BUDGET JUSTICE COALITION

28 October 2022

Medium Term Budget continues with expenditure cuts that will further increase inequality

The continuation of real terms spending reductions on public schools, health care services, social grants, and the old age pension, among others, represent violations of the Constitution's guarantee of socio-economic rights and freedoms for all.

The Budget Justice Coalition (BJC) is disappointed by the tabling of another Medium-Term Budget Policy Statement (MTBPS) that creates a false contradiction between the reduction of public debt and raising the necessary resources to ensure that most people have access to the services necessary for a decent life. The prioritisation of debt reduction elevated so far above all other goals will ensure that the country's recovery from the Covid-19 pandemic remains painfully slow and iniquitous.

Government spending per head of population declines significantly and is projected to do so again in 2023/24. With the further R30 billion of bailouts to SOEs factored in, government's consolidated non-interest expenditure, which is all expenditure on government provided goods and services, excluding debt service costs, grows at 6.4% this financial year, 2022/23. This is below CPI inflation of 6.8%, which means that government spending is contracting in real terms by 0.4%. When population growth of 1.3% is factored in, real government spending per person in SA contracts by 1.7% this year.

Spending on socio-economic rights that are enshrined in our Constitution continues to decline in real terms. In the case of basic education, real spending per learner attending public schools has been declining sharply for a decade and will do so again this year and the next. Funding for health care services is reduced by almost 10% in real per user terms in both 2022/23 and 2023/24, making a mockery of the Finance Minister's commitment to addressing funding shortfalls in this area. While food price inflation reached 12% in September, the old age pension and disability grant will be increased by only R10 this October, far below the cost-of-living price increases, while the two lowest valued grants (Child Support Grant and COVID-19 SRD) received no increase at all. This direct attack on the incomes of the poorest, which began under former Minister Tito Mboweni and continues under Minister Enoch Godongwana, ensures that grant recipients will suffer greater poverty in the years to come. Below inflation increases are also pencilled in for the 2023/24 financial year for all the grants, with the planned increase for the Child Support Grant being only 2%. Child hunger, malnutrition and stunting are likely to rise as a result.

The careful management of public debt is required by every government, especially when the global economic environment is uncertain. But BJC cannot understand why the South African government continues to aim for a "primary budget surplus", the holy grail of austerity policies in which revenue is greater than non-interest expenditure and the difference used to pay down debt. Despite a wide range of alternative measures that can be implemented to address both government's debt and the deterioration of public services, National Treasury continues to implement debunked economic policies dogmatically.

With a reformed SARS now regularly exceeding revenue targets, by a projected R83 billion in the current financial year, government was in a strong position to cushion the impact of austerity on the poor, while maintaining its firm grip on the public finances. Instead, it chose to reduce borrowing even quicker than previously planned, showing utter disregard for the immediate needs of most people who utilise public services daily.

South Africa's Constitution outlines the role of elected representatives in "heal[ing] the divisions of the past and establish[ing] a society based on democratic values, social justice and fundamental human rights." Yet this government is actively eroding access to and the quality of public services which are essential for the enjoyment of human rights.

Lack of gender-responsive budgeting

Women face a greater risk of poverty, and this is especially true for black women. This gender gap in poverty has widened in the past decade, in a phenomenon commonly referred to as "the feminization of poverty". Reductions to care and community services therefore mean that women fill the gap and mask the impact through their unpaid care work. While the MTBPS is a powerful tool that can adjust allocations to alleviate this and advance gender equity in the country, the 2022 MTBPS makes no mention of gender outside of one passing mention to gender-based violence. Thus, the policy statement does not allocate funding in a gender responsive manner. Moreover, the Division of Revenue Bill has made no progress in allocating funding in a gender responsive manner.

This illustrates a lack of commitment by government to feminist, gender-based budgeting which is shameful given that women are in the majority and yet remain unpaid in their life - due to their unrecognised and invisible work.

Although President Ramaphosa reiterated the country's commitment to gender responsive budgeting by stating that South Africa will implement gender-responsive budgeting at the G7 Leaders' Summit in June this year, the 2022 MTBPS provides no evidence of this. Since the February 2022 Budget Review's opaque reflection that Treasury is "working with other stakeholders to implement gender-responsive budgeting across government," the Treasury has not provided an update on the progress made in the policy statement.

Treasury noted that social grants and other social welfare priorities "may remain unaddressed" owing to the extension of the SRD grant. Unfortunately, the 2022 MTBPS fails to recognise the gendered implications of eroding social protection for women during a time when unemployment and the high cost of living remain a concern. Undoubtedly women's experiences of poverty are overlooked in budgeting and policymaking, thus continuing to entrench gender inequality through policy.

Climate change

The 2022 MTBPS has allocated a welcomed education infrastructure grant increase of R116.8 million (Eastern Cape: R22 million and KwaZulu-Natal: R95 million) in 2022/23 to assist with the repair and maintenance of schools affected by floods in KwaZulu-Natal and the Eastern Cape. However, we are concerned that this funding may be inadequate considering over 600 schools were affected by the floods in April 2022, as the funding is only sufficient to support merely 9 repair projects.

Moreover, the MTBPS has not recognised the damage the floods have caused to healthcare facilities in KZN and the Eastern Cape. In KZN, around 85 health facilities were destroyed by the flood, and the province's department of health received no additional funds from Treasury and were forced to re-prioritise an estimated R200 millions of its funds intended for other health priorities. Neither the MTBPS 2022 nor the DoRB 2022 recognises this damage with the Health Facility Revitalisation Grant receiving no adjustment to its funding.

To ensure the exploitative labour and governance systems of the past are not repeated in the democratic era, a radical shift is needed in public services and economic governance which centres on the needs of people, rather than assuming benefits of the market will trickle down in cleaner and greener ways. The mainstreaming of climate justice through our public budget better allows for local level planning to ensure societies become increasingly resilient with lowered vulnerabilities to the worsening impacts of the crisis. As we anticipate and call for more international climate finance, our own fiscal policy must ensure the centring of human rights, and a gender sensitive perspective.

Although the Just Energy Transition Partnership has been greenlit by the Presidency, movements are tackling the hard task of imagining what a just transition would entail. We need to shift to an economy that is ecologically sustainable, equitable and just for all its participants. After centuries of global plunder, the profit-driven, growth-dependent, industrial economy is severely undermining the life support systems of the planet. An economy based on extracting from a finite system faster than the capacity of the system to regenerate will eventually come to an end — either through collapse or through our intentional re-organization.

Health

The MTBPS has stated that Treasury will target its medium-term spending increases towards retaining health workers appointed during the COVID-19 pandemic. However, BJC members have noted that the 'Human Resources for Health' sub-programme for the current financial year has not been adjusted and that those increases will occur in next year's budget. This deferral is likely to exacerbate the chronic human resource shortages currently being experienced in healthcare facilities across the provinces.

It is unfathomable in this context of cutting spending to public healthcare, that the MTBPS supports the proposal to subsidise private healthcare by increasing medical aid credits.

Basic education

While basic education has been allocated R3.7 billion more than anticipated in the 2022 February Budget, this is not sufficient to ensure the basic education budget keeps up with higher inflation. Basic education funding now grows by 6.1% year on year, 0.7% lower than inflation. With learner enrolment increasing at about 1.4% per year, spending per learner declines even more sharply this year and the next.

Subsequent to the Early Childhood Development (ECD) function shift in April 2022, the Department of Basic Education has taken over responsibility for ECD and has committed to making improvements to ECD services starting in 2023. Yet in 2023/24, the funding increase for basic education is merely 2.2%. We question how the quality of education and the improvements to ECD services can possibly take place when the budget is being cut?

Regarding School Infrastructure, the allocation to the Education Infrastructure Grant (EIG) received an additional allocation of R116.8 million "*for repairs to schools affected by natural disasters in KwaZulu-Natal and Eastern Cape."* While additional funding is welcomed, the Department of Basic Education (DBE) has stated that it would need R442 million to address the situation in KZN alone. Additionally, the DBE has stated that an additional R5 billion would need to be allocated to the school infrastructure to sufficiently address the overcrowding crisis crippling schools across the country.

While spending on the National School Nutrition Programme (NSNP) grows consistently over the next three years, the increase does not consider the rising cost of feeding children nutritious meals, as food price inflation remains higher than ordinary inflation. The MTBPS recognises that food inflation this year at 8,5%, while StatsSA recorded a 12.5% increase in the most recent month on record, viz. September. If food prices rise at a similar rate over the next three years, the NSNP will not be adequately funded to carry the cost of meals to all nine million learners.

Social grants

We acknowledge the commitment to extending the Social Relief of Distress Grant for a further year. In fact, the state is constitutionally bound to maintain and increase the social security provision for the category of working age adults in need of social assistance in South Africa. The value of the R350 initially introduced in 2020 has now been eroded by 14%, or nearly R50. This means the current grant value should be closer to R400. In addition, the headcount cover has been decimated by the intentional actions of National Treasury in reducing the budget, forcing the Department of Social Development to reduce eligibility by lowering the means test. Low uptake is also the result of implementation obstacles, including the process of scrutinising the bank records of each applicant. The inclusion of the category of eligible adults must be included in the Social Assistance Act 2004 as this is a constitutional obligation of the state.

For the National Treasury to say that the extension of the R350 grant 'will trigger a below inflation increase in the other grants' is callous and unjustifiable. A policy decision that fails to progressively realise the right to social assistance is not a reasonable policy, and should in any event not be made by Treasury alone. The role of the grants in household consumption recovery was noted by the Treasury, and yet the multiyear allocations on social grant allocations fall away in outer years. This is simply not defensible, given an environment in which revenue collection exceeded estimation in finance and manufacturing sectors and a continued commodity boom. For the Treasury to allocate the increase to reducing the budget deficit reflects the inappropriate macro-economic framework that targets debt rather than growth. Directing additional allocations to social grants will lead to guaranteed increase in GDP growth.

The Child Support Grant (CSG), which supports 13 million poor children, is set to receive a below-inflation increase of 2% in 2023 (whereas food inflation for September 2022 sits at around 12%). At R480 per month in 2022, the CSG is substantially below the food poverty line (R663 in 2022) and does not even allow for basic nutrition despite persistently high rates of child malnutrition. Government must do everything in its power to protect the real value of the CSG even in the face of fiscal constraints. There is no evidence in the MTBPS that it has sought to do so. When introduced, the CSG was meant to cover the basic food costs of a child, in line with the constitutional right of every child to basic nutrition. It can no longer do that: the gap between the grant value and the food poverty line has widened over the years and will continue to do so unless there is an above-inflation increase.

Importantly, the budget unfairly trades one grant off against others. The medium-term budget says that “given the cost of extending [the SRD], increases to other social grants in 2023/24 will be slightly below inflation and other social welfare priorities may remain unaddressed". The implied causality that other grants must be cut in real terms to fund the continuation of the SRD is dishonest and unjustifiable. The Treasury has reduced the overall budget for social grants by nearly R5.5 billion: it is literally taking back money allocated to the poor.

Call for a Universal Basic Income Grant

BJC demands the implementation of a decent Universal Basic Income Grant to give effect to the right of everyone to social security and to bring much-needed relief to millions of South Africans who are languishing in poverty and falling through the existing safety nets.

While there seems to be a lack of political will from the government to act on this, our hopes were temporarily raised when President Ramaphosa introduced the R350 Covid-19 Social Relief of Distress (SRD) grant and we thought this would pave a way for a continuously increasing grant assistance as government had already established a verified database through SRD.

It is disheartening to hear that the so-called independent experts are choosing to turn a blind eye to the realities faced by millions of poor and unemployed South Africans. We reject the notion that is being pushed by the economic advisory council that this country cannot afford a Basic Income Grant. Last year, the Department of Social Development in collaboration with the International Labour Organisation (ILO) and the UN Sustainable Development Goals (SDG) Joint

Fund released a [report] which indicated that a basic income support grant was sustainable and our members have put forward a [range of financing options] for government to consider.

Human Rights Impact Assessments

We reiterate the call we have been making to National Treasury and to Parliament since 2018 to reverse spending cuts to socio-economic rights and to focus the budget on ensuring the attainment of Constitutional rights for all in South Africa. We call on government to undertake human rights impact assessments (HRIA) of fiscal policy and of individual budget decisions where human rights are impacted, which government has committed to in the past but is still yet to implement.

Nonetheless, in a time of great hardship for most people in South Africa, more than 1 in 2 people are living below the upper-bound poverty line and more than 40% face unemployment based on the expanded definition. It is lamentable that the government continues to favour making lofty promises of budget surpluses to foreign investors while placing the burden of these debt reduction targets squarely on the backs of the most vulnerable.

In the 2023 budget, government needs to close the deficit through fairer taxation of high incomes and the wealthy, and allow funding for public services to increase at least in line with inflation. The austerity programme set out in the 2021 and 2022 Budget's is anti-poor and tramples upon people's hard-won rights.

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ABOUT THE BUDGET JUSTICE COALITION:

Civic organisations who are part of the Budget Justice Coalition include: the Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), the Dullah Omar Institute at UWC (DOI), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27 as well as friends of the coalition.

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 well-being in a developmental, equitable and redistributive way in accordance with the Constitution.