



Budget 2017: What Are the Options for the Poor?

"You are not making a gift of your possessions to the poor person. You are handing over to him what is his. For what has been given in common for the use of all, you have arrogated to yourself. The world is given to all, and not only to the rich." –

Saint Ambrose

1. Introduction

The phrase 'the option for the poor', which is a cornerstone of Catholic Social Teaching, was first coined by the Jesuit leader, Fr. Pedro Arrupe, in 1968 in a letter to his confreres in Latin America. It was later further articulated and elaborated on by several popes, particularly Pope John Paul II in his 1991 encyclical, *Centesimus Annus*.

It was the El Salvadorian Archbishop Oscar Romero who described the concept best. When asked what it meant, he replied:

"I offer you this by way of example. A building is on fire and you're watching it burn, standing and wondering if everyone is safe. Then someone tells you that your mother and your sister are inside that building. Your attitude changes completely. You're frantic; your mother and sister are burning and you'd do anything to rescue them even at the cost of getting charred. That's what it means to be truly committed. If we look at poverty from the outside, as if we're looking at a fire, that's not to opt for the poor, no matter how concerned we may be. We should get inside as if our own mother and sister were burning. Indeed it's Christ who is there, hungry and suffering."¹

Taking our cue from Archbishop Romero, can we argue that South Africa's 2017 Budget is one that is truly committed to the plight of the poor?

To answer this question the Catholic Parliamentary Liaison Office (CPLO), in collaboration with the Pietermaritzburg Agency for Community Social Action (PACSA), hosted a roundtable in March to explore whether the 2017 Budget responded optimally to the plight of millions of poor South Africans. Mr Mervyn Abrahams, Director of PACSA, and Mr Christie Viljoen, an economist at KPMG, were tasked with getting the conversation going. This paper will draw on the roundtable discussion and other sources to evaluate whether the 2017 Budget opted for the poor.

2. The Budget Numbers

Some have suggested that the Budget numbers point to relief for the poor. Minister Pravin Gordhan said that it was a budget that was "highly redistributive to poor and working families", taking from urban economies to fund services in the rural areas. He further stressed that a considerable portion – approximately two-thirds – was geared towards "realising social rights."²

As evidence of this 'pro poor' budget, commentators point to the following (to be spent over three years):³

- R490 billion (R457 billion last year) on social grants;

- R106 billion (R93.1 billion) on transfers to universities, with the National Student Financial Aid Scheme (NSFAS) getting R54.3 billion (R41.2 billion);
- R751.9 billion (R707.4 billion) on basic education;
- R114 billion (R108.3 billion) for subsidised public housing;
- R94.4 billion (R102 billion) on water resources and bulk infrastructure;
- R189 billion (R171.3 billion) to municipalities to provide basic services to poor households;
- R142.6 billion for subsidised public transport;
- R606 billion on health, including R59.5 billion on the HIV/Aids conditional grant.

Social grants have also been increased:⁴

- Old age grant (under 75s) from R1 505 to R 1 600 per month;
- Old age grant (over 75s) from R1 525 to R1 620;
- War veterans grant from R1 525 to R1 620;
- Disability grant from R1 505 to R1 600;
- Foster care grant from R890 to R920;
- Care dependency grant from R1 505 to R1 600; and
- Child support grant from R355 to R380.

At first sight these numbers may be construed to be 'pro-poor' but, on closer scrutiny, do they really offer an option to the poor?

3. The Numbers Scrutinised

Participants at the CPLO roundtable, attended by civil society, NGOs, and parliamentarians,⁵ were for the most part in agreement – not enough is being done for the poor. In particular, PACSA's Mervyn Abrahams argued that the budget "does

not respond to the real context and crisis of what is happening on the ground."⁶

Mr Abrahams argued that, although there had been an increase in social grants, recipients were not financially better off than they were in 2016. This argument is based on the fact that increases had not kept pace with inflation or with PACSA's Food Price Barometer, an index that specifically measures inflation for low-income households. According to the Barometer, a basket of food for low-income households had increased from R1 797.04 in January 2016 to R2 092.95 in January 2017 – an increase of R295.91, or 16.5%. In contrast, the old-age pension, which many households rely on, had been increased by R95 to R1 600 (6.3%) which was still far below the cost of a basic basket of food.

The recipients of the Child Support Grant (CSG) are also in financial distress despite the increase of R20 which pushed the total amount to R380. According to PACSA, "inflation on the cost of food to provide for the basic monthly nutritional and health needs of children aged between 10-13 years increased by R66.48 (11.6%)" yet the extra R20 represented an increase of only 5.56%.

To further illustrate how costly it is to provide for the nutritional needs of a child, PACSA cites the following⁷:

- In January 2017 the cost of providing a child aged between 10-13 years old with a basic but nutritionally complete monthly diet is R640.19, or R21.34 per day.
- It costs R680.23, or R22.67 a day, to feed a girl child aged between 14-18 years.
- The cost of feeding a boy child of 14-18 years is R758.49, or R25.28 per day.

Participants agreed with Mr Abrahams when he argued that only a significant increase in social grant spending will make a real impact. In its submission to Treasury on the Budget, PACSA argued that:

- The value of the CSG should be increased substantially to enable mothers to feed their children at a level which provides for their health, well-being and nutritional needs as a starting point: and that it should be further increased to allow mothers to support their children's education requirements in relation to scholar

transport, school clothes and shoes, stationery and books, and health care.

- The value of the CSG should be increased commensurately with age because, as children grow older, their nutritional and educational needs, and the cost of meeting these needs, increase.
- Pensions be increased to a living wage to allow pensioners and their families the possibility to live at a level of dignity, to absorb shocks, to build resilience, and to invest in the local economy.
- Pensioners, and CSG recipients, should receive a 13th cheque in December to absorb some of the financial, social and economic pressures which this period brings; and thereby enable families to start the new year in a better space due to better debt arrangements and being able to send children to school fully ready.

In Mr Abrahams' view it was a welcome relief that Treasury did not increase Value Added Tax (VAT), which would have impacted far more negatively on the poor. It was, however, disappointing that company tax had stayed unchanged. Although in some respects the budget was 'pro poor', it was also clear that government was reluctant to tax big business. A view that emerged from the discussion at the roundtable was that no link had been established between reductions in the rate at which companies are taxed, and decrease in unemployment or in the number of social grant

recipients. Company tax had fallen from 34.55% to 28% since 2012 in the hope that lower taxes would encourage companies to increase employment, pay better wages and increase investment. However, evidence suggests that this incentive has not yielded any significant returns. The promise of more jobs did not materialise, which ultimately lead to more people seeking financial relief through social grants.

Mr Viljoen was of the view that the budget could be considered as 'for the poor', given the increase in social grants, but that other budgetary decisions would negatively affect the poor more than they would middle and high income earners. For example, the rise in the fuel levy would impact on the poor more through higher travelling costs and food prices. Mr Viljoen shared the view of the participants that a truly 'pro poor' budget is only possible if new avenues for putting more money in the pockets of the poor can be found.

4. Conclusion

To respond to the needs of the poor a 'pro poor' budget cannot, in the words of Archbishop Romero 'look at poverty from the outside, as if we're looking at a fire; that's not to opt for the poor, no matter how concerned we may be'. Although Budget 2017 is considered pro-poor, upon closer scrutiny it reveals that it is still looking from the outside in. The poor remain on the periphery. The Budget still does not respond adequately to the lived reality of poor South Africans.

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¹ Julian Filochowski: *Oscar Romero – Option for the poor*. Available at

<http://www.catholicsocialteaching.org.uk/themes/community-participation/stories/oscar-romero-option-poor/>

² Rob Rose (2017): *Budget Analysis: Amid the tax pain, a political masterstroke by Gordhan*. Available at

<https://www.businesslive.co.za/fm/fm-fox/2017-02-22-budget-analysis-amid-the-tax-pain-a-political-masterstroke-by-gordhan/>

³ BusinessTech (2017): *Budget 2017 in a nutshell*. Available online at

<https://businesstech.co.za/news/finance/159593/budget-2017-in-a-nutshell/>

⁴ *Ibid*

⁵ The African National Congress MPs on the Standing Committee on Appropriations, including the chairperson, all attended the roundtable.

⁶ PACSA (2017): *Budget 2017 is not transformative*. Media release, 22 February 2017.

⁷ *Ibid*