NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
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★225. Mr W A S Aucamp (Northern Cape: DA) to ask the Minister of Finance:

Considering the many social problems the country is encountering, what action is the National Treasury taking to ensure that the country does not become a welfare state that relies on handouts for survival?

CO469E

REPLY:

Government aims to be a developmental rather than a welfare state.

Spending on social grants, a key part of the social safety net, is fairly stable at around 3.3% of GDP and long term modelling suggests little risk of unsustainability. By far the largest grants are for retirement and children. We have effected savings on SASSA administration costs (R1.5 billion saved in Budget 2019) partly linked to greater use of National Payment System and will make further savings in Budget 2020.

Academic evidence shows our social transfers are very well targeted and have an incredibly important role to play in reducing poverty in South Africa. Given low levels of employment and the legacy of apartheid, this spending is critical.

However, they are not sufficient. These transfers are complemented with spending in areas that are intended to be an investment in our people, to allow them to realise their full potential. This spending includes education, health and housing. Social sectors make up around 60% of spending.

Government must also support growth and competitiveness to support job creation. The growth plan recently tabled outlines a range of measures to address our largest microeconomic binding constraints:

- Modernising network industries
- Boosting exports, employment and innovation, with flexible industrial and trade policy and promoting labour-intensive sectors such as tourism and agriculture.
- Raising competition, and supporting small firms

Government spending on water, roads, transport infrastructure, economic cluster, industrial and tax incentives, Jobs Fund and wage subsidies, extended public works programmes; early child development; lowering fees for tertiary education, promoting tourism, unbundling Eskom and many others to stimulate growth, inclusive economic development and reduce barriers for investment. Removing red tape and obstacles to investment require greater attention.