

BUDGET JUSTICE COALITION

KEY POINTS ON THE 2019 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS)

A CALL TO ACTION

THE MEDIUM TERM BUDGET PROPOSALS WILL MAKE LIFE HARDER FOR THE MAJORITY OF PEOPLE IN SOUTH AFRICA

The MTBPS is government's broad three-year spending plan and it helps national departments, provinces and municipalities to prepare their detailed budgets for the following year.

The 2019 MTBPS shows that government is choosing to deepen budget Austerity. Austerity means that government is cutting back on spending, including on important public services like education and health care.

The funds that were allocated to these services are being redirected to bail out State Owned Entities and to pay off the country's public debt, which is increasing due to low economic growth.

Austerity is not good for the economy because government spending makes up about a third of all spending in the economy. So when government tightens its belt and spends less, this takes money out of the economy. Internationally, austerity has been shown to shrink the economy in places like Greece and Argentina.

In these places, austerity has undermined human rights, led to rising HIV/AIDS and poorer health outcomes, and has made inequality, poverty and unemployment worse.

The government is already struggling to meet its constitutional obligations to the majority of people. The spending was not enough before, and cutting these budgets now is going to mean there's even less support than before for township and rural communities.

For example, since 2011 we have seen lower spending on education per learner, which has led to increasing class sizes. There has also been a massive increase of unfilled posts in the public health sector to more than 38 000.

Government must realise that growth in the economy, by investing in people's needs, is the best way to reduce our overall debt levels.

Women and other excluded groups of people are worst hit by these cuts, women especially carry the burden of filling the gaps in services like early childhood development, education, care and health services that should be provided by government. Or face violence, including rape, because of not having access to safe toilets or transport.

The main cuts will happen in the money allocated to provincial and local government budgets – we can't yet see how provinces will deal with these cuts to their budgets. Provinces will make these decisions in the coming months. It is critical that communities are given a say in this process.

Provinces are responsible for most basic services like education, health or social development.

Gender Based Violence and Femicide emergency plan

The Treasury has not explained where the R1.1 billion promised by the President in September this year for the emergency plan to deal with Gender Based Violence and Femicide will come from, except to say that it must come from the money that Provinces government already has. It is important that the plan is funded and that the money does not come from other critical services.

But at the same time the amount of money overall that is going to provinces is being cut. We ask what provinces will be forced to cut to implement the new programmes for the emergency plan?

SOE bailouts

Making money available for bailouts to looted and mismanaged SOEs, especially Eskom, is impacting on people's access to basic services. This is unfair. To make matters worse, the conditions that are being applied by government to these bailouts are far too weak, with poor mechanisms to ensure SOE's comply with the conditions of the bailouts.

THERE ARE ALTERNATIVES

Tax revenue

Government should raise more money from the wealthy to ensure there is more for social spending.

In the short term, Treasury must find a way to plug the gap through:

- Increasing personal income tax for the highest earners
- Increase taxes on wealth, and the income that comes from having wealth
- Reduce tax breaks such as medical aid credits that high earners currently enjoy
- Cut at least some of the tax breaks to companies
- Gradually increase corporate income tax back to levels similar to that of the early 2000s
- Improve SARS capacity to collect taxes
- Combat illicit financial flows and tax evasions

Instead of implementing any of these, government chose in 2018 to increase VAT which has the biggest impact on poor and working class families and makes inequality worse.

Changing where government gets money through taxes is an important way to fight the levels of inequality between poor and rich that keep getting worse in South Africa.

Public debt

Keeping the amount of money that South Africa owes to foreign investors at a level that can be managed over time must be a medium-term goal for government.

The best way to do this is to increase economic growth so that the ratio of the amount of money that South Africa owes (debt) and the amount of money that it makes (GDP) gets better.

This way, even when the total amount of debt doesn't go down too much, it gets smaller in relation to the overall amount of money in the economy.

Borrowing more money in the short term **can** be good for GDP growth. But that borrowed money **must** be used for things that increase economic growth, like infrastructure or health care, because these increase productivity and tax collection. If the money is stolen or not spent effectively, its benefits will be lost.

We think that this approach is better than the austerity that government is turning to. Cutting expenditure means that people are less able to participate in the economy in ways that help it grow.

Privatisation is not the answer

The Treasury is still saying that it wants more public private partnerships (PPP) to help services to be delivered. But it has not shown that this will be good for the country in the long term.

Private companies exist to make a profit. Partnering with private companies means that government ends up paying more so that the private companies can deliver the services while also making a profit. Even the World Bank has now agreed that the positive side of public private partnerships don't outweigh the negative sides.

We must develop a long-term plan to invest in the capacity of state departments and entities to spend and manage programmes and projects effectively.

We need cautious budgeting that protects constitutional rights, not austerity budgeting

We support the lower spending on salaries and benefits for Ministers, but there is a lot more that can be done to save money through tackling wasteful and inefficient spending in departments.

The state must prioritise anti-corruption, strengthen how public resources are managed by departments, and take strong action against departments that don't follow the laws that are meant to make sure that public money is spent properly like the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA).

As a signatory, South Africa is required to follow the principles on public debt and austerity that were developed by the UN Committee on Economic, Social and Cultural Rights.

The UN committee has said that if spending cuts are under consideration, government must show that they are the best way to achieve what's needed, the benefits to human rights must be greater than the costs, they must not result in discrimination, they must be temporary, and the decisions must be made with participation by the people most affected.

Public sector wage bill

The Treasury keeps saying that a key reason for the austerity measures is the big wage bill it pays for government departments and services. But for the past twenty years, the percentage spent by government on wages has stayed the same when you compare it to the overall spending.

The issue that there are 29 000 state employees earning over R1 million is not being dealt with. Instead jobs at the low end of the salary scale remain unfilled. This keeps the wage bill down, but it also means that services don't get delivered.

CALL TO ACTION

There is still time to convince the Treasury not to implement the regressive spending plans (austerity) proposed in the MTBPS. The BJC calls on all social forces to play their role to challenge and mobilise against the cuts and for a new plan for greater solidarity and growth in our country's economy.

We can all send our comments to Parliament in the next few weeks and to Provincial legislatures over the next months.

Finance Standing Committee in Parliament: Your views on the MTBPS proposals are due by 12:00 on Tuesday 5 November

Committee Chairperson:

Mr Maswanganyani (chairperson's secretary: G Salie. gsalie@parliament.gov.za; 021 403 3083)

Committee Secretary:

Allan Wicomb (awicomb@parliament.gov.za; 021 402 3759 or 083 412 1475)

Appropriations Standing Committee in Parliament: Your views on the proposals about how money should be spent are due by 13 November.

Committee chairperson:

Mr Buthelezi (Chairperson's secretary: Ms Peer. Email: speer@parliament.gov.za; 021 403 3001)

Committee Secretary:

Darrin Arends (email: daarends@parliament.gov.za; 021 403 8105; 071 363 2273)

If you can't get your views to parliament in time for these deadlines you can raise your voice around the time of the Budget speech in February 2020.

We will provide information on opportunities to tell provincial legislatures how you want them to spend the money that they do have in the next weeks.

We will keep you updated on any changes to these dates

Contact the Budget Justice Coalition on budgetjusticesa@gmail.com and www.budgetjusticesa.org

ABOUT THE BUDGET JUSTICE COALITION:

Civil society organisations who are part of the Budget Justice Coalition include: the Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), the Dullah Omar Institute at UWC (DOI), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), OxfamSA, Pietermaritzburg Economic Justice and Dignity (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, the Studies in Poverty and Inequality Institute (SPII) and the Treatment Action Campaign (TAC).

The purpose of the Budget Justice Coalition is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way in accordance with the Constitution, including the obligations of the progressive realisation of socio-economic rights contained in the South African Constitution.