an income for all who are not able to work. Some people are too young, some are too old, some are physically disabled, and yet in order to live, they need income.” It would also guarantee “a job to all people who want to work and are able to work” (King 2018).

Tcherneva (2007) says the dichotomy of policies that target “only income” or “only employment” is no longer constructive. “An effective safety net must provide both a guaranteed income and guaranteed work opportunities.” She says a job guarantee programme in the United States would offer a federally funded job to anyone who is ready, willing, and able to work, but who has not found other employment. The jobs would be federally funded but do not need to be provided by the federal government. Civil society organisations could also bid to implement projects that will create jobs.

In South Africa, most people would still want a job after receiving basic income. A dignity floor at the UBPL and universal social security, which would include increasing the CSG to the UBPL, could eliminate poverty in three years. But this is a very low floor. We must set a higher bar for human well-being. There must be a second dignity floor at the level of the living wage. The minimum wage was set too low – far below what most South Africans would agree constitutes a living wage. A job guarantee at the level of a yet-to-be-determined living wage would create a new floor for private sector wages and lift millions of working people out of poverty as well as precarious and exploitative work.

The EPWP has a budget of only R3 billion a year over the next three years, which will enable it to create about 500 000 full-time equivalent jobs each year – a drop in the ocean in a country with 11.9 million unemployed people. It could form the basis of providing a job guarantee and be converted into a quasi-public institution that is outside the state and has civil society oversight and professional management. This will require a much larger budget – at least 20 times the existing one – and a change in focus from creating temporary “work opportunities” towards providing full-time jobs.

6.4 False Binaries (Production and Consumption)

Expenditure on grants should be seen as an investment in the nation’s prosperity and political stability. But there is a false binary between production and consumption, which states that the government should rather focus on spending on infrastructure . The implication is that grants are a waste of money. However, consumption spending by households (62.2%) and general government (20.6%) accounted for 82.8% of GDP during 2020 (Stats SA 2021). Since it is such a critical component of national output, any attempt to revive the economy has to include measures to revive consumption spending.

Global stimulus packages blended cash transfers to address the immediate humanitarian crises and investments in infrastructure to create jobs. For example, The \$1.9 trillion American Rescue Plan provided humanitarian relief, including cash transfers. The \$1 trillion American Jobs Plan will be spent on infrastructure. Cash transfers provide an immediate boost to the economy, while infrastructure projects take time to implement. In June 2020, South Korea, used credit cards to disburse cash transfers of up to 1 million won (R12 500) to 97% of households in two weeks. The cash had to be spent by the end of August 2020, when the cards expired (Suzuki 2020). In February 2020, Hong Kong announced

a HK\$10 000 (R18 600) cash transfer to all adult permanent residents. In June 2021, the country announced a HK\$5 000 (R9 300) cash transfer that had to be spent in five months (Leung et al. 2021).

Gentilini et al. (2021) say there were 734 cash-based measures that had been planned or implemented in 186 countries and 48 social pension programmes in 38 countries. “Taken together, there are 782 cash transfer programmes globally, which account for 42% of total social assistance and 23% of global social protection responses. In a sample of 125 countries with available data, the average transfer size was 31% of monthly GDP per capita, ranging from 18% in North America to 52% in Sub-Saharan Africa. Among the highest country-level rates are low income countries like Burkina Faso (290%), Afghanistan (176%), Sierra Leone (175%) and Malawi (141%).

Handa et al. (2018) evaluated eight unconditional cash transfer programmes in Ethiopia, Ghana, Kenya, Lesotho, Malawi, Zambia (two) and Zimbabwe, the majority of which started in the late 2000s. They examined whether households invested their meagre grants in productive assets – livestock, agricultural assets and agricultural inputs. Results showed that with the exception of Kenya, there were significant, positive impacts on at least one of the three productive asset indicators. They also analysed the impact on children’s education. The impacts on secondary schooling enrolment were significant in six evaluations. “It is clear that household are not only utilising transfers for immediate subsistence needs, but also using the transfer for investment in productive activities and human capital for children.”

The authors also evaluated the potential for local supply side responses to increased demand for goods and services and found significant “spillover” effects. The programmes generated substantial impacts for non-beneficiaries. Nominal local multiplier effects ranged from 1.27 in Malawi to 2.52 in Ethiopia (Hintalo area). “This means that every dollar transferred in the Hintalo generated an additional \$1.52 of benefits for the local economy through the multiplier effect. These multiplier effects largely accrue to non-beneficiaries, who are local shopkeepers and service providers.” Egger et al. (2019) evaluated the effects of a one-time transfer of a one-off cash transfer of about US\$1000 to 10 500 households across 653 randomised villages in rural Kenya and found similar results. The implied shock was 15% of local GDP. The study found large impacts on consumption and assets for recipients. There were large spillovers to non-recipient households and firms. The local fiscal multiplier was 2.6.

Handa et al. (2018) also find that there is no evidence that cash transfers create dependency. ‘our results add to a variety of other studies that have come to similar conclusions: cash transfers in resource-poor settings have not been found to reduce the labour supply of beneficiary households in a meaningful way.’ Friedman (2021) says: “The standard middle-class stereotype....is that grants are a substitute for productive economic activity. They are not – they are what people living in poverty use to make taking part in the economy possible. Grants kick-start local economies: after they began to spread to everyone entitled to them, rural areas in which the only economic activity was lines of sad men

queuing for half a dozen jobs on the mines came to life. Today people in these areas queue in stores. On the pavement outside these shops people sell crafts, foods and other locally made goods. Study after study shows that, in the main, people use grants as levers to get in on the economy. So, grants don't create dependence – they are the country's most effective way of preventing it.”

For the South African economy, Schröder and Storm (2020) cited a study (Makrelov, Arndt, Davies and Harris, 2018) which found that South Africa had a multiplier of 2.5 under certain conditions – a large negative output gap, a lack of supply-side constraints, a well-functioning financial sector and relatively low government debt. Their analysis came to the following conclusion: “According to our estimates of the closed input-output income and employment multiplier impacts due to fiscal stimulus, R1 billion of extra spending will generate R1.68 billion extra income and 6 900 new jobs. Our findings for the year 2018 are in line with earlier input-output multipliers for the period 1980-2010 estimated by Burrows and Botha (2013) as well as findings by Makrelov, Arndt, Davies and Harris (2018) – and these multipliers apply in current conditions of a negative output gap, a stagnant economy and high unemployment.”

7. FINANCING A BASIC INCOME GUARANTEE

Table 6: BIG and CSG Scenarios

| | FPL (Rbn) | LBPL (Rbn) | UBPL |
|----------------------------|------------------|-------------------|---------------|
| | R624pm | R890pm | R1 335 |
| Gross Cost with 60% Uptake | 153.5 | 218.9 | 328.4 |
| Cost of CSG | 101.2 | 147.0 | 224.3 |
| Total | 254.7 | 365.9 | 552.7 |
| Recoup from Taxpayers | (52.4) | (74.8) | (112.1) |
| CSG (Budgeted spending) | (77.2) | (77.0) | (80.1) |
| Net Cost | 125.1 | 214.1 | 360.5 |

This paper presents eight scenarios (with details provided in the appendices) for the implementation of a BIG and the increase of the CSG to the UBPL. There are four scenarios that are based on the IEJ assumption of a 60% uptake with 20.5 million beneficiaries of the BIG. Two of these scenarios involve the implementation of the BIG alone with fiscal multipliers of 1.5 and 2 times. The other two scenarios involve the implementation of the BIG and the CSG with fiscal multipliers of 1.5 and 2 times. There are four other scenarios based on the IEJ assumption of an 80% uptake with 27.3 million beneficiaries.

Two of these scenarios involve the implementation of the BIG only with fiscal multipliers (the additional GDP generated by each rand of spend) of 1.5 and 2 times. The other two scenarios involve the implementation of the BIG and the CSG with fiscal multipliers of 1.5 and 2 times. All eight scenarios assume that there will be implementation of the BIG and an increase in CSG to the UBPL over three years: to the FPL during 2022/2023; to the LBPL during 2023/2024; and to the UBPL during 2024/2025. This is not for reasons of affordability because there is no financial constraint as discussed above.

Although there can be monetary financing by the Reserve Bank at no cost and other options that can reduce the country's debt burden if there is the political will as discussed below, the scenarios are based on a debt-financed implementation. The BIG and the CSG can be implemented with or without MMT assumptions. The phased implementation is to ensure that there is an ongoing stimulus to the economy for three years that is not exhausted after one year. The public discourse and the reviewed research reports have tried to answer a question of how the country can pay for the BIG. As a result, there are many proposals to make the BIG as small as possible because of a perceived fiscal constraint.

But the real question is how much the BIG can stimulate the economy. Therefore, this paper has sought to make the BIG as large as possible and include the increase in the CSG to the UBPL to maximise the boost to the economy. To ensure their long-term sustainability, the BIG and the increase in the CSG to the UBPL must be implemented within the context of a new macroeconomic policy framework that has a GDP growth target of 6%. The baseline scenario, based on the continuation of current policies, assumes that South Africa will revert to its pre-pandemic low rate of growth – an annual average GDP growth rate of 1.7% a year for the three years until 2024/2025.

The scenarios for implementing the two grants will eliminate poverty and could increase the annual average GDP growth rate to between 3.4% and 6.6% over the next three fiscal years. During this period, the government should lock-in the higher GDP growth rate until 2030 and beyond through a second stimulus that will significantly increase spending on infrastructure and the EPWP. As Marais (2021) has pointed out, the BIG is not a silver bullet solution or an isolated technocratic fix to all the country's problems. It is only a first step in the process of transforming the whole economy.

The BIG and the increase in the CSG to the UBPL can supplement other means of social provisioning through universal public services - free education and healthcare and subsidised public electricity, transport and mass housing. Universal social security would require an end to means tests for the old age pension and the CSG. This section will look at two likely and preferred scenarios. The first has a 60% uptake, a multiplier of 1.5 times and the implementation of the BIG. The second has a 60% uptake, a multiplier of 1.5 times and implementation of the BIG and the CSG at the UBPL.

Statistics South Africa's 2021 poverty lines are: R624 for the FPL; R890 for the LBPL; and R 1 335 for the UBPL. With a 60% uptake, the gross cost of implementing the BIG is: R153.5 billion at the FPL; R218.9 billion at the LBPL and R328.4 billion at the UBPL. The cost of implementing the proposals on the CSG is: R102 billion at the FPL; R147 billion at the LBPL; and R224.3 billion at the UBPL. The cost of implementing both proposals – for the BIG and the CSG – is: R254.7 billion at the FPL; R365.9 billion at the LBPL and R552.7 billion at the UBPL. Although the idea of having to explain how the BIG can be financed (or answer the dreaded “pay for” question) is problematic from an MMT point of view, the government will be able to tap into three revenue streams if it implements the grant.

Looking at the issue through a conventional lens, there are three ways of financing the BIG. First, the paper accepts the IEJ assumption that there will be VAT collections of 12% of the value of the grant. This means that beneficiaries would spend 80% of the grant on items that have VAT. For the BIG, there would be increased VAT collections of: R18.4 billion at the FPL; R26.3 at the LBPL; and R39.4 billion at the UBPL. For the BIG and the CSG, there would be VAT collections of R21.3 billion at the FPL; R34.7 billion at the LBPL and R56.7 billion at the UBPL.

Second, SASPRI assumes that the full value of the grant can be recouped from seven million taxpayers who are above the income tax threshold. There would be tax revenues of: R52.4 billion at the FPL; R74.8 billion at the LBPL; and R112.1 billion at the UBPL. Third, implementing the BIG and the CSG at the UBPL would generate higher tax revenues than would have been collected without the proposals. This paper uses the 2021 Budget Review assumptions and projections about GDP growth and tax revenues until 2023/2024. To enable three year projections, the estimates for 2024/2025 are the same as those for the previous year. The 2021 Budget forecast a return to the low pre-pandemic rates of GDP growth, which is expected to increase by 1.9% in 2022/2023 and 1.6% in 2023/2024.

The budget also forecast tax buoyancy – a ratio that measures the relationship between GDP growth and tax revenue collections – of 1.15 in 2022/2023 and 1.07 in 2023/2024. Using these assumptions the paper develops higher GDP growth and tax revenue forecasts. For the BIG alone and a stimulus of 1.5 times, there would be additional tax revenues of R39.9 billion at the FPL; R65.8 billion at the LBPL; and R97.6 billion at the UBPL. For the BIG and the CSG and a stimulus of 1.5, there would be additional tax revenues of R49.4 billion at the FPL; R86.7 billion at the LBPL; and R148 billion at the UBPL. For the BIG alone, the three revenue sources would finance: 74.4% of the gross costs in 2024/2025. For the BIG and the CSG, they would finance 65% of the gross costs in 2024/2025.

In addition we must look at the net cost of implementing the CSG proposals after taking into account planned spending on the grant of: R77.2 billion in 2022/2023; R77 billion in 2023/2024; and R80.1 billion in 2024/2025. Therefore the net cost of implementing the CSG proposals is R24 billion in 2022/2023; R70 billion in 2023/2024; and R144.2 billion in 2024/2025. The net cost of implementing the BIG and the CSG proposals (the preferred option) is R125.1 billion in the first year, R214.1 billion in the second year and R360.5 billion in the third. The stimulus, the new money injected into the economy is rather modest: R125.1 billion, R89 billion and R146.4 billion during the three years respectively.

With a fiscal multiplier of 1.5 times, there could be an annual average GDP growth rate of 4.5% during the period. Using the Schröder and Storm (2020) employment multipliers, the economy could create 3.7 million jobs – 1.3 million in 2022/2023; 0.9 million in 2023/2024; and 1.5 million in 2024/2025. Finally, the stimulus and the larger size of the economy helps to contain the public debt ratio. The 2021 budget had forecast an increase in public debt to R5.2 trillion in 2023/2024, which was equivalent to 77.3% of the rebased GDP statistics. The BIG alone with a 1.5 fiscal stimulus results in an increase in debt to almost R5.4 trillion or 77% of GDP in 2023/2024. If one implements both the BIG and the CSG

proposals, public debt increases to R5.5 trillion, which is equivalent to 76.8% of GDP. Therefore, the debt ratio will be virtually the same after implementing the BIG and CSG proposals.

7.1. Other Financing Options

The scenarios above assumed that there would be a debt-financed implementation of the BIG and the CSG. The government finances its deficits on the bond market where banks and insurers purchase its debt instruments. However, Gqubule (2021) outlined 11 detailed proposals on how to finance a stimulus. There is a range of alternative means of financing the BIG that do not require private sector debt finance with a market-determined cost of capital. The Reserve Bank can finance a stimulus, which includes basic income, using new policy tools. These include: monetary financing, quantitative easing (QE) and central bank lending. Monetary finance is an umbrella term that refers to a range of proposals – including QE for the people, helicopter money and sovereign money creation – that require cooperation between a central bank and the government to provide a direct injection of new money into the real economy that is not financed by the issue of interest-bearing debt.

QE refers to central bank money creation to purchase government and private sector bonds. There is a spectrum of possible interventions. In advanced countries, QE has mostly involved purchases of government bonds on secondary markets, where existing bonds are traded. The objective is to reduce the cost of capital. The Reserve Bank can also lend directly to the government, on favourable terms. The New Development Bank (NDB) loan to South Africa has a five-year payment holiday. There is no reason why the Reserve Bank cannot provide loans to the government with similar terms and at interest rates that are much lower than market-determined rates on the bond market.

South Africa can also have a one-off restructuring of its vast public sector balance sheet. It had cash balances of R333.9 billion at the end of March 2021. Economists are forecasting that it will have excess cash – higher than predicted in the 2021 budget – of more than R100 billion by the end of March 2022. The Reserve Bank had gross foreign exchange and gold reserves of R859.3 billion at the end of August 2021, way above an international benchmark of three months of imports. The excess reserves above the benchmark (about R500 billion) can be released into the economy. The Public Investment Corporation (PIC) which manages the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF), had assets worth R2.4 trillion at the end of March 2021.

The PIC accumulated surpluses of R50 billion a year between 2013 and 2020. There is no reason to have such surpluses. The GEPF is fully-funded. But there is no scenario in which the government could close shop and have to pay the pensions of 1.3 million public servants on the same day. There will always be teachers, nurses and police officers to make contributions to the fund. The PIC can reduce its assets by 50%. This would allow the PIC to release funds of R1.2 trillion into the economy. It could write off government and SOC bonds of R725.2 billion. The debt ratio for March 2021 would decline by

10 percentage points to about 60% of GDP. The PIC could release a cash and shares of R500 billion into the economy. After such a restructuring, the GEPF would still have an annual surplus of R14bn.

The Unemployment Insurance Fund (UIF) had a net assets value (NAV) of R143bn in March 2020. The fund's financial position declined during 2020/2021 in line with the drawdown of Covid-19-related benefits. By 23 March 2021, the UIF had paid, R58.7bn to 5 395 851 employees who were temporarily unemployed because of the lockdown. National Treasury (2021) says the fund's NAV declined to R20.2bn in March 2021. But its NAV is expected to increase to R82.8bn in 2021/22, R114.5bn in 2022/23 and R127.1bn in 2023/24. Some of these surpluses could also be released into the economy.

Finally, the reviewed research papers have proposed numerous taxes that can be used to finance the BIG. But since a stimulus requires the injection of new money into the economy, this paper has avoided proposals that could have perverse macroeconomic effects. The BIG must remain in the economy to provide the maximum stimulus that is possible. But there are taxes on idle wealth and on people with very high incomes that should be considered. The IEJ (2021) says a 3% wealth tax on the top 1% - 354 000 people who total wealth of R6.3 trillion or an average of R17.8 million per person – would raise R189 billion. DNA economics (2021) found that a resource rent on the excess profits of commodity producers would raise R38.8 billion. A 0.005% tax on currency transactions would raise R3.7 billion. The IEJ (2021) says clawing back 30% of wasteful and irregular spending would raise R12.8 billion.

8. CONCLUSION

South Africa is now at a critical crossroads, the most critical juncture in the post-apartheid period. It can choose to double down on the failed economic policies of the past 27 years – the same period that Nelson Mandela was in prison. On this dead-end neoliberal path of economic development - continued austerity, structural reforms and privatisation - there will be a second lost decade. South Africa will face a dystopian future of rising unemployment, poverty and inequality and repeated episodes of violent political and social instability that will turn the country into an economic wasteland. Will it take 13 million, 14 million, 15 million or 16 million unemployed people for the government to change its policies?

This paper has reviewed South Africa's economic and social assistance policies since 1994 and reached the same conclusion as the seminal Taylor report of 2002, which said: "The last vestiges of state racial discrimination have subsequently been removed, but a key underlying principle of the old system remains in place....the assumption that those in the labour force can support themselves through work, and that unemployment is a temporary condition. In reality those who cannot find work (and do not, or no longer, qualify for UIF payments) fall through a vast hole in the social safety net."

The other conclusion is that South Africa must make a decisive break from the past and chart a new development path until 2030 and beyond that is based on a 6% GDP growth target that should guide and inform the policies of all members of the economic cluster, including National Treasury and its agent the Reserve Bank. The paper looked at eight scenarios for implementing the BIG and extending it to children and focused on two likely and preferred options. The BIG alone option was rejected because it provided an inadequate fiscal stimulus to the economy. This option would create an annual average GDP growth rate of only 3.4% during the proposed three-year implementation period between 2022/2023 and 2024/2025. It would create 2.2 million jobs.

The preferred option is to implement the BIG and extend it to children. This option would eliminate poverty, create an annual average GDP growth rate of 4.5% and create 3.7 million jobs in three years. This paper rejects the narrative a budget constraint. This is based on irrational fears of a debt crisis that are based on false notions that equate a national budget with a household budget. As economist Yanis Varoufakis says a household has a “splendid independence” between its spending and its income. But with a national government, increased spending results in higher GDP growth and a lower debt ratio. Austerity has a negative multiplier that reduces GDP growth and increases the debt burden

The IMF (2020) said: “The Fiscal Monitor estimates that a 1 percent of GDP increase in public investment, in advanced economies and emerging markets, has the potential to push GDP up by 2.7%, private investment by 10 percent and, most importantly, to create between 20 million and 33 million jobs, directly and indirectly.”The preferred option would result in a debt to GDP ratio of 76.6% compared to 77.3% in the baseline scenario without the BIG. There would need to be additional fiscal stimulus during the implementation period that blends spending on infrastructure and the BIG to achieve the 6% growth target. This will make a further contribution towards containing the country’s debt burden. During the three-year implementation target, the government should put in place the mechanisms to significantly increase the budget for the EPWP and change its focus towards providing full time jobs.

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APPENDIX ONE

1. BIG SCENARIOS WITH 60% UPTAKE (IEJ)

| | FPL R624pm (Rbn) | LBPL R890pm (Rbn) | UBPL R1 335 (Rbn) |
|-----------------------|---------------------------------|----------------------------------|----------------------------------|
| Gross Cost 60% Uptake | 153.5 | 218.9 | 328.4 |
| Recoup from Taxpayers | 52.4 | 74.8 | 112.1 |
| Net Cost | 101.1 | 144.1 | 216.3 |
| Stimulus Effect | 101.1 | 43.0 | 72.2 |

2. FINANCING OF THE BIG

2.1 Financing with a BIG stimulus of 1.5

| | FPL (Rbn) R624 | LBPL (Rbn) R890 | UBPL (Rbn) R 1335 |
|---|---------------------------|----------------------------|------------------------------|
| 1 Gross cost 60% uptake | 153.5 | 218.9 | 328.4 |
| 2 VAT @ 12% | 18.4 | 26.3 | 39.4 |
| 3 Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (Stimulus effect) | 39.9 | 65.8 | 97.6 |
| 5 Total Financing (2, 3 & 4) | 110.7 | 166.9 | 249.1 |
| 6 Interest payments | (6.6) | (2.8) | (4.7) |
| 7 Net financing | 104.1 | 164.1 | 244.4. |
| 8 Net financing as % of gross cost | 67.8 | 75.0 | 74.4 |
| 9 Net cost (1 - 8) | 49.4 | 53.9 | 84.0 |

2.2. Financing with a BIG stimulus of 2.0

| | FPL (Rbn) R624 | LBPL (Rbn) R890 | UBPL (Rbn) R 1335 |
|---|---------------------------|----------------------------|------------------------------|
| 1 Gross cost 60% uptake | 153.5 | 218.9 | 328.4 |
| 2 VAT @ 12% | 18.4 | 26.3 | 39.4 |
| 3 Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (stimulus effect) | 52.2 | 76.1 | 118.5 |
| 5 Total Financing (2, 3 & 4) | 123.0 | 177.2 | 270.0 |
| 6 Interest payments | (6.6) | (2.8) | (4.7) |
| 7 Net financing | 116.4 | 174.4 | 265.3 |
| 8 Net financing as % of Gross Cost | 75.8 | 79.7 | 80.8 |
| 9 Net Cost (1 - 8) | 37.1 | 44.5 | 63.1 |

3. BIG STIMULUS (MULTIPLIER) SCENARIOS

| | 2022/2023 | 2023/2024 | 2024/2025 |
|-------------------------------|-----------|-----------|-----------|
| <i>BIG Stimulus (Rbn)</i> | 101.1 | 43.0 | 72.2 |
| <i>BIG Stimulus (%)</i> | 1.7 | 0.7 | 1.1 |
| <i>BIG Stimulus 1.5 (Rbn)</i> | 152.2 | 64.5 | 108.3 |
| <i>BIG Stimulus 1.5 (%)</i> | 2.5 | 1.0 | 1.6 |
| <i>BIG Stimulus 2.0 (Rbn)</i> | 202.2 | 86.0 | 144.4 |
| <i>BIG stimulus 2.0 (%)</i> | 3.3 | 1.3 | 2.1 |

4. GDP SCENARIOS WITH BIG

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|-----------|-----------|-----------|-----------|-----------|
| <i>GDP without BIG (Rm)</i> | 5555.4 | 6044.2 | 6 400.8 | 6 772.0 | 7 111.9 |
| <i>GDP Growth without BIG (Nominal, %)</i> | | 8.8 | 5.9 | 5.8 | 5.8 |
| <i>GDP with BIG 1.5 (Rm)</i> | | 6044.2 | 6 551.9 | 6 997.4 | 7 515.2 |
| <i>GDP Growth with BIG 1.5 (Nominal, %)</i> | | | 8.4 | 6.8 | 7.4 |
| <i>GDP with BIG 2,0 (Rm)</i> | | 6044.2 | 6 600.2 | 7 068.8 | 7 627.2 |
| <i>GDP Growth with BIG 2.0 (Nominal, %)</i> | | | 9.2 | 7.1 | 7.9 |

5. DEBT SCENARIOS WITH BIG

| | 2020/2021 (Rm) | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| <i>Debt without BIG (Rm)</i> | 3 949.7 | 4 328.8 | 4 819.9 | 5 234.5 |
| <i>Debt to GDP without BIG (%)</i> | 71.1 | 71.6 | 75.3 | 77.3 |
| <i>Debt with BIG 1.5 (Rm)</i> | 3 949.7 | 4 328.8 | 4 927.7 | 5 388.0 |
| <i>Debt to GDP with BIG 1.5 (%)</i> | | | 75.2 | 77.0 |
| <i>Debt with BIG 2.0 (Rm)</i> | 3 949.7 | 4 328.8 | 4 927.7 | 5 388.0 |
| <i>Debt to GDP with BIG 2.0 (%)</i> | | | 74.7 | 76.2 |

6. TAX REVENUE GROWTH SCENARIOS

6.1. Tax Revenue Growth without a BIG stimulus as per 2021 Budget Review

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|--------------------------------|-----------|-----------|-----------|-----------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 457 653 | 1 548 512 | 1 644 197 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 5.9 | 5.8 | 5.8 |
| <i>Tax buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 6.8 | 6.2 | 6.2 |

6.2 Tax Revenue Growth with a BIG stimulus of 1.5

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|-------------------------------------|---------------------------|---------------------------|---------------------------|------------------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 497 541 | 1 614 349 | 1 741 826 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 8.4 | 6.8 | 7.4 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase in Tax Revenue (%)</i> | 12.6 | 9.7 | 7.3 | 7.9 |
| <i>Increase in Tax Revenue (Rm)</i> | | 39 888 | 65 837 | 97 629 |

6.3 Tax Revenue Growth with a BIG stimulus of 2.0

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|-------------------------------------|---------------------------|---------------------------|---------------------------|------------------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 509 827 | 1 624 574 | 1 762 663 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 9.2 | 7.1 | 7.9 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase In Tax Revenue (%)</i> | 12.6 | 10.6 | 7.6 | 8.5 |
| <i>Increase in Tax Revenue (Rm)</i> | | 52 174 | 76 062 | 118 466 |

7. CHILD SUPPORT GRANT SCENARIOS

7.1 BIG and CSG Scenarios

| | | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL</i> |
|---|--------------------------------|------------------|-------------------|---------------|
| | | <i>R624pm</i> | <i>R890pm</i> | <i>R1 335</i> |
| 1 | Gross Cost 60% Uptake | 153.5 | 218.9 | 328.4 |
| 2 | Gross Cost of CSG | 101.2 | 147.0 | 224.3 |
| 3 | Total | 254.7 | 365.9 | 552.7 |
| 4 | Recoup from Taxpayers (SASPRI) | (52.4) | (74.8) | (112.1) |
| 5 | CSG (Budgeted spending) | (77.2) | (77.0) | (80.1) |
| | Net Cost CSG | 24.0 | 70.0 | 144.2 |
| 6 | Net Cost BIG and CSG | 125.1 | 214.1 | 360.5 |
| 7 | Stimulus Effect | 125.1 | 89.0 | 146.4 |

7.2. Financing with a BIG and CSG Stimulus (Multiplier) of 1.5

| | | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL (Rbn)</i> |
|---|---|------------------|-------------------|-------------------|
| | | <i>R624</i> | <i>R890</i> | <i>R 1335</i> |
| 1 | Gross cost 60% uptake plus CSG net cost | 177.5 | 288.9 | 472.6 |
| 2 | VAT @ 12% | 21.3 | 34.7 | 56.7 |
| 3 | Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 | Increase in tax revenue (Stimulus effect) | 49.4 | 86.7 | 148.0 |
| 5 | Total Financing (2, 3 & 4) | 123.1 | 196.2 | 316.8 |
| 6 | Interest payments | (8.2) | (5.8) | (9.5) |
| 7 | Net financing | 114.9 | 190.4 | 307.3 |
| 8 | Net financing as % of gross cost | 64.7 | 65.9 | 65.0 |
| 9 | Net cost (1 - 8) | 62.6 | 98.5 | 165.3 |

7.3. Financing with a BIG and CSG Stimulus (Multiplier) of 2.0

| | | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL (Rbn)</i> |
|---|---|------------------|-------------------|-------------------|
| | | <i>R624</i> | <i>R890</i> | <i>R 1335</i> |
| 1 | Gross cost 60% uptake | 177.5 | 288.9 | 472.6 |
| 2 | VAT @ 12% | 21.3 | 34.7 | 56.7 |
| 3 | Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 | Increase in tax revenue (Stimulus effect) | 64.5 | 113.6 | 210.8 |
| 5 | Total Financing (2, 3 & 4) | 138.2 | 223.1 | 379.6 |
| 6 | Interest payments | (11.4) | (8.8) | (16.5) |
| 7 | Net financing | 126.8 | 214.3 | 363.1 |
| 8 | Net financing as % of gross cost | 71.4 | 74.2 | 76.8 |
| 9 | Net cost (1 - 8) | 50.7 | 74.6 | 109.5 |

7.4. Increase in CSG to Three Poverty Levels

| | 2021/22 (Rbn) | 2022/2023 (Rbn) | 2023/2024 (Rbn) | 2024/2025 (Rbn) |
|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| CSG 460 Planned Spending | 73.3 | 77.2 | 77.0 | 80.1 |
| CSG (at 3 poverty levels) | | 101.2 | 147.0 | 224.3 |
| Net Cost of CSG (Rbn) | | 24.0 | 70.0 | 144.2 |
| Stimulus | | 24.0 | 46.0 | 74.2 |
| Beneficiaries (Numbers) | 13.3 | 13.5 | 13.8 | 14.0 |

(Projected beneficiaries as per 2021 Budget Review)

7.5. CSG Stimulus (Multiplier) Scenarios

| | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|------------------------|---------------------------|---------------------------|------------------|
| CSG Stimulus (Rbn) | 24 | 46.0 | 74.2 |
| CSG Stimulus % | 0.4 | 0.7 | 1.1 |
| CSG Stimulus 1.5 (Rbn) | 36 | 69.0 | 111.3 |
| CSG Stimulus 1.5 (%) | 0.6 | 1.1 | 1.6 |
| CSG Stimulus 2.0 (Rbn) | 48 | 92 | 148.4 |
| CSG stimulus 2.0 (%) | 0.8 | 1.4 | 2.2 |

7.6. BIG and CSG Stimulus (Multiplier) Scenarios

| | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|--------------------------------|---------------------------|---------------------------|------------------|
| BIG and CSG Stimulus (Rbn) | 125.1 | 89.0 | 146.5 |
| BIG and CSG Stimulus % | 2.1 | 1.4 | 2.2 |
| BIG and CSG Stimulus 1.5 (Rbn) | 187.7 | 133.5 | 219.8 |
| BIG and CSG stimulus 1.5 (%) | 3.1 | 2.1 | 3.2 |
| BIG and CSG Stimulus 2.0 (Rbn) | 250.2 | 178.0 | 293 |
| BIG and CSG Stimulus 2.0 (%) | 4.1 | 2.8 | 4.3 |

7.7. GDP scenarios with the BIG and CSG

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|------------------|
| GDP without BIG (Rm) | 5555.4 | 6044.2 | 6 400.8 | 6 772.0 | 7 111.9 |
| GDP growth without BIG (Nominal, %) | | 8.8 | 5.9 | 5.8 | 5.8 |
| GDP with BIG and CSG 1.5, (%) | | 6044.2 | 6 588.2 | 7 108.7 | 7 748.5 |
| GDP growth with BIG and CSG 1.5 (Nominal, %) | | | 9.0 | 7.9 | 9.0 |
| GDP with BIG and CSG 2.0 (Rbn) | | 6044.2 | 6 648.6 | 7 220.4 | 7 949.7 |
| GDP growth with BIG and CSG 2.0 (Nominal, %) | | | 10.0 | 8.6 | 10.1 |

7.8 Debt Scenarios with BIG and CSG

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|---|-----------|-----------|-----------|-----------|
| <i>Debt without BIG (Rm)</i> | 3 949.7 | 4 328.8 | 4 819.9 | 5 234.5 |
| <i>Debt to GDP without BIG (%)</i> | 71.1 | 71.6 | 75.3 | 77.3 |
| <i>Debt with BIG and CSG 1.5 (Rm)</i> | 3 949.7 | 4 328.8 | 4 953.2 | 5 462.6 |
| <i>Debt to GDP with BIG and CSG 1.5 (%)</i> | | | 75.2 | 76.8 |
| <i>Debt with BIG and CSG 2.0 (Rm)</i> | 3 949.7 | 4 328.8 | 4 953.2 | 5 532.2 |
| <i>Debt to GDP with BIG and CSG 2.0 (%)</i> | | | 74.5 | 76.6 |

7.9 Debt Service with BIG and CSG

| | 2022/2023 | 2023/2024 | 2024/2025 | TOTAL |
|--------------------------------|-----------|-----------|-----------|---------------|
| <i>Debt BIG (Bn)</i> | 101.1 | 43.0 | 72.2 | 216.3 |
| <i>Debt CSG (Bn)</i> | 24.0 | 46.0 | 74.2 | 144.2 |
| TOTAL (Rbn) | 125.1 | 89.0 | 146.4 | 360.5 |
| <i>Debt Service BIG (Rm)</i> | 6.6 | 2.8 | 4.7 | 4.7 (average) |
| <i>Debt Service CSG (Rm)</i> | 1.6 | 3.0 | 4.8 | 3.1 (average) |
| <i>Debt service Total (Rm)</i> | 8.2 | 5.8 | 9.5 | 7.8 (average) |

7.10. Tax Revenue Growth with a BIG and CSG Stimulus (Multiplier) of 1.5

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 507 097 | 1 635 200 | 1 792 179 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 9.0 | 7.9 | 9.0 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 10.4 | 8.5 | 9.6 |
| <i>Increase in Tax Revenue (Rm)</i> | | 49 444 | 86 688 | 147 982 |

7.11 Tax Revenue Growth with a BIG Stimulus (Multiplier) and CSG 2.0

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 522 113 | 1 662 147 | 1 854 956 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 10.0 | 8.6 | 10.1 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 11.5 | 9.2 | 11.6 |
| <i>Increase in Tax Revenue (Rm)</i> | | 64 460 | 113 635 | 210 759 |

APPENDIX TWO

1. BIG SCENARIOS WITH 80% UPTAKE

| | <i>FPL R624pm Rbn</i> | <i>LBPL R890pm Rbn</i> | <i>UBPL R1 335 Rbn</i> |
|-----------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Gross Cost 80% Uptake | 204.4 | 291.6 | 437.3 |
| Recoup from Taxpayers | 52.4 | 74.8 | 112.1 |
| Net Cost | 152.0 | 216.8 | 325.2 |
| Stimulus Effect | 152.0 | 64.8 | 108.4 |

2. FINANCING OF THE BIG

2.1 Financing with a BIG Stimulus (Multiplier) of 1.5

| | <i>FPL R624pm Rbn</i> | <i>LBPL R890pm Rbn</i> | <i>UBPL R 1335pm Rbn</i> |
|---|--------------------------------------|---------------------------------------|---|
| 1 Gross cost 80% uptake | 204.4 | 291.6 | 437.3 |
| 2 VAT @ 12% | 24.5 | 35.0 | 52.4 |
| 3 Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (Stimulus effect) | 60.4 | 87.9 | 136.2 |
| 5 Total Financing (2, 3 & 4) | 137.3 | 197.7 | 300.7 |
| 6 Interest payments | 9.9 | 4.2 | 7.0 |
| 7 Net financing | 127.4 | 193.5 | 293.7 |
| 8 Net financing as % of gross cost | 62.3 | 66.3 | 67.2 |
| 9 Net cost (1 - 8) | 77.0 | 98.1 | 136.6 |

2.2. Financing with a BIG Stimulus (Multiplier) of 2.0

| | <i>FPL R624 Rbn</i> | <i>LBPL R890 Rbn</i> | <i>UBPL R 1335 Rbn</i> |
|---|------------------------------------|-------------------------------------|---------------------------------------|
| 1 Gross cost 80% uptake | 204.4 | 291.6 | 437.3 |
| 2 VAT @ 12% | 24.5 | 35.0 | 52.4 |
| 3 Recoup from taxpayers | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (Stimulus effect) | 78.1 | 114.7 | 178.7 |
| 5 Total Financing (2, 3 & 4) | 155.0 | 224.5 | 343.2 |
| 6 Interest payments | 9.9 | 4.2 | 7.0 |
| 7 Net financing | 145.1 | 220.3 | 336.2 |
| 8 Net financing as % of gross cost | 71.0 | 75.5 | 76.9 |
| 9 Net cost (1 - 8) | 59.3 | 71.3 | 101.1 |

3. BIG STIMULUS (MULTIPLIER) SCENARIOS

| | 2022/2023 | 2023/2024 | 2024/2025 |
|-------------------------------|------------------|------------------|------------------|
| <i>BIG Stimulus (Rbn)</i> | 152.0 | 64.8 | 108.4 |
| <i>BIG Stimulus (%)</i> | 2.5 | 1.0 | 1.6 |
| <i>BIG Stimulus 1.5 (Rbn)</i> | 228.0 | 97.2 | 162.6 |
| <i>BIG stimulus 1.5 (%)</i> | 3.8 | 1.5 | 2.4 |
| <i>BIG Stimulus 2.0 (Rbn)</i> | 304.0 | 129.6 | 216.8 |
| <i>BIG stimulus 2.0 (%)</i> | 5.0 | 2.0 | 3.2 |

4. GDP SCENARIOS WITH BIG

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|------------------|
| <i>GDP without BIG (Rm)</i> | 5555.4 | 6044.2 | 6 400.8 | 6 772.0 | 7 111.9 |
| <i>GDP Growth without BIG (Nominal, %)</i> | | 8.8 | 5.9 | 5.8 | 5.8 |
| <i>GDP with BIG 1.5 (Rm)</i> | | 6044.2 | 6 630.4 | 7 114.4 | 7 697.8 |
| <i>GDP Growth with BIG 1.5 (Nominal %)</i> | | | 9.7 | 7.3 | 8.2 |
| <i>GDP with BIG 2.0 (Rm)</i> | | 6044.2 | 6 703.0 | 7 225.8 | 7 876.1 |
| <i>GDP Growth with BIG 2.0 (Nominal, %)</i> | | | 10.9 | 7.8 | 9.0 |

5. DEBT SCENARIOS WITH BIG

| | 2020/2021 (Rm) | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) |
|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <i>Debt without BIG (Rm)</i> | 3 949.7 | 4 328.8 | 4 819.9 | 5 234.5 |
| <i>Debt to GDP without BIG (%)</i> | 71.1 | 71.6 | 75.3 | 77.3 |
| <i>Debt with BIG 1.5 (Rm)</i> | 3 949.7 | 4 328.8 | 4 927.7 | 5 388.0 |
| <i>Debt to GDP with BIG 1.5 (%)</i> | | | 74.3 | 75.7 |
| <i>Debt with 2.0 BIG</i> | 3 949.7 | 4 328.8 | 4 927.7 | 5 388.0 |
| <i>Debt to GDP with BIG 2.0 (%)</i> | | | 73.5 | 74.5 |

6. TAX REVENUE GROWTH SCENARIOS

6.1. Tax Revenue Growth without a BIG stimulus as per 2021 Budget Review

| | 2021/2022 | 2022/2022 | 2023/2024 | 2024/2025 |
|--------------------------------|------------------|------------------|------------------|------------------|
| <i>Gross Tax Revenue (Rm)</i> | 1 365 124 | 1 457 653 | 1 548 512 | 1 644 197 |
| <i>GDP Growth (Nominal, %)</i> | 8.8 | 5.9 | 5.8 | 5.8 |
| <i>Tax buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 6.8 | 6.2 | 6.2 |

6.2 Tax Revenue Growth with a BIG stimulus of 1.5

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|------------------------------------|---------------------------|---------------------------|---------------------------|------------------|
| <i>Gross Tax Revenue</i> | 1 365 124 | 1 518 018 | 1 636 423 | 1 780 428 |
| <i>GDP Growth (Nominal)</i> | 8.8 | 9.7 | 7.3 | 8.2 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase in Tax Revenue (%)</i> | 12.6 | 11.2 | 7.8 | 8.8 |
| <i>Increase in Tax Revenue</i> | | 60 365 | 87 911 | 136 231 |

6.3 Tax Revenue Growth with a BIG stimulus of 2.0

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|------------------------------------|---------------------------|---------------------------|---------------------------|------------------|
| <i>Gross Tax Revenue</i> | 1 365 124 | 1 535 765 | 1 663 233 | 1 822 903 |
| <i>GDP Growth (Nominal)</i> | 8.8 | 10.9 | 7.8 | 9.0 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase In Tax Revenue (%)</i> | 12.6 | 12.5 | 8.3 | 9.6 |
| <i>Increase in Tax Revenue</i> | | 78 112 | 114 721 | 178 706 |

7. CHILD SUPPORT GRANT SCENARIOS

7.1 BIG and CSG Scenarios

| | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL</i> |
|-----------------------|------------------|-------------------|---------------|
| | <i>R624pm</i> | <i>R890pm</i> | <i>R1 335</i> |
| Gross Cost 80% Uptake | 204.4 | 291.6 | 437.3 |
| Cost of CSG | 101.2 | 147.0 | 224.3 |
| Total | 305.6 | 438.6 | 661.6 |
| Recoup from Taxpayers | (52.4) | (74.8) | (112.1) |
| CSG existing spending | (77.2) | (77.0) | (80.1) |
| Net Cost BIG and CSG | 176.0 | 286.8 | 469.4 |
| Stimulus Effect | 176.0 | 110.8 | 182.6 |

7.2 Financing with a BIG and CSG Stimulus (Multiplier) of 1.5

| | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL (Rbn)</i> |
|---|------------------|-------------------|-------------------|
| | <i>R624</i> | <i>R890</i> | <i>R 1335</i> |
| 1 Gross cost 80% uptake and net cost CSG | 228.4 | 361.6 | 581.5 |
| 2 VAT @ 12% | 27.4 | 43.4 | 69.8 |
| 3 Recoup from taxpayers (SASPRI) | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (Stimulus effect) | 60.4 | 87.9 | 136.2 |
| 5 Total Financing (2, 3 & 4) | 140.2 | 197.7 | 300.7 |
| 6 Interest payments | (9.9) | (4.2) | (7.0) |
| 7 Net financing | 127.4 | 193.5 | 293.7 |
| 8 Net financing as % of gross cost | 62.3 | 66.3 | 67.2 |
| 9 Net cost (1 - 8) | 77.0 | 98.1 | 136.6 |

7.3. Financing with a BIG and CSG Stimulus (Multiplier) of 2.0

| | <i>FPL (Rbn)</i> | <i>LBPL (Rbn)</i> | <i>UBPL (Rbn)</i> |
|---|------------------|-------------------|-------------------|
| | <i>R624</i> | <i>R890</i> | <i>R 1335</i> |
| 1 Gross cost 80% uptake (IEJ) | 228.4 | 361.6 | 581.5 |
| 2 VAT @ 12% (IEJ) | 27.4 | 43.4 | 69.8 |
| 3 Recoup from taxpayers (SASPRI) | 52.4 | 74.8 | 112.1 |
| 4 Increase in tax revenue (Stimulus effect) | 78.1 | 114.7 | 178.7 |
| 5 Total Financing (2, 3 & 4) | 155.0 | 224.5 | 343.2 |
| 6 Interest payments | 9.9 | 4.2 | 7.0 |
| 7 Net financing | 145.1 | 220.3 | 336.2 |
| 8 Net financing as % of gross cost | 71.0 | 75.5 | 76.9 |
| 9 Net cost (1 - 8) | 59.3 | 71.3 | 101.1 |

7.4. Increase in Child Support Grant to Three Poverty Levels

| | 2021/22 (Rbn) | 2022/2023 (Rbn) | 2023/2024 (Rbn) | 2024/2025 (Rbn) |
|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| CSG 460 Planned Spending | 73.3 | 77.2 | 77.0 | 80.1 |
| CSG (at 3 poverty levels) | | 101.2 | 147.0 | 224.3 |
| Net Cost of CSG (Rbn) | | 24.0 | 70.0 | 144.2 |
| Stimulus | | 24.0 | 46.0 | 74.2 |
| Beneficiaries (Numbers) | 13.3 | 13.5 | 13.8 | 14.0 |

(Beneficiaries as per 2021 Budget Review)

7.5. CSG Stimulus (Multiplier) Scenarios

| | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|------------------------|---------------------------|---------------------------|------------------|
| CSG Stimulus (Rbn) | 24 | 46.0 | 74.2 |
| CSG Stimulus % | 0.4 | 0.7 | 1.1 |
| CSG Stimulus 1.5 (Rbn) | 36 | 69.0 | 111.3 |
| CSG stimulus 1.5 (%) | 0.6 | 1.1 | 1.6 |
| CSG Stimulus 2.0 (Rbn) | 48 | 92 | 148.4 |
| CSG stimulus 2.0 (%) | 0.8 | 1.4 | 2.2 |

7.6. BIG and CSG Stimulus (Multiplier) Scenarios

| | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|--------------------------------|---------------------------|---------------------------|------------------|
| BIG and CSG Stimulus (Rbn) | 176.0 | 110.8 | 182.6 |
| BIG and CSG Stimulus (%) | 2.9 | 1.7 | 2.7 |
| BIG and CSG Stimulus 1.5 (Rbn) | 264.0 | 166.2 | 273.9 |
| BIG and CSG stimulus 1.5 (%) | 4.4 | 2.6 | 4.0 |
| BIG and CSG Stimulus 2.0 (Rbn) | 352.0 | 221.6 | 365.2 |
| BIG and CSG stimulus 2.0 (%) | 5.8 | 3.5 | 5.4 |

7.7. GDP scenarios with the BIG and CSG

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|------------------|
| GDP without BIG (Rm) | 5555.4 | 6044.2 | 6 400.8 | 6 772.0 | 7 111.9 |
| GDP growth without BIG (Nominal, %) | | 8.8 | 5.9 | 5.8 | 5.8 |
| GDP with BIG and CSG 1.5 (Rm) | | 6044.2 | 6 666.8 | 7 226.8 | 7 935.0 |
| GDP growth with BIG and CSG 1.5 (Nominal, %) | | | 10.3 | 8.4 | 9.8 |
| GDP with BIG and CSG 2.0 (Rm) | | 6044.2 | 6 757.4 | 7 379.1 | 8 205.6 |
| GDP growth with BIG and CSG 2.0 (Nominal, %) | | | 11.7 | 9.3 | 11.2 |

7.8 Debt Scenarios with BIG and CSG

| | 2020/2021 (Rm) | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) |
|---|-------------------|-------------------|-------------------|-------------------|
| <i>Debt without BIG (Rm)</i> | 3 949.7 | 4 328.8 | 4 819.9 | 5 234.5 |
| <i>Debt to GDP without BIG (%)</i> | 71.1 | 71.6 | 75.3 | 77.3 |
| <i>Debt with BIG and CSG 1.5 (Rm)</i> | 3 949.7 | 4 328.8 | 5 008.9 | 5 566.1 |
| <i>Debt to GDP with BIG and CSG 1.5 (%)</i> | | | 75.1 | 77.0 |
| <i>Debt with BIG and CSG 2.0 (Rm)</i> | 3 949.7 | 4 328.8 | 5 008.9 | 5 566.1 |
| <i>Debt to GDP with BIG and CSG 2.0 (%)</i> | | | 74.1 | 75.3 |

7.9. Debt Service with BIG and CSG

| | 2022/2023 (Rbn) | 2023/2024 (Rbn) | 2024/2025 (Rbn) | TOTAL |
|--------------------------------|--------------------|--------------------|--------------------|----------------|
| <i>BIG (Rbn)</i> | 152.0 | 64.8 | 108.4 | 325.2 |
| <i>CSG (Rbn)</i> | 24.0 | 46.0 | 74.2 | 144.2 |
| TOTAL | 177.5 | 135.4 | 253.7 | 469.4 |
| <i>Debt Service BIG (Rm)</i> | 9.9 | 4.2 | 7.0 | 7.0 (average) |
| <i>Debt Service CSG (Rm)</i> | 1.6 | 3.0 | 4.8 | 3.1 (average) |
| <i>Debt Service Total (Rm)</i> | 11.5 | 7.2 | 11.8 | 10.1 (average) |

7.10. Tax Revenue Growth with a BIG stimulus and CSG 1.5

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|--------------------------------|-------------------|-------------------|-------------------|-----------|
| <i>Gross Tax Revenue</i> | 1 365 124 | 1 526 028 | 1 665 371 | 1 840 235 |
| <i>GDP Growth (Nominal)</i> | 8.8 | 10.3 | 8.4 | 9.8 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 11.8 | 9.0 | 10.5 |
| <i>Increase in Tax Revenue</i> | | 68 375 | 116 859 | 196 038 |

7.11. Tax Revenue Growth with a BIG stimulus and CSG 2.0

| | 2021/2022 (Rm) | 2022/2023 (Rm) | 2023/2024 (Rm) | 2024/2025 |
|--------------------------------|-------------------|-------------------|-------------------|-----------|
| <i>Gross Tax Revenue</i> | 1 365 124 | 1 549 416 | 1 704 358 | 1 908 881 |
| <i>GDP Growth (Nominal)</i> | 8.8 | 11.7 | 9.3 | 11.2 |
| <i>Tax Buoyancy</i> | 1.44 | 1.15 | 1.07 | 1.07 |
| <i>Increase (%)</i> | 12.6 | 13.5 | 10.0 | 12.0 |
| <i>Increase in Tax Revenue</i> | | 91 763 | 155 846 | 264 684 |

APPENDIX THREE

1. SIZE OF STIMULUS AS PERCENTAGE OF GDP

| | | 2022/2023 | 2023/2024 | 2024/2025 |
|----------|------------------------------------|------------------|------------------|------------------|
| | Baseline forecast | 1.9 | 1.6 | 1.6 |
| 1 | BIG 60 and Stimulus 1.5 | 2.5 | 1.0 | 1.6 |
| 2 | BIG 60 and CSG Stimulus 1.5 | 3.1 | 2.1 | 3.2 |
| 3 | BIG 60 and Stimulus 2.0 | 3.3 | 1.3 | 2.1 |
| 4 | BIG 60 and CSG Stimulus 2.0 | 4.1 | 2.1 | 4.3 |
| 5 | BIG 80 and Stimulus 1.5 | 3.8 | 1.5 | 2.4 |
| 6 | BIG 80 and CSG Stimulus 1.5 | 4.4 | 2.6 | 4.0 |
| 7 | BIG 80 and Stimulus 2.0 | 5.0 | 2.0 | 3.2 |
| 8 | BIG 80 and CSG Stimulus 2.0 | 5.8 | 3.5 | 5.4 |

NB: The baseline used the 2021 Budget Review GDP forecasts for the first two years. The forecast for the third year is the same as the one for the second year.

2. GDP GROWTH AFTER STIMULUS EFFECTS

| | | 2022/2023 | 2023/2024 | 2024/2025 | Average |
|----------|------------------------------------|------------------|------------------|------------------|----------------|
| | Baseline forecast | 1.9 | 1.6 | 1.6 | 1.7 |
| 1 | BIG 60 and Stimulus 1.5 | 4.4 | 2.6 | 3.2 | 3.4 |
| 2 | BIG 60 and CSG Stimulus 1.5 | 5.0 | 3.7 | 4.8 | 4.5 |
| 3 | BIG 60 and Stimulus 2.0 | 5.2 | 2.9 | 3.7 | 3.9 |
| 4 | BIG 60 and CSG Stimulus 2.0 | 6.0 | 3.7 | 5.9 | 5.2 |
| 5 | BIG 80 and Stimulus 1.5 | 5.7 | 3.1 | 4.0 | 4.3 |
| 6 | BIG 80 and CSG Stimulus 1.5 | 6.3 | 4.2 | 5.6 | 5.4 |
| 7 | BIG 80 and Stimulus 2.0 | 6.9 | 3.6 | 4.8 | 5.1 |
| 8 | BIG 80 and CSG Stimulus 2.0 | 7.7 | 5.1 | 7.0 | 6.6 |

NB: The baseline used the 2021 Budget Review GDP forecasts for the first two years. The forecast for the third year is the same as the one for the second year.

2. STIMULUS EFFECTS

| | | 2022/2023 | 2023/2024 | 2024/2025 |
|----------|------------------------------------|------------------|------------------|------------------|
| 1 | BIG 60 and Stimulus 1.5 | 152 | 64.5 | 108.3 |
| 2 | BIG 60 and CSG Stimulus 1.5 | 187.7 | 133.5 | 219.8 |
| 3 | BIG 60 and Stimulus 2.0 | 202.2 | 86.0 | 144.4 |
| 4 | BIG 60 and CSG Stimulus 2.0 | 250.2 | 178.0 | 293.0 |
| 5 | BIG 80 and Stimulus 1.5 | 228.0 | 97.2 | 162.6 |
| 6 | BIG 80 and CSG Stimulus 1.5 | 264.0 | 166.2 | 273.9 |
| 7 | BIG 80 and Stimulus 2.0 | 304.0 | 129.6 | 216.8 |
| 8 | BIG 80 and CSG Stimulus 2.0 | 352.0 | 221.6 | 365.2 |

2. JOB CREATION

| | | 2022/2023 | 2023/2024 | 2024/2025 | TOTAL |
|----------|------------------------------------|------------------|------------------|------------------|------------------|
| 1 | BIG 60 and Stimulus 1.5 | 1 048 800 | 445 050 | 747 270 | 2 241 120 |
| 2 | BIG 60 and CSG Stimulus 1.5 | 1295 130 | 921 150 | 1 516 620 | 3 732 900 |
| 3 | BIG 60 and Stimulus 2.0 | 1 395 180 | 593 400 | 996 360 | 2 984 940 |
| 4 | BIG 60 and CSG Stimulus 2.0 | 1 726 380 | 1 228 200 | 2 021 700 | 4 976 280 |
| 5 | BIG 80 and Stimulus 1.5 | 1 573 200 | 670 680 | 1 121 940 | 3 365 820 |
| 6 | BIG 80 and CSG Stimulus 1.5 | 1 821 600 | 1 146 780 | 1 889 910 | 4 858 290 |
| 7 | BIG 80 and Stimulus 2.0 | 2 097 600 | 894 240 | 1 495 920 | 4 487 760 |
| 8 | BIG 80 and CSG Stimulus 2.0 | 2 428 800 | 1 529 040 | 2 159 880 | 6 477 720 |