



**SUBMISSION TO THE SELECT AND  
STANDING COMMITTEES ON FINANCE ON THE  
2020 SUPPLEMENTARY BUDGET**

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## CONTENTS

1. Introduction and key demands	3
2. Government is regressing on socio-economic rights	5
3. COVID-19 and other spending plans	8
3.1. Womxn, children and gender based violence ignored	8
3.2. Health care funding: too much uncertainty remains	9
3.3. Social grants: still too little and reaching too few	10
3.4. Basic education: net loser again in the budget adjustments	11
3.5. CASE STUDY: impacts of COVID-19 and austerity in Witzenberg	12
4. Revenue, public debt and international loans	16
4.1. Tax shortfall but no new revenue proposals	17
4.2. Additional revenue options not considered	19
5. Zero based budgeting	19
6. Transparency and public participation in the 2021 MTEF budget process must be provided	21

# 1. Introduction and key demands

The Supplementary Budget announced by the Minister of Finance Tito Mboweni on 24 June 2020, including a revised fiscal framework and spending plans to deal with the COVID-19 pandemic, showed that the government is not living up to its promises in the Economic Relief Package. Expenditure against the relief package is dismal and in most cases, departments have been required to adjust already limited budgets to meet the new demands placed on them by COVID-19.

The budget showed little understanding of the state's constitutional obligations to fully utilise available resources to protect people against hunger, unemployment, social insecurity, declining availability of health care, basic education and access to electricity, among others. Instead, the budget proposals allow the economy to sink into its worst contraction in a century with minimal fiscal support and government intervention. The Supplementary Budget proposes a deepening of austerity this year and into the medium-term, contributing to a regression of socio-economic rights that is unprecedented in the democratic era.

This is neither inevitable nor "necessary", as the Finance Minister put it. The government must be held accountable for abrogating its responsibility to millions of people in their hour of need. This submission by the Budget Justice Coalition (BJC) sets out how the government can and must take immediate steps to remedy the glaring faults in the budget by raising additional resources for the fight against COVID-19 and the broader social and economic crisis. We demand that Parliament acts in the best interest of the people it represents by advocating in the strongest possible way for their protection from the economic and social harm that austerity budgeting is causing. Parliament must stand against austerity.

MPs from all political parties must reject the further deepening of this vicious cycle of budget cuts and economic depression, if necessary, by rejecting the budget proposals tabled by the Minister of Finance, which directly undermine socio-economic rights and violate constitutional standards for equity, dignity and rationality.

We urge the Standing and Select Committees on Finance to consider the detailed BJC proposals and raise the questions that BJC members have of this budget. These include:

- Why does the supplementary budget completely fail to mention the struggle to end violence against womxn, and children, despite the President correctly identifying these as the "second pandemic" facing our country? This silence in the national budget documents puts violence prevention and protection services at the provincial level at high risk of cuts or stagnation.
- How can the government expect provincial health departments, as well as provincial education and housing departments, to absorb the cost of COVID-19 almost completely from within their existing baselines, many of which were cut back in the February 2020 budget proposals and previous budgets?
- How does government expect families to survive when unemployment is set to reach 50% of the workforce, the informal economy is decimated, and yet the lifeline of social grants remains inaccessible to millions of people who need it?<sup>1</sup> Does government expect that people exposed to poverty during the economic contraction will be able to survive, let alone live in dignity, when the amounts of the three grants reaching the majority of people are so small they do not even allow an individual to feed themselves for a month?<sup>2</sup>

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<sup>1</sup> An estimated 8 million people are without work and without access to any direct income support. See: <https://theconversation.com/south-africa-has-raised-social-grants-why-this-shouldnt-be-a-stop-gap-measure-138023>

<sup>2</sup> The Child Support Grant of R440 reaches 12,8 million poor children, the Covid19 Caregiver grant of R500 reaches 7 million caregivers, and the COVID19 unemployment grant of R350 currently reaches 2 million unemployed adults. These three grants which reach the majority of people living in poverty, are all valued below the food poverty line of R581 in 2020 Rands.

- How can the government expect municipalities to continue providing services in the right amount and quality when their revenue has been severely depleted, their obligations due to COVID-19 have increased, while the overall funding available to local government is only increased by a net R11 billion?
- How can government allow R300 billion of revenue to be forgone due to the lockdown, international recession and tax relief measures but not seek to plug any of these gaps through new tax measures - including solidarity taxation of windfall profits of the big food retailers and pharmacies, solidarity taxation of high incomes, wealth and income from wealth, of the digital economy, as well as from private finance, including prescribed assets?
- Why is the government allowing the economy to undergo the most severe contraction in a century without providing counter-cyclical fiscal support (net additional spending amounts to R36 billion, a mere 2% of non-interest expenditure, less than 1% of GDP)? How does the government expect the economy to recover from this contraction while hundreds of billions more Rands are proposed to be cut from government spending in the 2021 MTEF?
- Why is the government further cutting back on infrastructure spending across the board to fund emergency COVID-19 expenditure, when this is guaranteed to deepen the economic contraction, hamper service delivery, push maintenance costs down the line and delay the economic recovery?
- Why has the government dismally failed to implement the R500 billion emergency relief package they promised?

The fact that these questions need to be raised points to a serious abrogation of the Executives responsibility to protect the economy and people's livelihoods from undue harm. The dogmatic pursuit of budget cuts amidst such a serious social and economic crisis points further to a total lack of accountability of our political and economic elites, shielded as they are from the economic depression by savings and the good fortune of their positions. The budget presided over by the National Treasury and Minister of Finance makes no attempt at solidarity with the millions of people that are excluded and left destitute by the South African economy and the conservative policies of this government.

The BJC is most disappointed that the Supplementary Budget completely missed the moment that so many people around the world have simultaneously experienced: a desire for radical change to overcome the shackles of poverty and inequality, joblessness and environmental destruction and envision a new economy that genuinely recognises each person's equal worth.

BJC calls for an urgent course-correction to prevent further socio-economic damage during and after this pandemic, and to move the country towards a path of fresh hope. The prerequisites for this new path include:

- The immediate abandonment of austerity budgeting
- A revised social and economic relief package that injects new spending into the economy where it is most needed
- The establishment of a "human rights baseline" for budget allocations based on comprehensive budget review, with inputs from communities, of what spending is actually needed to implement Constitutionally mandated socio-economic rights
- A new revenue framework that adequately taps into the wealth and high incomes of individuals and companies and ends rampant tax evasion once and for all
- A universal work guarantee and basic income grant, funded from the new, more equitable revenue framework
- Revised spending plans that eliminate sources of corruption and wasteful expenditure while ensuring adequate levels of funding for socio-economic rights

- A green new deal encompassing energy generation, industrial transformation, the creation of millions of new jobs, the re-skilling of workers and genuine community-led development
- The achievement of womxn's equality by systematically eradicating destructive patriarchy in all its forms. Commitments to this will continue to ring hollow without budgetary support
- Enhanced opportunities for public participation in all of the above.

## 2. Government is regressing on socio-economic rights

As a constitutional democracy, our government is bound to plan and budget according to our constitution, in which the achievement of (rather than the mere commitment to) equality, dignity and human rights plays a central role.

The constitution places utmost importance on children, requiring the state - without qualification - to ensure that everyone enjoys a quality basic education, and that all children enjoy their rights to basic nutrition, shelter, basic health care services and social services.

The state must also implement measures to progressively realise socio-economic rights for everyone within its available resources. This includes the rights to higher education, to health care services, to social security, to adequate housing, to sufficient food and water, to adequate sanitation, a healthy environment and equitable access to land.<sup>3</sup> The constitution further requires government to ensure that the rights to life, dignity and substantive equality are respected and fulfilled.<sup>4</sup> Together, these provisions establish a framework to "Heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights."<sup>5</sup>

The constitutional framework must be read together with the international legal agreements that we have signed and ratified. These include the International Covenant on Economic, Social and Cultural Rights (ICESCR), which is overseen and interpreted by the UN Committee on Economic, Social and Cultural Rights (UN CESCR), the UN Convention on the Rights of the Child (UNCRC), the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW), and the Convention on the Elimination of all Forms of Racial Discrimination (CERD), among others. Together, these set clear guidelines and boundaries which our government must adhere to in planning and budgeting processes, in good times and in bad.

Resource availability is a perennial question that touches on all aspects of the budget. A simple claim that resources are limited, which they always are, is no excuse for a lack of action to protect, promote, respect and fulfil socio-economic rights.

The recognition that the availability of resources is never infinite should be understood in relation to the ICESCR and the Constitution's similar recognition that it may not be possible, due to resource or other constraints, for socio-economic rights to be fully realised for all people immediately. Government must rather ensure that progress is made as quickly as possible towards this ultimate aim, and that regression in access to rights is avoided. The UN CESCR provides an explanation of the meaning of progressive realisation in General Comment 3 that was endorsed by the Constitutional Court in *Grootboom*:

"[Progressive realisation] ... is on the one hand a necessary flexibility device, reflecting the realities of the real world and the difficulties involved for any country in ensuring full realization of economic, social and

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<sup>3</sup> Sections 25 - 27.

<sup>4</sup> Sections 9 - 11.

<sup>5</sup> Preamble.

cultural rights. On the other hand, the phrase must be read in the light of the overall objective, indeed the *raison d'être* of the Covenant which is to establish clear obligations for States parties in respect of the full realization of the rights in question. It thus imposes an obligation to move as expeditiously and effectively as possible towards that goal. Moreover, any deliberately retrogressive measures in that regard would require the most careful consideration and would need to be fully justified by reference to the totality of the rights provided for in the Covenant and in the context of the full use of the maximum available resources.”<sup>6</sup>

### *Ensuring the use of maximum available resources for the progressive realisation of socio-economic rights during a time of crisis, specifically during COVID-19*

After the onset of COVID-19, the UN CESCR issued guidelines<sup>7</sup> to State Parties to the Covenant on how they can effectively protect gains made in socio-economic rights during the pandemic. In it the Committee underlines that:

COVID-19 has highlighted the critical role of adequate investments in public health systems, comprehensive social protection programmes, decent work, housing, food, water and sanitation systems, and institutions to advance gender equality. Such investments are crucial in responding effectively to global health pandemics, and in counteracting multiple, intersecting forms of inequality, including deep inequalities of income and wealth both within and between countries.

In 2018, two years before the emergence of COVID-19, the UN CESCR evaluated SA’s implementation of socio-economic rights since 1994. Members of the BJC made submissions to the Committee, arguing that the government was implementing austerity measures that were resulting in the regression of socio-economic rights. The members argued that the government was **not meeting the Committee’s criteria<sup>8</sup> for justifying retrogressive measures**, namely that they be:

- temporary, remaining in place only insofar as they are necessary;
- legitimate, with the ultimate aim of protecting the totality of human rights;
- reasonable, with the means chosen being the most capable of achieving the legitimate aim;
- necessary, with all alternative financing measures comprehensively exhausted;
- proportionate, in that their human rights benefits outweigh their costs;
- not directly nor indirectly discriminatory, according priority attention to disadvantaged groups;
- protective of the minimum core content of rights;
- based on transparency and genuine participation of affected groups and subject to meaningful review and accountability procedures.

In its Concluding Observations<sup>9</sup> to SA, the UN Committee noted that “With a Gini coefficient of 0.63 and a Palma ratio of 7.1<sup>10</sup>, **the State party is among the most unequal countries in the world**; and market inequalities, before tax and redistribution, are even more striking.” The income share of the top 1% of

<sup>6</sup> Committee on Economic, Social and Cultural Rights *General Comment No. 3: The Nature of States Parties’ Obligations* (1990) E/1991/23 at para 9.

<sup>7</sup> Available at: [www.gi-escr.org/latest-news/new-statement-by-the-committee-on-economic-social-and-cultural-rights-on-covid-19-and-esc-rights](http://www.gi-escr.org/latest-news/new-statement-by-the-committee-on-economic-social-and-cultural-rights-on-covid-19-and-esc-rights)

<sup>8</sup> Committee on Economic, Social and Cultural Rights, 2016. “Public debt, austerity measures and the International Covenant on Economic, Social and Cultural Rights,” Statement by the Committee.

<sup>9</sup> Available at:

[https://tbinternet.ohchr.org/\\_layouts/treatybodyexternal/Download.aspx?symbolno=E%2fC.12%2fZAF%2fCO%2f1&Lang=en](https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=E%2fC.12%2fZAF%2fCO%2f1&Lang=en).

<sup>10</sup> The Gini coefficient (or Gini index) is a measure of the income or wealth distribution of a nation’s residents in which 1 equals maximum inequality (all income is earned by one person) and 0 equals maximum equality (everyone earns the same). The Palma ratio compares the income of the richest 10% of the population with the poorest 40%. **South Africa currently ranks at the bottom of both global indexes.** See The Guardian ‘Inequality index: where are the world’s most unequal countries’. Available at: [www.theguardian.com/inequality/datablog/2017/apr/26/inequality-index-where-are-the-worlds-most-unequal-countries](http://www.theguardian.com/inequality/datablog/2017/apr/26/inequality-index-where-are-the-worlds-most-unequal-countries).

earners in 2018 was 20%, an increase of 11 percentage points since 1994.<sup>11</sup> The Committee found that that “the persistence of such inequalities [post-apartheid] signals that **the model of economic development pursued by [South Africa] remains insufficiently redistributive**”. This observation is based on the fact that the Treasury has made “macroeconomic stability” the “overriding objective of economic policy”.<sup>12</sup> At the same time, a market-centric logic permeates the Treasury in which the state is seen as a “market enabler” rather than a provider of desperately needed goods and services. BJC notes that this logic continues, even amidst the most grave socio-economic crisis since democracy, **which requires the state to step up even more than before the pandemic.**

The Committee recommended that government: “Review its fiscal policy in order to improve its capacity to mobilize the domestic resources required to bridge existing gaps and to increase its redistributive effect” and insisted that it “show that should it consider austerity measures unavoidable, they should be **temporary**, covering only the period of the crisis; necessary and proportionate; **not result in discrimination and increased inequalities**; and ensure that the rights of disadvantaged and marginalized individuals and groups are **not disproportionately** affected.”

BJC argues that government has failed to show that austerity is unavoidable nor that its austerity programme is temporary, will not result in greater levels of inequality as well as the further marginalisation of vulnerable groups.

BJC believes that the current budget which the government seeks to implement **will result in the widespread violation of many socio-economic rights**, and fails to uphold governments obligations in the Constitution and international human rights treaties it has ratified.

Examples of notable violations include:

- Limiting millions of peoples access to their livelihoods through a protracted lockdown, without providing commensurate income support, thereby guaranteeing an increase in poverty and socio-economic insecurity (made worse by existing poverty and precarity which meant that many families had little-to-no savings at the beginning of the pandemic)
- Irrationally limiting the increase to the Child Support Grant to each caregiver rather than each child, thereby ensuring that 2 million children (mostly black children) would face avoidable hunger,<sup>13</sup> and the long-term impact of this on their growth and development
- Excluding millions of people from accessing the COVID-19 grant of R350 per month, through irrational and poorly executed administrative measures, and completely excluding immigrants residing in SA and unable to return home from the grant
- Ending the school nutrition programme which provides about 9 million learners with essential nutrition on school days, *without providing any alternative access to this nutrition*, and not starting the programme again as soon as schools were reopened, condemning these children and their families to increased hunger and malnutrition

Government must cease taking backward steps and retrogressive measures that have the intent or effect of reducing or limiting access to socio-economic rights. No matter how difficult the circumstances, the budget must be managed in a way that avoids negative impacts on peoples fundamental human rights.

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<sup>11</sup> Alvaredo, F et al, 2018. World Inequality Report, 2018 at <https://bit.ly/2N5WNzG>

<sup>12</sup> Macroeconomic stability is defined as stable prices, stable interest rates, predictable economic costs such as tax policies and regulatory regimes and predictability about future tax and interest rates. See Faulkner, D and Leowald, C, 2008. “Policy change and Economic Growth: A Case Study of South Africa,” at <https://bit.ly/2MFKKtl>, pg. 12.

<sup>13</sup> According to the research team advising the government:



**Section 3** of the submission describes how the spending plans announced in the Supplementary Budget fail to meet socio-economic rights standards, or even the promises made by government when it finally announced an Economic Relief Package one month into the nationwide lockdown.

**Section 4** of the submission highlights the many options available for the state to maximise its available resources to ensure that people continue to enjoy their rights during the COVID-19 pandemic.

### 3. COVID-19 and other spending plans

The Supplementary Budget proves what many analysts have been saying for weeks: that **the so-called R500 billion economic relief package announced in April is a mirage**. As the country faces the worst social and economic crisis of the democratic era, only R36 billion of new money has been allocated in the fiscus to help the country to cope. At a mere 2% of non-interest expenditure (proposed in the February budget), less than 1% of GDP, this is not even close to a “stimulus”, and in many respects fails as a relief or rescue package. In fact, in many sectors, including education, budgets have been further pared back so that there is **less money to spend than was allocated in February**, despite the additional burdens created by the pandemic.

BJC agrees that savings due to the lockdown restrictions, such as on travel and accommodation, venue hire, advertising and similar line items, should be redirected to COVID-19 mitigation as a first step. But the second step to funding COVID-19 must not come from areas of the budget which are essential to service delivery, to socio-economic rights, to economic recovery or reducing violence against women and children.

In particular, if there are savings in infrastructure budgets due to the lockdown, these must still be spent on infrastructure as soon as it is possible to do so. Taking money from infrastructure projects, as the Supplementary Budget proposes, runs completely counter to the governments elsewhere stated objective to use infrastructure spending as a lever to economic recovery. National and Provincial Treasuries should instead be working with departments to make plans for spending these monies within this financial year on new or existing infrastructure projects, as part of their recovery plans. If such measures are not central to such a plan, we believe that the recovery plan is destined to fail.

#### 3.1. Womxn, children and gender based violence ignored

From start to finish, the Supplementary Budget Review is gender and child-blind. Despite the recent prominence of political rhetoric on ‘gender equality’, this budget is yet another missed opportunity to secure increased revenue and allocations to address the deep inequalities and exclusions of womxn across sectors which have persisted and deepened over the past decades. In his [address](#) on 17 June President Cyril Ramaphosa indicated that *‘giving women the necessary support to become financially independent is the greatest of priorities, especially now’*. This budget does not demonstrate that womxn have been prioritised in any way and is another reminder of the National Treasury’s resistance to gender budgeting.

This budget also completely ignores the ways that children have been affected by the lock-down:

- While topping up all the other existing social grants in full, the budget fails to top-up the Child Support Grant - government’s primary poverty relief programme for 12,8 million children, providing instead for a R300 increase in May per child only and R500 per caregiver thereafter.



- The budget provides no financial relief package to save the thousands of ECD centres and programmes at risk of closure due to the extended lockdown imposed on these centres by the Department of Social Development's lack of foresight and planning.
- The budget cuts spending in areas such as education infrastructure that are critical to children's development..

The BJC is seriously concerned that the Supplementary Budget Review makes no mention of allocating resources to address what the President has referred to as '*another pandemic*' of violence against '*women and children*'. The radical rates of violence against womxn and against children, and failures in support, protection and justice in South Africa have long preceded the COVID-19 pandemic, but been exacerbated by lock-down conditions. Both womxn and children have been more exposed to conditions that contribute to violence, while having less access to the (usually poor) support, safety and justice services.

In May, the much anticipated [National Strategic Plan on Gender Based Violence and Femicide](#) (GBV-F NSP) was finalised, but without any budget information. Without a budget, the GBV-F NSP cannot achieve the deep changes needed. The failure of this supplementary budget to provide the information on allocations to the GBV-F NSP or the additional barriers to accessing support during the lock-down is unacceptable. With this budget we again see the pattern of failure to allocate towards initiatives to intervene in this second pandemic that increases the risk to the majority of our population of increased fear and brutality.

We instead see cuts to the National Prosecuting Authority budget within the Department of Justice and to detective services within SAPs which could negatively affect the prosecution and conviction of crimes against womxn and children, and the provision of support services within Thuthuzela Centres. Furthermore the lack of any additional funding for provinces, combined with the requirement that they re-prioritise R20 billion to the COVID response, carries a significant risk that violence prevention and victim support services for womxn and children within provincial DSD's will be reduced. The lack of direction from National Treasury on the need to prioritise these services in the reprioritisation process is startlingly absent from the supplementary budget documents.

Since the late 1990s there has generally been a Gender Responsive Budgeting recession in South Africa, despite, particularly black, women and children being most vulnerable to poverty. Gender Responsive Budgeting must be adopted into our fiscal frameworks.

### 3.2. Health care funding: too much uncertainty remains

Our two-tier health system is one of the most costly in the world in relation to GDP. It is also one of the most unfair systems in the world. The government supports private health care with medical tax credits costing the fiscus more than R25-billion per year. Now was the time to make a cut in this tax expense, starting to phase it out. The failure to do so now, when the COVID-19 crisis has made everyone aware of the deep crisis in public health, signals that the universal National Health Insurance is not supported by the Treasury and never will be implemented under its present leadership.

Government has repeatedly committed to providing all the resources necessary to enable the health sector in particular to respond effectively to the COVID-19 pandemic. At least R20 billion was promised by the President in April to fund the health systems response. Yet the Supplementary Budget shows that only R2.9 billion of the R21.5 billion that the health sector is projected to spend on coping with COVID-19 is extra funding from the Treasury. Provinces must find about R15 billion from within their existing 2020 budget baselines, which made no provision for dealing with this pandemic.

Furthermore, the Supplementary Budget fails to provide details on what is likely to be the most expensive aspect of the health response: how the purchasing of private health capacity will be funded. At present, provincial health departments must try to budget for this cost without knowing where the money is going to come from. The tariff that has been agreed with many private providers is R16 000 per critical care bed per day, which could quickly add up to hundreds of millions of Rands. Provinces will be reluctant to send patients to the private facilities if they cannot be sure how they will cover this cost. The Minister of Finance must urgently confirm that provinces will be able to budget for COVID-19 based on need, as the government has promised.

### 3.3. Social grants: still too little and reaching too few

In late April, The President, followed by the Minister of Finance, promised R50 billion for social grants in the economic relief package. This was already too late and too little given that the lockdown had already been in place for one month and the pre-lockdown poverty and unemployment levels were high. This package was to provide small top-ups to the existing social grants for six months starting on 3 May; and a new grant of R350 for approximately 8 million unemployed adults.

While the President promised a R500 top-up to the Child Support Grant (CSG) per child, the Minister of Finance and Social Development's media statements following the President's speech diluted this commitment to R300 per child in May and then a new R500 caregiver grant for June to October. This effectively saved the state R13 billion but resulted in at least 6.4 million children continuing to live below the food poverty line, and their caregivers (mainly women) bearing an increased financial burden at a time when food prices were increasing, the school feeding scheme and ECD feeding schemes were closed and jobs were being lost.

The supplementary budget only contains R25 billion of 'new' money for social grants. A further R15.5 billion is re-allocated money from a projected underspend. This brings the total grant relief package to approximately R41 billion. **It appears the budget for the new COVID19 unemployment grant has been slashed by 50%.** While the new COVID-19 grant was costed at R17 - R20 billion to reach 8 million adults over 6 months; the budget for this line item has been reduced to R10.3 billion, effectively reducing the likely people to be reached to a 4 million person limit. The reduction of the budget was explained by Treasury in a post-budget media briefing as due to 'low take-up'. However, it is not a lack of applications that is impeding take-up but **exclusionary and untransparent eligibility criteria and an inability by SASSA to process and pay the applicants timeously.**

The requirement that an applicant have 'no income' and how this is assessed is not explained in the regulations, despite all other social grants having clearly defined means test formulae. SASSA and SARS appear to be making up the rules as they go along. SASSA recently tweeted that existing beneficiaries of the grant will be re-screened on a monthly basis to check that they have not received any other income from another source. Therefore beneficiaries who are innovative and attempt to use the small R350 to get their informal businesses or home budgets back on track by using it to generate more income will be punished and their grants withdrawn.

So far, SASSA has managed to pay 2 million beneficiaries. A further 6 million remain excluded and there is only enough budget for an additional 2million. Treasury warns in the supplementary budget that the budget for this grant remains subject to SASSA's ability to spend and that it will be re-allocated in October if unspent.

BJC calls on government to immediately embark on a process of designing a universal basic income grant to replace the COVID-19 grant, funded by solidarity taxation on wealth and high incomes (see below). A basic income grant could be administratively simpler and cheaper to implement and would finally guarantee everyone's right to social security, providing a lifeline and stake in society for those who need it.

In the meantime, government should:

- Allocate the full R50bn as promised
- Immediately top-up the Child Support Grant by R500 per child (starting 1 August and in addition to the R500 'caregiver' grant)
- Amend the income 'test' that is applied to COVID19 grant applicants so as not to exclude people recently unemployed (people who received a salary/income in the month prior to applying are being considered ineligible) or people with incomes lower than the food poverty line.

### 3.4. Basic education: net loser again in the budget adjustments

The basic education sector is experiencing unprecedented challenges due to the COVID-19 pandemic. Despite this, the Supplementary Budget does not provide basic education departments with any new additional funding. Instead, R2.1 billion has been cut from the national DBE budget and other existing allocations have been reprioritised to finance the extraordinary COVID-19 response.

This includes cutting a net total of R1.7 billion from school infrastructure grants, and reallocating a further R4.4 billion from these grants to cover COVID-19 expenditure. This is particularly worrying as it comes at a time when the effect of poor infrastructure and lack of service delivery is being made devastatingly clear in schools across South Africa.

The Supplementary Budget represents a continuation of concerning trends of underspending on basic education. Recently published [research](#) shows that government spending per learner on basic education *decreased* by an average of 2.3% between 2009 and 2018.<sup>14</sup> The February 2020 budget deepened this trend by cutting the total basic education budget in real terms<sup>15</sup> - possibly the first time this has happened in the democratic era.

What this means is that the poorest schools in many provinces do not receive adequate funding per learner. We have also seen the effect of these budget cuts in the suspension of the hiring of teachers resulting in overcrowded classrooms; and a lack of maintenance and upgrading of dilapidated or dangerous infrastructure, leading to learners facing great indignities, and even death, while at school.

The BJC is concerned that funding decisions made in the 2020 Supplementary budget fail to recognise the critical nature of the basic education sector and will jeopardise learner's constitutional rights. The trend of decreased spending per learner over the past decade does not bode well for the co-hort of children affected and has long term negative consequences for the country and economy as a whole.

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<sup>14</sup> This calculation takes into account that inflation in education tends to be higher than CPI inflation, because major cost drivers such as salaries, may increase faster than inflation.

<sup>15</sup> When inflation is taken into account

### 3.5. CASE STUDY: impacts of COVID-19 and austerity in Witzenberg, Western Cape

This case study records events from the Witzenberg area. Witzenberg is part of the Cape Winelands District in the Western Cape and is an agricultural production area. It is comprised of the towns of Ceres, Tulbagh, Wolseley, Op-Die-Berg and Prince Alfred Hamlet. The Budget Justice Coalition interviewed Naomi Betana, the Chairperson of the Witzenberg Justice Coalition (WJC). The WJC is a coalition of women in Witzenberg, who advocate for the realisation of people's Constitutional rights in the towns that they live in.

The WJC promotes improved access to services such as electricity and water in the area; WJC activists ensure that broken water taps and electricity connections are repaired in Witzenberg, in order to improve sanitation and hygiene standards in communities.

The Witzenberg area has been identified as a Covid-19 hotspot; the pandemic has been impacting people in the area in ways that are difficult to bear. During the Covid-19 pandemic, the WJC has continued with its pre-existing advocacy initiatives; it has also ensured that community members receive education about Covid-19 and are supported with food relief as well as Personal Protective Equipment. WJC activists have also been involved in initiatives to ensure that labour rights are upheld in the Witzenberg.

Of the organisations work, the WJC's Chairperson, Naomi Betana says, "In our work, we are speaking to people who have lost their jobs or income because of the pandemic. For those who were essential workers with jobs in the initial phases of lock down, it has been difficult balancing risks of getting infected because of poor occupational health and safety in some work places, with also wanting to work and earn an income. People want to work, but some people have been infected with the virus in the workplace. Neighbours and people in the community are scared of the virus and don't want people who have tested positive to be living next to them."

The Budget Justice Coalition notes that there are decisions within the Supplementary Budget which will have a serious impact at the local government level. We spoke to Mrs. Betana about some of the budgetary considerations which intersect with her work; "Among the transfers to local government that will be decreased are; the Integrated National Electrification programme (INEP), where the indirect conditional grant to municipalities will be decreased by R1 billion and the direct conditional grant by R500 million; while energy efficiency and demand-side management also faces a downwards revision of R22 million. The Neighbourhood Development Programme will also have R68 million less than it was previously allocated, and the Water Services Infrastructure Indirect Conditional Grant remains the same at R579 million for the year."

"This doesn't make sense at all", says Betana, "Lockdown without electricity, running water and enough food is what many people here are experiencing. We've been communicating with the Witzenberg municipality to request that they install water tanks, water pipes and sanitation in all informal settlements in Witzenberg. The municipality has installed Water Management Devices / Pre-paid water meters here without prior consultation of communities. The trickle flow of water that comes out of the tap is not enough. When someone refuses to have a water demand device installed, the municipality cancels their Indigent Grant."

Photos 1-6 – WJC activities in the Witzenberg area.



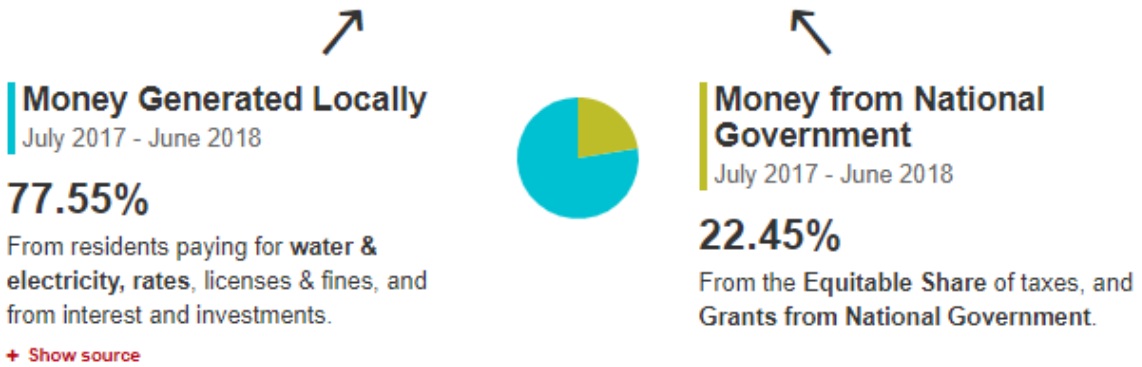
Photo 1: youth dialogue and C-19 education at local high school.  
 Photo 2: Unsanitary refuse disposal.  
 Photo 3: Screening arrangements in a workplace.  
 Photo 4: broken taps.  
 Photo 5: Non-existent toilets.  
 Photo 6: food relief work.

In February 2020, GroundUp covered a story<sup>16</sup> about the battles of the community with the municipality over the water meters. At the time, GroundUp reported that the municipality said it was battling to recover water payment arrears of more than R50 million. The sustainability of the current municipal revenue model depends largely on residents paying municipal bills, as the figure below highlights. Municipalities derive the greatest proportion of their revenue from residents paying for water and electricity, rates, licenses and fines, and from interest and investment. While some residents can afford to pay but are unwilling, there are many who due to the country’s unemployment issues, have an inability to pay. The fiscal vulnerability of municipal finances is bound up with the vulnerability of households affected by structural unemployment, which is being worsened by the additional effects of the Covid-19 pandemic. Treasury should potentially review the municipal revenue model to consider whether certain types of municipalities where unemployment is high may need to receive a greater proportion of their revenue from equitable share allocations.

<sup>16</sup> <https://www.groundup.org.za/article/residents-take-municipality-court-over-water-meters/>



### Where does Witzenberg get its money from?

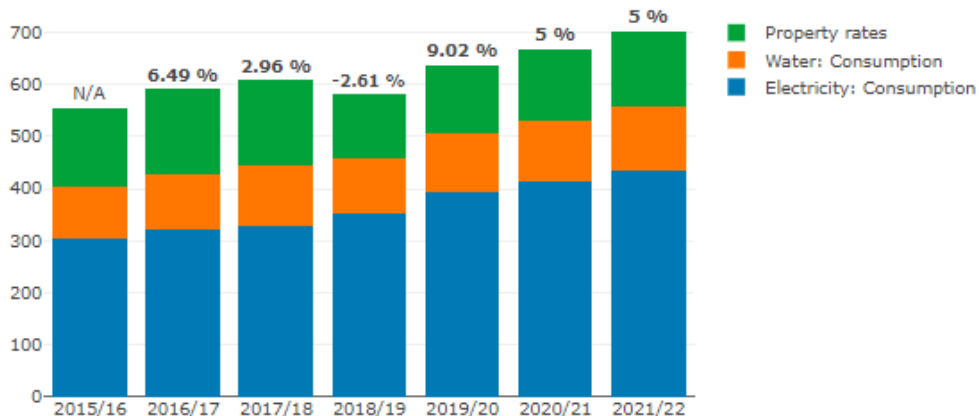


Source: Municipal Money

Betana continues that, “At least the municipality listened to some of our concerns and stopped cutting off the electricity of the people. But before Covid-19 these were the same issues that we faced as communities in Witzenberg and the municipality never really listened. We’ve written to them to ask that that they don’t cut off water, electricity and indigent grants of poor people when the lockdown ends. The household bills figure below shows the composition of income levels over time. The figure below shows that monthly bills for those in the indigent income range have been growing year on year. In 2018/19 they grew by 9%. Remembering that those with an indigent income are likely to be in the category of having an inability to pay due to having insufficient income rather than an unwillingness to pay. This is why the Free Basic Water and Free Basic Electricity provisions were created – to cross-subsidize indigent households.”

### Monthly Bills for Indigent Income Over Time

**4.05%**  
average increase over the financial years



Source: Municipal Money

“It’s not just local government allocations that have a bearing on the lives of people in Witzenberg affected by the pandemic; what gets spent at a National and Provincial department level also impacts here. For example, people in Witzenberg have applied for social relief in the form of distress food parcels, the Covid-19 Special Grant and UIF Temporary Employer/Employee Relief Scheme. Support from government through these options has been slow compared to what people’s needs are”, says Betana.

We tell the Chairperson that the total relief package to vulnerable households has been decreased by R9 billion, from R50 billion to R41 billion, in the supplementary budget due to the slowness of implementation. Betana replies, “That money should still have been spent. People should get the full six months. R350 is very little when you think about what food costs”.

Other innovative solutions to the Covid-19 pandemic have emerged during this period. The Development Action Group implemented a “Flash Voucher”; where 1500 households each received a R100 voucher that could be spent in accredited stores. “I was really excited the day I heard about that”, says Betana. “I was getting so many calls from people who were very hungry. A mother who didn’t have milk powder for her baby kept messaging – some days, it has been overwhelming”.

Mrs Betana continues, “The C19 People’s Coalition has supported us when we did food and blanket drives. Winter is cold this year and when we were serving food, we noticed that children particularly did not have warm clothes. When schools were not open, the school feeding schemes stopped, so a lot of children were hungry. Black Sash supported with troubleshooting food parcel applications. When the social relief of distress food parcels from government arrived, it was a relief for a number of households. Some of the time during lockdown, food parcels have caused problems among neighbours – especially when some people receive and not others who also need food”.

“In the time when government food parcels weren’t coming and relief was delayed, civil society organisations were understanding about the urgency of people’s needs, but the support they could offer was limited, because NPOs operate with little funding and also because of problems getting permits at the beginning of the lockdown. In Cape Town, there’s a Red Dot Transport initiative, where taxis with red dots transport nurses to hospitals. We’ve been contacting the Provincial Department of Health and Department of Public Works to request that this kind of arrangement be made for nurses in Witzenberg too, and also for people who need to get to quarantine facilities. Transport has been a huge problem here.”

Mrs. Betana adds, “The physical distancing that means taxis can take less people than previously seems to have a worse impact in a rural area than in a city. In the first part of lockdown, it was really bad. People on farms were not able to get to the shops to buy food. Some farms locked the gates. In desperation to buy food, people living on farms climbed fences and started hiking along national roads without any protective gear to get to town. The ongoing hunger and problems with water were so bad that we reported it to the South African Human Rights Commission. The Human Rights Commission came out to Witzenberg and arranged a meeting; rural areas seem to get forgotten when compared to big cities, so it was quite unexpected but welcome that the President; the Premier, Western Cape Health MEC, and a range of politicians and officials visited our area to address challenges here.”

The Western Cape Government has implemented an evidence based, data-led approach to understand the transmission of the virus in particular geographical areas. A response plan was developed to address the challenges in Witzenberg, the Witzenberg Justice Coalition obtained the plan and monitored its implementation. Betana tells us, “The Witzenberg Justice Coalition, in partnership with the Perdekraal East Wind Farm, are busy creating dialogue spaces for young feminists to discuss the impact C-19 has on their everyday livelihoods. These young women from Pine Valley are confronted with struggles such as Gender-



based Violence on a daily basis, high levels of alcohol abuse, food insecurity and high unemployment in this community. Domestic violence has become a second norm to many of these young women”.

She concludes, “When you phone SAPS Wolseley, they now argue they are too afraid to come into the area due to C-19. During one of dialogues, a matriculant raised her fear off attending school, but does not know what to do. Many of the matriculants regard the matric certificate as a passport out of the area to better things. In some ways, life has continued as normal in Witzenberg. In many other ways, it has become more difficult. As one young single mother in Pine Valley said during one of the dialogues said, “Pine Valley never had lockdown”. Some of the teenagers raise how many parents fight in the house because of food; most of the time it is better to leave the house then. Since lockdown started, parents don’t get to everything, many things are mixed up, one teen explained. The dialogues have been good. The youth have a lot on their minds and they want to speak”.

## 4. Revenue, public debt and international loans

The BJC believes that the government can fund the spending that needs to be done to fulfil socio-economic rights, within its available domestic resources.

We welcome the investment by other public sector entities of more than R400-billion in interest bearing Treasury bonds. The UIF has accumulated close to R150-billion in financial assets despite mass unemployment, expected to reach 50% of the workforce before the end of the year. Prior to COVID-19, the R1.8 trillion GEPF had a surplus of over R50 billion every year after benefits were paid to beneficiaries.

The Finance Minister instead sets out to borrow \$7 billion (R120 billion) from international finance institutions, of which \$4.2 billion (R73 billion) is from the International Monetary Fund (IMF). To-date, no clear reasons have been provided by government about why they are borrowing these monies from international finance institutions and what the money will be spent on.

Such amounts could easily be borrowed from the GEPF and UIF instead, in much safer Rands (avoiding exchange rate depreciation) and similarly low interest rates. BJC is curious about why the Treasury seems to be abandoning its policy to reduce foreign and short term borrowing. This move is especially worrisome when our currency might fall even more in value to the dollar, thus making repayment of the loans more expensive over time. This is of course also a clear risk, as the Treasury opposes stringent control over currency trading.

BJC opposes this policy change, undertaken as it is with no transparency about the conditions negotiated for these loans. Structural reforms imposed by international financing institutions have been shown to be race and gender blind, and this route includes the serious risk - even likelihood - of worsening the persisting and pervasive inequalities in South Africa. The Treasury has not adequately engaged with how to mobilise the maximum available resources domestically. Increased external lending , particularly in dollars, is plainly not necessary to deal with the current crisis and we must maintain our sovereign economic policy discretion. The Treasury should not have approached the IMF without substantive engagement with South Africans, who are the ones who will bear the costs of such a decision.

Indeed, the Supplementary Budget proposals for the 2021 MTEF look like a self-imposed “structural adjustment program” of the kind the IMF would devise for South Africa, should we run into trouble paying back their loans. For the Treasury to move closer to the IMF without a compelling reason could be interpreted as seeking political support from abroad for “structural reforms” which they have been unable

to build at home. This is similar to how the opinions of discredited Credit Ratings Agencies have been used to support the National Treasury's conservative and contractionary fiscal agenda.

## 4.1. Tax shortfall but no new revenue proposals

The lockdown is estimated to cost the fiscus over R300 billion for 2020/21 in lost tax receipts, as jobs are shed, businesses close down, people spend less money, and investors sit on their cash. Given the unsustainably high levels of inequality in the country, BJC believes that the government is missing an opportunity to redistribute wealth to help people with no savings cope with the shocks of the pandemic. The latest research shows that one tenth of the population owns 86% of private wealth (measured in property, land, business ownership and financial assets such as savings, pensions, shares and bonds, among others), while more than half the population lives below the upper bound poverty line of R1 227 per person per month (in April 2019 prices), with little-to-no savings to cushion them from financial shocks.

The BJC has consistently argued that the Government can and must raise more revenue from high incomes, wealth and income from wealth to put SA onto a more inclusive and sustainable growth path. This is now essential to maintain existing social expenditure in the wake of the revenue shock of COVID-19. Recent research from the Southern Centre for Inequality Studies at the University of Witwatersrand shows that a wealth tax on the richest 354,000 individuals (1% of the adult population) could raise R143 billion.<sup>17</sup> That equates to 29% of the announced R500bn fiscal cost of the promised relief package. The International Monetary Fund's recommendations for fiscal policies to respond to COVID-19 have proposed wealth taxes as a way to attain fiscal sustainability.

BJC calls on government to start the process of implementing a wealth tax so that the estimated R143 billion that a graduated tax could earn the fiscus annually can become a reality in the near future. This is essential to ensure that the wealthy pay a fair share towards the recovery from COVID-19 in the years to come.

### **Options for the Treasury to consider include:**

- Committing to develop a plan for the implementation of a permanent annual net wealth tax as soon as practicable. This should be levied within the international range of 0.5-2.5%, taking into account the extremely high concentration of wealth to ensure a meaningful outcome. Wealthy individuals must immediately be required to declare their assets and liabilities in full so that SARS can gather a more accurate picture of wealth in contemporary South Africa.
- Increases to personal income tax on the two highest brackets and adjusting the remaining tax brackets below inflation. High-income earners have experienced significant growth in their income over the last two decades, due to "skills inequality" and are the most likely to have remained in employment and saved on monthly expenses during the lockdown period. The top 1% of income earners in South Africa averaged a compounded growth rate of 5.4% over the years 2003-2015, whilst the majority (at least 80% of income earners in South Africa) have experienced declining negative growth in income over the same period. Effective tax rates for the earners above R500,000 have declined by 5% between 2008 and 2018. In the immediate term, the government must take the opportunity of a moral high ground by increasing taxes on high incomes (above R500 000).

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<sup>17</sup> R143bn was after 30% of the 1% richest individuals were assumed to be able to dodge the tax. Further disclosure of personal wealth will be required.

- Higher income groups have also received higher deductions on their taxes. In 2018, those earning above R500,000 received tax deductions of 12% of their income. R30.5 billion could be raised by not granting deductions on retirement fund contributions to those earning above R1 million.
- Revising the primary abatement for estates of R6 million, and clamping down on and the use of trusts to shield individuals from paying the full estate duty tax. A comparative study of South Africa's estates duty with other countries needs to be done in order to assess why it contributes (as a share of GDP) only a quarter of the OECD average and whether rates should be increased.
- Capital gains tax should be restructured so that:
  - Longer holding periods and capital reinvestment are encouraged through rate reduction.
  - A surcharge is applied to taxpayers earning high levels of capital gains (i.e. it is made progressive).
  - The inclusion rate is raised to 100%.
  - The inclusion of non-resident is simplified and widened.
  - The use of share buybacks to avoid paying capital gains is prohibited
- Further, the capital gains rate of 16% - 33% is below the OECD and BRICS norm and could be raised over the medium term.
- The securities transaction tax (STT) should be raised. Despite South Africa's capital market to GDP ratio being almost triple the OECD aggregate, revenue from SST (as a share of GDP) lags being the OECD average. A taxation on cancelled orders should be instituted to dissuade high frequency trading, and derivative taxation requires further research.
- Regarding taxation of immovable property and land there is room for:
  - A property tax over and above municipal rates and for this to cross subsidise poor municipalities.
  - A surcharge on the transfer duty for the acquisition of second homes.
  - Non-residents to pay higher transfer duties than residents, particularly, or exclusively, for residential property.
  - A land tax, particularly of vacant/unused land be instituted. This has been successfully implemented elsewhere and has been used to fund land redistribution. This submission has not sufficiently interrogated this issue to make firm recommendations but this matter requires attention.
- Tax evasion must be further clamped down on.

We welcome the renewed commitments from SARS to intensify efforts to collect international taxes, tackle aggressive tax planning, transfer pricing, eliminate fraud and improve taxpayer compliance, including among high net worth individuals and large complex companies. Collective failure by SARS, National Treasury and the Reserve Bank results in South Africa still losing anything between \$10-billion and \$25-billion annually (R170 billion - R420 billion) in illicit financial flows, according to the Financial Intelligence Centre.<sup>18</sup> Collecting these funds would greatly reduce our annual borrowing requirement.

We see however, no trace of any policy change from the side of the Treasury or any awareness of this in the Finance Minister's speech or any concrete proposals. Given the corporate bias that remains at the Treasury, our fear is that relaxed control of cross border transactions are viewed as a part of an investor friendly environment in which SA "must" compete for foreign capital, including by means of relaxed controls. We will see if the new commitments by SARS to tackle the problems bear fruit in this context.

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<sup>18</sup> [www.dailymaverick.co.za/article/2019-10-27-sas-anti-money-laundering-measures-under-global-spotlight/](http://www.dailymaverick.co.za/article/2019-10-27-sas-anti-money-laundering-measures-under-global-spotlight/)

## 4.2. Additional revenue options not considered

BJC would like to know why none of the multitude of alternative revenue options and domestic resource mobilisation initiatives proposed before and since the COVID-19 crisis began, has been considered by the National Treasury. These include:

- **Solidarity taxation on windfall profits of big retailers and pharmacies:** Excess profits should be taxed. Corporations should not benefit from the crisis in disproportionate ways.
- **Solidarity taxation of high incomes, wealth and income from wealth:** COVID19 will significantly depress tax revenue. It is, however, necessary to consider ways in which tax revenue can be boosted. Tax increases can “avert some of the reduction in economic activity, particularly when levied on higher-income households and profitable corporations”. Taxation has the highest potential of contributing to demand growth and economic stability when it targets high incomes (which are largely saved) and speculative activities. Even the IMF has supported this supported this
- **Taxation of digital economy:** The existing international tax rules on tax treaties, permanent establishment, and transfer pricing must be reviewed to ensure that profits are taxed where economic activities occur and value is created.
- **Cheap borrowing from PIC (GEPF and UIF):** In his speech, Finance Minister Tito Mboweni illustrated the rising debt service cost of the government by saying that 21 cents of every rand in tax revenue goes to paying interest on the state debt. He failed to mention that up to 4 of these 21 cents is transferred to the Government Employee Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF) as interest or levies. We welcome the investment by other public sector entities of more than R400-billion in interest bearing Treasury bonds. To increase such investments is one of several alternatives to taking loans in dollars. The UIF has accumulated close to R150-billion in financial assets despite mass unemployment, expected to reach 50% of the workforce before the end of the year. On the whole, the Treasury has refused to participate in the public debate on how the 15-20% of the debt service costs that are paid internally within the public sector could be repurposed. These transfers should be reconsidered in order to reduce the government's borrowing cost, which it claims is the key aim of its austerity budgeting.
- Prior to COVID-19, the R1.8 trillion GEPF had a surplus of over R50 billion every year after benefits were paid to beneficiaries.
- **Solidarity bonds:** Special COVID-19 bond at concessional rates purchased by private institutional investors.
- **Prescribed assets:** prescribed assets to finance government debt so that this reduces overall borrowing costs. The private sector could be required to contribute towards any stimulus in a measure equal to government and the GEPF. This can take place through mechanisms such as compulsory lending to the government from the local financial sector or prescribed assets. South Africa has massive private sector institutional investors which sit on trillions worth of investments. There is no reason why such savings should not be channelled towards developmental ends more forcefully.

## 5. Zero based budgeting

The BJC rejects the idea that the 2021 Medium Term Expenditure Framework (MTEF) should (or given capacity, could) be guided by principles of Zero Based Budgeting (ZBB). ZBB entails “rigorous analysis” (in the words of the Treasury) to decide which line items survive in the budget from year to year. ZBB thus puts everything up for potential cut backs and will be used to cut money from the budget, rather than

ensure that socio-economic priorities are appropriately funded. BJC reiterates that austerity is not economically viable and exacerbates structural inequalities.

The BJC has consistently called on wasteful expenditure and corruption to be dealt with by our political leaders, democratic oversight institutions and the National Treasury. ZBB is not a panacea to fiscal distress. South Africa needs a fiscal response and budgeting process that is tailored to its needs. This entails performance expenditure reviews, as government is undertaking, that aim to reduce, reformulate, or increase budgets based on need.

Examples of areas of expenditure that should be considered for such reviews include:

- Our highly expensive foreign missions, whose contribution does not match their cost
- Extravagant salaries, perks, head offices and other trimmings at our SOEs
- Medupi Power Station, including reviewing the World Bank loan with a view to cancelling this loan facility which is potentially “odious debt” and no longer necessary
- Review the approach to large infrastructure projects that has allowed corruption and mismanagement of these projects to thrive, especially in the water and sanitation sector

The Coalition is concerned that the Treasury has not adequately engaged with why the current system is not working. While ZBB appeals to the markets, it is unclear what problems it seeks to solve and how the budget is presented does not shed light on this. BJC supports making savings on corrupt and wasteful programmes but underperforming programmes, where they are serving an identified need, should not simply be cut out of the budget. We also need to invest in the long-term capacity (and accountability) of the state to play its developmental role.

BJC asks for assurance that the 2021 MTEF process will not only be about cuts but repurposing and rethinking programmes so that they perform better and have more impact. Based on the remarks from the Treasury, ZBB will be applied to large programmes and areas of expenditure that are corrupt, wasteful and/or not performing, and not the whole budget. ZBB, however, will not be a full proof tool. There are performing programmes that are delivered while corruption takes its ‘cut’.

BJC is concerned about the will and the capacity to implement ZBB in a manner that puts the progressive realisation of socio-economic rights at its centre. For ZBB to work in favour of the majority, to give meaning to redistribution and social justice, it (as with all budget decisions), must be undertaken with a commitment to transparency and *meaningful* participation of people who experience the greatest levels of marginalisation and exclusion. Without this commitment to practicing the principles of our constitutional democracy, the trends of the majority of South Africans bearing the cost of government failures are likely to continue.

The Minister mentioned extensively the potential for a sovereign debt crisis, but made little mention of what the Treasury intends for Eskom, which contains one of the largest risks in terms of debt on the fiscus. The BJC is concerned about the continuously dishonest ways in which the Treasury continues to moralise and justify austerity. The Minister only mentioned that Eskom will need to show progress in meeting its milestones as stipulated in the Roadmap to unbundling Eskom’s assets, in order to justify further bailouts from the government. The BJC are concerned that should Eskom be unable to show ‘demonstrable value for money’, this will justify the privatisation of Eskom. South Africans are already distressed due to rising costs of living and unemployment, and rising electricity prices in the context of a privatised utility will only add to this burden.

## 6. Transparency and public participation in the 2021 MTEF budget process must be provided

### Key demands

- All performance expenditure reviews must be published (including the latest round) without delay, to enable people to engage with their findings
- Government must enable the public to participate in the 2021 MTEF process beginning in July. This is clearly a critical budgeting period and the voices of civil society (in the broadest sense) can add much value. The Constitution requires that the public be given a chance to participate in policy-making that affects their lives.

### Context

On 30 April 2020, the International Budget Partnership (IBP) released the outcomes of the 2019 Open Budget Survey (OBS). The OBS is a biennial survey and is the world's only independent measure of fiscal openness. The survey assesses 117 countries on the transparency of their budgets, measuring the expanse and timeliness of budget information that they make public. It also examines the practices of the government's executive, the legislature, and the Auditor-General. Countries are scored between 0 and 100 and ranked on the Open Budget Index (OBI).<sup>19</sup> The most recent results indicate that while South Africa's transparency scores were the highest of all countries (at 87 out of 100), **public participation in budget processes continues to be dismal at 24 out of 100**. Ensuring meaningful public participation is a fundamental component of developing responsive, rights-based fiscal tools.

The BJC urges committees of Parliament and provincial legislatures to proactively foster public participation in the development, implementation and evaluation of fiscal policy. It is also imperative for the National Treasury and SARB to proactively disclose financial risks emerging from the current COVID-19 crisis. Public input must be sought at all stages of the budget process - not only at the approval stages when - arguably - decisions are near-final.

This is particularly pertinent under conditions such as appropriations towards COVID-19 and other disaster conditions and applies to opportunities within budget (re)formulation, expenditure and auditing. Notably - there are currently no formal opportunities for South Africans to inform the audit process despite this connecting to various important service delivery issues.

We urge the Committees to engage the Office of the Auditor-General on measures to establish formal mechanisms for the public to assist in the development of its audit program and to contribute to relevant audit investigations.

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<sup>19</sup> The OBS applies 109 equally weighted indicators to measure transparency. These indicators assess the availability of eight key budget documents. This includes determining whether these are accessible online, in a timely fashion and the extent of their comprehensiveness and usefulness.

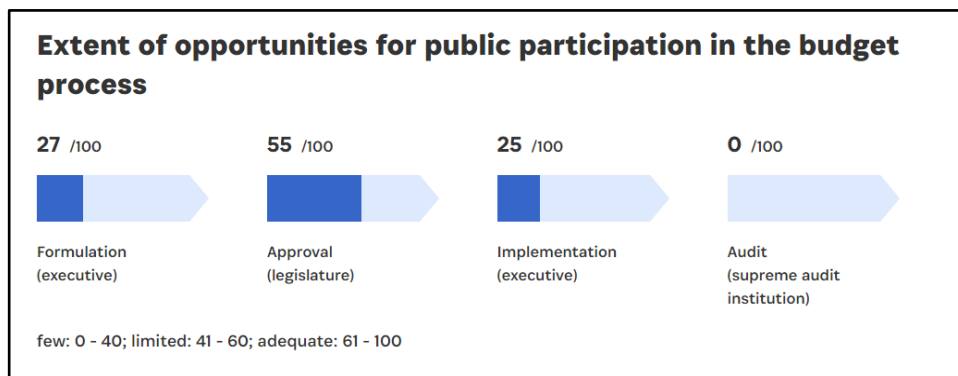


Figure: the OBS 2019 underscores overall lack of formal opportunities for public participation in the budget process

Committees must therefore influence active engagement by the executive of vulnerable and underrepresented communities, directly or through civil society groupings. The OBS recommends that this should include providing feedback on how public inputs collected during pre-budget consultations and budget implementation are implemented by the government.

Each of these are more than mere ‘nice-to-haves’ but are vital for (re) building trust between the state and public especially if the government plans to implement ZBB on key programmes.

## ABOUT THE BJC

This submission is informed by a range of civil society organisations (CSOs) who are part of the Budget Justice Coalition, including the Alternative Information and Development Centre (AIDC), the Children’s Institute at UCT, the Dullah Omar Institute (DOI), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), the National Shelter Movement, OxfamSA, Pietermaritzburg Economic Justice and Dignity (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27 and the Studies in Poverty and Inequality Institute (SPII).

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.