BUDGET JUSTICE COALITION

BUDGET JUSTICE COALITION SUBMISSION
TO THE NATIONAL TREASURY ON THE
2023 MEDIUM TERM EXPENDITURE FRAMEWORK

19 AUGUST 2022

About the BJC

This submission has been developed collaboratively by members of the Budget Justice Coalition (BJC). The purpose of the BJC 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 accordance with the Constitution.

The organisations who make up the BJC are: 350.org, Alternative Information and Development Centre (AIDC), Amandla.mobi; Black Sash; Centre for Child Law at the University of Pretoria, Children's Institute at UCT, Corruption Watch, Womxn and Democracy Initiative at Dullah Omar Institute UWC, Equal Education, Equal Education Law Centre, Ilifa Labantwana, Institute for Economic Justice, Legal Resources Centre, Open Secrets, Public Affairs Research Institute, OxfamSA, Pietermaritzburg Economic Justice and Dignity Group, the Public Service Accountability Monitor, Rural Health Advocacy Project, SECTION27, Social Policy Initiative, and Treatment Action Campaign.

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Introduction

The BJC welcomes steps made by government towards greater public participation and transparency in budget processes through the Fiscal Openness Accelerator (FOA) Project, which BJC participates in through the Civil Society Reference Group. We hope that there will be an opportunity for those who have made submissions to engage directly with government on the contents of those submissions.

The 2023 Medium Term Expenditure Framework (MTEF) published by National Treasury in July 2022 comes at a time of great hardship for many people in South Africa. While many countries are struggling to recover from the shock of Covid-19, with increased levels of inequality, low growth and high inflation affecting rich and poor nations alike, the destruction and tragic loss of life caused by the war in Ukraine has pushed energy and food prices to record levels, exacerbating and broadening a cost of living crisis impacting working class and middle class households alike, but undoubtedly hitting the poorest hardest.

Incessant load shedding continues to hold every area of the economy back, unemployment remains at record levels, malnutrition is rife in poor communities, social grants and state pensions have failed to keep up with moderate levels of inflation in recent years and now offer even less value due to rocketing food, fuel and electricity prices. Women and children face a daily struggle against violence and threats of violence, crime is rife in many communities, and all households face rising debt repayments due to the cumulative 200 basis points increase in interest rates in five consecutive interest rate hikes by the SA Reserve Bank (SARB) since November 2021. At the same time the government must grapple with an ever deepening climate crisis.

In this context, BJC believes that the government must take bold steps to drastically lower levels of poverty, inequality and unemployment in South Africa. Rooting out corruption and building state capacity is central to this end. Yet in recent years, public investment has been far too low to stimulate inclusive and sustainable economic growth, the quality of public services has declined precipitously due to deep and consistent budget shortfalls after a decade of spending restraint, and far too few of the people involved in the wholesale capture and looting of the state are facing justice for their crimes.

However, government still has many tools available to it to fulfil the promise set out in the Preamble to our 1996 Constitution, which enjoins us to “improve the quality of life of all citizens and free the potential of each person.” This submission highlights the tools and policies that BJC would like to see government utilising to refresh its commitment to that promise, including:

- **Dropping the arbitrary and damaging commitment to achieving a primary budget surplus.**
  South African fiscal policy must ensure that debt management does not come at the cost of regression in fulfilment of socio-economic rights, the undermining of state capacity, and the deterioration of public infrastructure. The costs of these impacts vastly outweigh any short term gains to debt indicators resulting from a budget surplus.
- **Ensure that funding for all socio-economic rights, including social grants, provides for increases at least in line with CPI inflation and population / service user growth** (i.e. enrollment growth in the case of education), to guard against erosion of the established programmes.
- The war against the wage bill has resulted in almost 150 000 vacancies across the public sector. Further **cuts to the wage bill pencilled into the 2023 MTEF must be reversed and government should instead prioritise filling all public health and education vacancies** so that these sectors can be stabilised after years of neglect.
- **Implement progressive tax reform targeting high net wealth and medium-high income earners** to reduce debt service costs and raise long term revenue for UBIG and other socio-economic priorities.
- **Utilise current revenue overruns to continue the SRD grant while working with civil society to develop a viable Universal Basic Income Grant.**
- **BJC requests clearer information on the Gender Responsive Budgeting (GRB) roadmap** and calls for NT and Cabinet to commit to a GRB process that ensures that womxn, with diverse perspectives, and with lived-experience of different contexts, are centred in the process of developing goals, and debating priorities.
- **Gender responsive budgeting should not be limited to budget allocations and priorities, it must be applied to all public-finance decisions**, such as those relating to ‘fiscal-consolidation’/austerity, borrowing, and taxation.
- **Ensure all budget decisions are informed by human rights obligations**, and when budget cuts are proposed, undertake a participatory human rights impact assessment and publish the findings. In particular, international law requires the country to undertake child impact assessments prior to making any decision that risks erosion of programmes and services for children,

Fiscal Policy

Despite the multiple crises facing South Africa, the fiscal framework has for more than a decade been narrowly focused on an austerity policy of debt stabilisation through restraining non-interest expenditure (fiscal consolidation). At the same time, SA Reserve Bank monetary policy has raised interest rates in order to keep inflation within a target range of 3% - 6%. **Therefore, *the broader macroeconomic policy framework is not geared towards sustainable and inclusive development.***

The BJC believes that human rights realisation should be at the centre of the country's macroeconomic policy framework. This means that fiscal policy must be supportive of broader measures aimed at addressing the scourge of unemployment, poverty and inequality. Rather than growing the economy and hoping that human development will follow, economic and fiscal policy must be people centred. **As BJC sets out at length in our human rights budget, Imali Yesizwe, budgeting must be guided by the Constitution and informed by international human rights norms.** Therefore, budget decisions allocating, spending and raising money need to account for how they promote, protect, fulfil and respect rights, in particular, socio-economic rights.

The continuous contraction of non-interest expenditure has not crowded in private investment and has led to the increase in the debt levels by slowing down economic growth. Investment levels as measured by Gross Fixed Capital Formation (GFCF) have stagnated across all sectors since 2015. The Economic Reconstruction and Recovery Plan (ERRP) acknowledged that "a significant reduction in the GFCF variable is a troubling development; given that this variable is critical in sustaining and growing the productive base of the economy". **In the context of decreased private sector investment, the state can revive the economy through developmental public investments**. This can be done through state-led fiscal stimulus, reversing austerity, and increasing non-interest expenditure levels in line with population growth and the Consumer Price Index (CPI). Public services such as education, healthcare, transport and housing are important in the development of human capital and long term inclusive economic growth. Therefore, higher levels of investment into these public services is necessary to achieve sustainable economic growth.

In addition to ensuring that public services are sufficiently resourced, **the state has an obligation to mobilise the maximum available resources for the realisation of social and economic rights**. **In line with this obligation, we call on the government to capitalise on the commodities boom and tax overrun to expand social and economic support**. Moreover, we need to increase the tax-to-GDP ratio. Between 1996 - 2020, the tax-to-GDP ratio has averaged 24%. This is 41.6% lower than average annual revenue-GDP ratio for OECD countries. Economic modeller, Asghar Adelzadeh, says: "government's decision to avoid permanent tax increases in the overall tax burden has significantly benefited the country's well-off class at the expense of the majority."

The current SRD grant has only been budgeted for until March 2023 and remains insufficient at around half of the Food Poverty Line of R624. The South African Revenue Services is still ahead in terms of tax collections. In April for instance, preliminary results for tax collection in 2021/22 showed that collection is R16.7 billion above the Treasury's estimate. In addition, commentators have estimated the collections to be between R50 and R100 billion higher than Treasury's forecast for 2021/22. This provides an opportunity for the Treasury to insert the SRD grant into the MTEF while working with civil society to develop pathways towards a Universal Basic Income Grant (UBIG).

Progressive taxation must now be used to reduce debt service costs and raise revenue for UBIG and other socio-economic priorities. AIDC shows that just by taxing high income earners at the same effective tax rate (with respect to their "living standards") that they were taxed in 2000 could raise between R145 and R160 billion in additional revenue each year. In addition, the IEJ has presented a range of financing options which could be instituted to ensure support to the most vulnerable. **A wealth tax on the wealthiest 1% of the population could raise R143 billion according to researchers at the Southern Centre for Inequality Studies.** The IEJ has shown that a VAT of 25% on luxury goods would raise an average of R9 billion annually. Collectively, these revenues and other sources of income, for instance a reduction in wasteful and irregular expenditure of up to 30% of the R166 billion reported by the Auditor General in 2021, could easily finance a UBIG at the Food Poverty Line. Assuming 60% uptake initially, a UBIG at the FPL would cost about R153 billion annually, increasing to 80% uptake over time. Reversal of the regressive 2018 VAT hike is key to address the disproportionate and unfair impacts on poor households, experiencing increased hunger and reeling from the cost of living crisis.

Gender Responsive Budgeting

Increases in VAT and fuel levies; normalised service delivery failures, such as electricity, water, sanitation; falling investment in healthcare and education; and criminal justice system failure are disproportionately absorbed by poor and working class families, who are forced to compensate for government, and capitalist-system failures, with their time, labour, and resources. Research shows **the roles to manage the deepest impacts of poverty and inequality are overwhelmingly carried by Black womxn[1] and girls.** For example womxn are mainly responsible for growing, buying, and cooking food; faced with current profound levels of hunger, NIDS-CRAM and Black Sash research reveal that women shield children from hunger by going without food for themselves and have to make choices between feeding their children or sending them to school. Womxn and girls bear added impacts on their physical and mental health, ability to engage in economic activity, or school, as a consequence. While also faced with these systemic failures, middle class and wealthy families can, to different degrees, find relief through paying for private education, security, and healthcare, or access to renewable energy. Wealthier families also access greater tax benefits.

We recognise in the Technical Guidelines (p11), the shift away from tagging in isolation, towards a more comprehensive approach to gender responsive budgeting (GRB). The explanation that a roadmap has been developed, and that GRB guidelines will be developed as a 'living' document is encouraging. **The BJC requests clearer information on the existing roadmap, and looks forward to being invited to engage in**

[1] 'Womxn' is used to denote a gender non-binary meaning, including people who identify as womxn. Where the word 'women' is used it is in reference to research that uses gender binaries 'female' and 'male' - meaning that gender non-conforming people's experiences are not explicitly included in the study.

greater depth with NT, DWYPD, and DPME to develop the GRB guidelines, and to engage on strategic planning and monitoring processes to support Departments with articulating their GRB priorities and tagging systems. **We call on NT, DWYPD, and DPME to commit formally, through interdepartmental agreements, to collaboration, transparency, public involvement and public accountability on these GRB processes**.

The BJC is invested in GRB as a means. It is not an exercise simply to identify spending that is invested towards gendered outcomes, or at worst, to identify spending that could be claimed as being 'spent on women'. Rather **the purpose of GRB must be to transform (gender) inequalities deeply embedded in our society**; to be a vehicle towards South Africa's constitutional goal for **substantive equality and social justice**. To work, **GRB must follow strong political commitment**, responsive to the calls of womxn in the country, to realise promises of gender justice.

By taking an i**ntersectional feminist approach to GRB**, the BJC signals the necessity to centrally address norms of inequality, exclusion and oppression, that are inherent in patriarchy and in other dominant systems such as racism and neo-liberal capitalism. **GRB must respond to the structural, political and social factors that affect womxn**. Further, the work can only succeed when approaches centre on understanding the different experiences of different womxn and engage with the ways that gender, poverty, location, race, age, and nationality intersect; layering exclusions and violations on some people. It must be oriented to prioritise interventions that address the lives of those who experience multiple layers of marginalisation.

We assert that **GRB cannot be limited to budget allocations and priorities, it must be applied to all public-finance decisions**, such as those relating to 'fiscal-consolidation'/austerity, borrowing, and taxation. If GRB is backed by political intent, this fuller application can address the current dissonance between the articulated political goal of gender-transformation and decisions that are shown to increase burdens on, and discriminations against, womxn, working class people, and people living in poverty.

GRB also requires a deep consideration of how and by whom 'issues' are identified and prioritised. In addition to blind-spots in understanding, there are political, and financial incentives not to identify issues. Barriers that prevent the people who are most on the margins from 'getting to the table' can result in some of the most significant violations being unseen. **The BJC calls on NT and Cabinet to commit to the GRB process that ensures that womxn, with diverse perspectives, and with lived-experience of different contexts, are centred in the process of developing goals, and debating priorities**.

Climate change and the budget

The South African economy remains disproportionately energy intensive (although it is becoming less so). Per capita emissions remain high, and the country is the 12th largest contributor to global carbon emissions. This energy and emissions profile reflects the historical and continuing dominance of the country's "minerals-energy complex" which is supported by cheap electricity generated mostly from low-quality coal, while higher quality coal is exported.

To deal with climate change, the country needs to transition from its reliance on an export-led, extractivist growth model. Central to this would be the need to diversify the SA economy. Moreover, the country is dependent on Eskom for energy supply, which is generated from coal. Consequently, Eskom contributes significantly to the country's overall greenhouse gas emissions and big carbon footprint. Therefore, in addition to diversifying the SA economy away from the minerals-energy complex, it is critical that we transition from an energy mix dominated by coal to low-carbon energies such as solar PV and wind for example. In addressing the climate emergency it is equally important to combat mass unemployment. In this regard, the **local manufacturing of renewable energy infrastructure is critical because this is where most of the jobs are in the energy-producing sector**. This will require an import-substitution policy for South African renewable energy infrastructure producers to compete with the international market.

In addition, **we must harness the resources to invest in improving public infrastructure and retrofitting all public buildings to be more ecologically sustainable and resilient to climate shocks**. This must include measures to fix water leaks, installing decent sanitation at all schools (4000 of which still use pit latrines), the increased roll-out of rainwater harvesting tanks, the replumbing of toilets to use harvested-water and supporting waste pickers.

These initiatives could create hundreds of thousands of climate jobs (jobs that contribute to bringing down emissions of greenhouse gases), and should therefore be seen as a priority in context of mass unemployment as we enter a period where extreme weather conditions will become more common and contagious diseases more prevalent, in South Africa and globally. To do so we need large levels of investment. This is unlikely to happen under the for-profit renewable energy model and the auction system. Already we see Bid window 5 facing constraints, "due to onerous local content requirements and pricing that is now inappropriate to global price escalations".

Not only does the for-profit model put the creation of jobs at risk, it will also accelerate the collapse of Eskom putting the country's energy sovereignty in even greater jeopardy. According to the IRP, "Eskom's existing generation plant will still dominate the South African electricity installed capacity for the foreseeable future. The current and future performance of these Eskom plants is critical for security of supply and heavily influences the capacity planned to be introduced under the IRP." A key objective of the IRP2019 is for Eskom to achieve an Energy Availability Factor (EAF) of 75%.

But on the basis of past experience, the performance of Eskom plants—which is critical for security of supply—is also affected by the economic situation of the utility. And if the additional wind and solar power generation operates within the current IPP system, Eskom will be obligated to purchase large volumes of variable wind and solar energy while at the same time having to upgrade the grid in order to manage the effects of a large increase in non-dispatchable (variable) power. Today refurbishments and maintenance are not happening at a level that can reach an EAF of 75%. Eskom is currently operating at below 65%. The mid-life refurbishments have not gone forward, and maintenance of Eskom's power stations continues to be neglected.

No one seriously challenges the idea that, for the next two decades or even longer, Eskom's coal-fired generation will need to co-exist with power generated from non-coal sources. So at what point does Eskom's "death spiral" hit bottom? Under the current policy, there is no bottom. If the REIPPPP is expanded as planned, by 2030 Eskom's market share and revenues will have shrunk still further, making it less economically viable. But Eskom will still be expected to produce 60% of the country's electricity. Therefore the current policy condemns Eskom to a zombie status, perpetuating a death spiral that cannot actually end in death. How can this not lead to both more load shedding and more neglect of the utility's physical and human infrastructure? The intensification of the "energy war" between Eskom and the IPPs will probably lead to system-wide problems that will eventually require state interventions. All of this can be avoided if the entire system remains public.

The role of the state in addressing the climate crisis and its impacts are critical. Not least to ensure that people's rights are protected through the worsening impacts of extreme weather events, and exacerbated droughts, food insecurity and overall inequality. Existing lines of inequality across race, gender and class will shape how impacts are carried. The current decision of fiscal reduction fails to protect people from impacts of the crisis, and undermines any development goals that have been achieved. Dangerously, the prioritisation of the private sector, endorsed by the government, in responding to the climate crisis can also be a symptom of a politically decided position of austerity. The National Treasury's draft technical paper on financing a sustainable economy does not include an adequate role for public finance, yet assumes the private sector can be incentivised to respond.

Public consultation continues to be indispensable in adequate budgeting for climate and social justice in a manner that shapes the allocation and execution of public budgets. Processes of transparency and accountability thus become essential if the current trajectory continues to focus on the private sector. Incoming climate finance has also begun to prioritise the role of the private sector with emphasis placed on market reforms which cannot be allowed in our national context that increases a debt burden and potentially worsens austerity.

Furthermore, our public development finance institutions have historically financed the minerals-energy complex mentioned above, and have not progressively shifted away. These institutions are often out of the public eye, and need to become more accountable to the public in terms of financing for sustainable and inclusive development. Instead of addressing market failures to stimulate more private sector involvement, a more progressive role needs to be taken to support local, green industrialisation. Instead, continued investment in new fossil fuels (coal or gas) adds an expensive strain to our public budget in terms of costly stranded assets. Furthermore, additional fossil fuel projects add to our national greenhouse gas emissions, and make directly impacted communities more vulnerable to water scarcity, health impacts and ruined land.

The public budget, and supporting planning processes, must be ambitious in reducing our overall GHGs by supporting equitable and just alternatives that are green and job-rich. The mainstreaming of climate justice considerations better allows for local level planning to ensure societies become increasingly resilient with lowered vulnerabilities to the worsening impacts of the crisis.

Unemployment

South Africa's unemployment rate is among the highest in the world. Each year the number of new entrants into the job market far exceeds the number of job opportunities, leading to ever-increasing unemployment. According to the latest Quarterly Labour Force Survey (QLFS) the official unemployment rate now stands at 34.4%. But this figure only serves to understate the real extent of unemployment. When discouraged workers are included, the expanded unemployment rate rises to 46.5%. The latest QLFS Q1:2022 indicates that **'Black African women are the 'most vulnerable' with an (official) unemployment rate of 40,6%.' Government's plans to address unemployment have largely been gender blind and focused on the formal economies, with no clear plans for how to improve women's economic access.**

In the two decades following the end of apartheid South Africa's growth path has been characterised by a rapid relative expansion in the services (or tertiary) sector. It has shifted increasingly towards the provision of services, in particular that of financial and business services, while its labour-intensive productive sectors such as manufacturing, mining and agriculture have stagnated and declined. As a consequence, there has been a trend to the casualisation, informalisation and externalisation of the labour force. Not only has this involved greater insecurity at work but it has created a large proportion of the workforce that are underemployed.

The government's implementation of budget cuts alongside the increased liberalisation of the South African economy and other austerity measures will only deepen the unemployment crisis. Even more retrenchments can be expected, especially in light of the R160-billion cut from the public sector wage bill over the next three years. The cuts to the wage bill will not only mean lower wages for the majority of public sector workers, it will need a reduction in the headcount and the continuation of unfilled vacancies in key public sector institutions. Service delivery will deteriorate even further. Government itself has acknowledged how low compensation growth in education will have a negative impact on no-fee schools. Already, at the Public Sector Summit in March 2022, the Department of Public Service and Administration (DPSA) made a presentation on the state of the public service. Director-General Yoliswa Makhasa reported that 164,661 posts were reported vacant in December 2021, of which 39,367 are in Public Health and 73,088 in Public Education.

These policies – beginning with Growth, Employment and Redistribution (GEAR) in post-Apartheid South Africa – advanced the increased role of the private sector, the deregulation of the financial economy and the liberalisation of trade. These policies, centred around an export-oriented growth model that is over-reliant (albeit to a lesser degree) on a mineral-energy complex that is in decline, has driven a process of premature deindustrialisation of the South African economy. This premature deindustrialisation of the SA economy has underpinned the deep levels of unemployment in the country.

The Intensifying unemployment crisis underpins many social ills, including incomparably high levels of inequality. **Inequality is a virus that undermines the social fabric and the economy and contributes to increased levels of crime, violence, xenophobia and other social tensions.**

To address this deepening crisis requires direct government intervention. The time for indirect approaches that prioritise liberalisation, austerity and a shrinking state are over. These are the very measures that have resulted in the depth of the crisis.

Instead, expansion of state interventions and targeted growth of the public sector are required. This means the immediate implementation of a basic income grant coupled with a government employment guarantee programme geared towards providing basic goods and services to the public. **In the medium term we need to tackle mass unemployment and low wages through investing in the localised productive capacity of the county, particularly directed at driving a low-carbon re-industrialisation programme.**

Recommendations:

- Reverse cuts to the public sector wage bill;
- Fill the vacancies in the public sector particularly in health care and education;
- Implement a decent universal basic income grant;
- Government must act as employer of last resort, and employ everyone willing and able to work at a living wage; and
- Shift from an export-led growth path to a low-carbon reindustrialisation programme;

Social grants and social protection

The South African landscape continues to be characterised by political, economic, and environmental upheavals and uncertainty where the state support of social grants is essential for those who cannot support themselves.

South Africa has a progressive Constitution that makes provision for the right to social security "including appropriate social assistance" for those unable to support themselves. However, the national budget presented for 2022 was regressive on cutting social spending for the most poor and vulnerable to bear the brunt of 'fiscal consolidation'.

The increase to the social grants as announced in the National Budget Speech is below the inflation rate which will do very little to remedy the humanitarian crisis of increasing hunger, food insecurity, structural unemployment, and income inequality as well as the impact of the coronavirus pandemic. **Moreover, beneficiaries struggle to access their grant** with the shrinking footprint of the South African Post Office (SAPO) and the closure of cash pay points which compel beneficiaries to have to pay for travel costs and pay for bank charges which further diminishes the value of the grant.

No grant should be below the food poverty line of R624 at the very least.

The Child Support Grant (CSG) was designed to cover the food costs of a child, but it has fallen substantially below the food poverty line. The projected 2023/24 increase to the CSG, as reflected in the 2022 Estimates of National Expenditure, is a meagre R10 increase bringing the CSG value to R490 per month. This is equivalent to a 2% increase on the value of the grant. Headline CPI was reported by StatsSA to have increased to 7.4% in June 2022, and food price inflation is even higher, at 8.6%. CPI for the poorest deciles currently sits at 9.1% and 8.5% for quintiles 1 and 2 respectively. To keep pace with food inflation the CSG should receive an increase of R40 per child per month, bringing the value to R520 per month in 2023/24. **This would, in theory, require an additional R4.1bn to the 2023/24 CSG budget line if the CSG reaches the projected 13.6 million beneficiaries that year) and is the minimum increase required to prevent the real value of the grant from eroding. A decrease in the real value of the CSG will exacerbate already high levels of hunger and malnutrition among children.** However, given that the real number of CSG beneficiaries has DECREASED in the last two years (with less than 13 million children receiving CSGs at end March 2022, versus the projected 13.4 million), much of this additional cost would be absorbed by lower-than-budgeted beneficiary numbers. **Assuming that CSG beneficiaries increase by 200,000 per year, the real additional cost of implementing a food-inflation increase to the CSG would be less than R1.5 bn**. Importantly, the continuation of the R350 SRD should not come at the cost of inflation-linked increases to the existing CSG. This would amount to regressive funding of an existing grant for poor children to subsidise a grant for unemployed adults. There are transformative ways to fund the R350 SRD, as outlined below. The SRD should not be funded through trade-offs against existing social grants, and especially not grants aimed at reducing child hunger and poverty.

The President initially introduced the R350 SRD Grant for the unemployed as part of the social relief package to redress the impact of the pandemic. **The extension of the SRD grant to March 2023 with a budget allocation of R44 billion to provide support for an anticipated 10,5 million beneficiaries for the limited period was acknowledged as a significant step in the current context.**

As the President correctly indicated in his State of the Nation Address for 2022, the benefits of the SRD Grant cannot be underestimated. The SRD Grant is a constitutional imperative which provides social assistance to those unable to support themselves, aids economic growth and is an investment in our collective future given its proven positive benefits. **Research shows that income support leads to better nutritional and educational outcomes, social cohesion, job seeking behaviour and stimulates local economies**. Having due consideration for the fact that gender-based violence is so rife in our society, for women specifically, it will provide agency and empower women who bear the burden of unpaid care work and provide some independence from abusive relationships who are financially dependent on their abusive partners.

However, to ensure that the Department of Social Development (DSD) did not exceed the budget allocation, it passed onerous regulations to govern its implementation under the Social Assistance Act when the State of Disaster was lifted. According to DSD, given that it only had a budget for 10.5 million people, it needed to add additional restrictions to remain within budget. This is even though there are significantly more unemployed people living in South Africa.

The regulations published included a number of regressive measures which forced all current SRD grant beneficiaries to re-apply for grants, reduced the income threshold for eligibility to R350 from R595, privileged information acquired through a bank verification process above all other information and a 3 monthly verification in addition to the already exclusionary criteria. The privilege of bank information discriminated against those who had no income of their own, but whose bank accounts were used to transfer monies on behalf of others who lack access to banks. Recently published amendments to the Regulations which came into force and effect from 1 August 2022 increased the income threshold to R624, deleted the provision which privileged bank verification and deleted the provision which placed an onus on a beneficiary to reconfirm their financial circumstances every 3 months from 1 July 2022. While we acknowledge that these amendments will widen the net, there still exist many challenges to accessing this grant, which will exclude many who desperately need the grant.

The exclusive online platform to access the grant is exclusionary by default. The introduction of digital technology in the administration of social assistance can and will further entrench economic and racial inequality, if not managed carefully and balanced with the issues of access through a hybrid application system. There are beneficiaries and recipients who do not own or have access to digital technology including devices (i.e., laptop, desktop, cell phone); interconnectivity (i.e., WIFI, modems and opportunities to hotspot) or data to participate and access the social grants for which they are eligible. According to SASSA the grant will continue to be managed electronically, within the limited resources that SASSA has. The issue of outdated government databases results in applicants being inaccurately excluded. For the SRD grant to achieve its goal of alleviating poverty and providing a buffer against hunger and poverty, it is crucial for the DSD and SASSA to be provided with a **budget for human capacity to be able to facilitate a hybrid application system** to be more accessible and allow for additional documents (including affidavits in the case of those who cannot "prove" lack of income) to mitigate reconsideration/in support of appeals.

During the Covid-19 lockdowns women faced higher levels of job losses, yet did not access the SRD grant at the same rate as men (NIDS-CRAM). There were a multitude of possible reasons and the NIDS-CRAM researchers recommended that SASSA should investigate this trend urgently and address the barriers that women faced accessing the SRD grant. With the continuation of the SRD grant and the serious policy and bureaucratic obstacles beneficiaries are facing it has the potential to again impact women's access to the SRD grant disproportionately.

It is crucial to consider the undignified and inadequate value of the SRD Grant against a backdrop of an increased cost of living with rising food costs and fuel price hikes. Poverty, inequality and unemployment are not mere challenges, they are the most profound crisis confronting democratic South Africa. A comprehensive response to our socio-economic crisis is the introduction of a basic income grant.

Recommendations:

- Ensure that all grants receive inflation-linked increases at the very least, prioritising those grants below the food poverty line (the Child Support Grant and the SRD). Increases below food inflation will erode the value of the grants.
- Plan for incremental increases to equalise these grant values with the food poverty line as a minimum in the future
- Provide permanent social assistance for those who earn no or little income and work towards a UBIG.

Health

The right to dignity and equality are cornerstones on which our constitutional democracy is built. The response to the global pandemic has exposed the limits of the constitutionally enshrined right to healthcare. The fragmented health system response resulted in the deaths of over 150 000 people who succumbed toCovid-19 related complications without ever receiving a Covid-19 diagnosis and never seeing the inside of a health facility. In contrast to this, people with access to private medical insurance were able to access the diagnostics, therapeutics and vaccines to protect themselves and their families. As we emerge from the two year pandemic, the longer economic impact of the Covid-19 disruption will again be borne by the poor. Healthcare is a concurrent responsibility shared by national and provincial governments with the latter responsible for the delivery of health care services to the "uninsured population". Projections in the 2022 National Budget tabled in February indicate cuts to the provincial equitable share allocations. If these are implemented it will be impossible to meet inflation linked wage increases for health workers and ensure adequate funding to the rest of the health sector. **The MTEF must ensure adequate resources are available to the health sector to ensure the filling of health vacancies and funding of health care services. This will entail, at a minimum, CPI plus population growth increases to the provincial (and local) equitable shares and medical price inflation linked to public health funding.**

Despite this the state has continued to prioritise the needs of the "highly mobile" middle classes with tax rebates on personal income, increases in medical scheme credits that indirectly subsidise private health provision. Covid-19 related health budget increases have also prioritised the highly inefficient hospital systems with the bulk of new healthcare capacity being concentrated within large hospitals.

As we emerge from this pandemic and prepare for the inevitability of the next one we need to refocus on improving the responsiveness of the primary health care system. South Africa has access to regular health information but this is seldom used to inform decision making or governance. The data tells us that the people who need care the most are the least likely to receive it. Investing in well trained community health workers at relatively low cost to support significant improvements in health utilisation and provide employment in a country where unemployment is a major contributor to ill health. **The withdrawal of medical scheme credits could return at least 30 billion to the fiscus which would be invested in funding the community health worker investment case presented to the government in 2019.**

Health, not just healthcare, is commercially determined. The rise in noncommunicable diseases, most notably diabetes, can be directly linked to diet transition and increased consumption of refined carbohydrates. Health taxes have been successful in reducing tobacco consumption and early evidence has shown that the introduction of the health promotion levy on sugar sweetened beverages has decreased consumption. Increasing the health promotion levy and expanding the levy to fruit juices will not just yield additional revenue but also decrease health care costs associated with the treatment of diabetes. It is important to note that the leading morbidities resulting in Covid-19 related mortality were diabetes and obesity. The progressive realisation of socio economic rights empowers the state to take reasonable measures. The budget is an opportunity to give life to these aspirations by prioritising the needs of the 84% who are fully reliant on the state.

Recommendations

- Withdraw medical scheme credits and withdraw bracket creep adjustments in the 2022 budget
- Increase excise duties on alcohol and tobacco products
- Increase and expand the health promotion levy
- Expand the district health conditional grant to improve the responsiveness of publicly funded primary healthcare

Education

Basic education is a fundamental human right, not a privilege. South Africa's Constitution and numerous court judgements have affirmed the role that basic education plays in achieving equality, dignity, and freedom for all. The right to basic education is an immediately realisable right. This means that our Constitution requires the government to prioritise the achievement of quality basic education for all, including how it allocates resources such as funding. It also means that the government must meet an extremely high standard in order to justify taking "retrogressive measures" against learners' right to basic education, such as funding cuts. Therefore the right to basic education has implications for South Africa's economic and fiscal policies.

At the same time South Africa's schooling system is characterised by persisting systemic inequalities whereby a small minority of children attend well funded, resourced and organised schools while the majority of the children face overcrowded classrooms, burnt out teachers, unsafe and deteriorating school infrastructure, and a lack of sanitation, water, electricity and other basic school resources. Who gets access to adequate schooling is determined by criteria such as race, class and geography. Despite the constitutional imperatives and huge hurdles facing the sector, we have witnessed the de-prioritisation of basic education funding in South Africa in recent years, with the Covid-19 pandemic accelerating this trend. This can be seen in decreased per learner expenditure as well as basic education receiving a shrinking portion of total government non-interest expenditure. This is in part due to the government's adoption of austerity policies in response to rising public debt, which has resulted in social spending per capita being reduced. Insufficient funding towards the sector has dire consequences for learners' ability to meaningfully complete their basic education, and disproportionately affects black learners, from poor and rural communities, as well as already marginalised children and communities.

Not only is the current state of basic education in South Africa unconstitutional but it has broader important societal implications including decreased skills availability, civic participation and an increase in poverty. Therefore, even without considering the moral, constitutional, and human imperatives to provide all children with basic education, a long term strategy to improve and preserve South Africa's economy and to reduce inequality cannot be achieved without investing in basic education.

Recommendations:

Basic education must be prioritised in the MTEF, both ensuring the protection of individuals' constitutional rights, and as a means of investing in and encouraging a prosperous and peaceful society.

- Basic education funding must keep up with CPI and learner enrollment.
- The right to basic education consists of certain core components which include, among others, safe and appropriate infrastructure, furniture, teaching and learning materials such as textbooks, school meals and scholar transport. Adequate funding must be provided to ensure the provision of these services to all learners.
- Covid-19 has placed a severe burden on the basic education system. With learning losses for a large portion of students being equal to or in excess of a year's worth of learning. To mitigate this, basic education must be provided with sufficient resources to implement a widespread and comprehensive catch up programme.
- Ensure that the basic education funding is intersectional and promotes and ensures access to all including, girls, children with disabilities and barriers to learning, foreign and migrant children, and any other group that experiences increased barriers to access to basic education.

Early childhood development

The physiological capital accrued in the first six years of life provides the scaffold for human growth and development. Early childhood development (ECD) interventions are arguably the most powerful investment in human capital that a country can make. Conversely, failure to invest effectively in the early years is manifested in educational failure and a pool of skilled labour that is too small to sustain a knowledge economy. Long-term economic prospects are limited unless the source of human capital is protected and developed in the early years.

Less than 25% of children (aged 0-5) attend early learning programmes; and only 12% of those that are eligible are subsidised by the state. The value of the subsidy has not kept pace with inflation, undermining its ability to support access to quality services for the most vulnerable children. Underinvestment in ECD services for our young children has meant that patterns of education and employment have not fundamentally changed. As a result, we have missed an opportunity to build and redistribute our national wealth. Investing in ECD programmes as a cost-effective strategy to build South Africa's care economy also brings many multiplier benefits to women – particularly black women – by supporting the livelihoods of providers, advancing gender equity and stimulating the local economy. Investing in universal access to quality ECD programmes represents an opportunity to:

- Improve skills and working conditions among the existing, mostly women, workforce (estimated between 200 000 - 300 000 workers);
- Create over 300 000 additional jobs in the ECD sector, mostly for women;
- Allow (mostly) women primary caregivers to participate in the labour market by ensuring the availability of childcare;

- Stimulate local economies by creating both direct and indirect jobs in communities and stimulating the purchase of local goods and services;
- Produce significant savings in a range of budget areas, including welfare, social services, health and crime response;
- Grow South Africa's GDP in the long term by improving returns from basic education and therefore the literacy and productivity of our working population.

We recommend the MTEC requests the Treasury to explicitly describe how they intend to invest in an economy that supports care and human capital development by providing details of plans for increasing jobs and investment in the ECD sector.

Energy choices and fiscal subsidies to Eskom

Eskom—which generates over 90% of energy consumed in the country—remains in a crisis of multiple dimensions and causes. Eskom's debt is estimated to be approximately R390-billion. South Africa's debt problems are strongly intertwined with Eskom's growing financial woes, with indebted SOEs - including Eskom - being major contributors to the government's increasing debt-to-GDP ratio. In response, the government, led by the Treasury, has prioritised debt-service costs at the expense of higher levels of social spending. The immediate priority should be to address Eskom's debt. Given the scale of corruption, a **publicly disclosed forensic audit of all SOE and government debt – with the intention to repudiate the odious debt – is necessary.** In addition, The government employees' pension fund (GEPF) can play a role. The GEPF has close to R2 trillion in accumulated reserves, most of it under the asset management of the Public Investment Corporation. Each year, the GEPF makes a surplus of between R40 billion and R50 billion. It can invest these surpluses in increasing Eskom's energy instead of continuing to re-invest in the Johannesburg Stock Exchange, in an already over-financialised economy. Currently, the GEPF holds approximately 20 percent of Eskom's debt. It could take on more debt and offer below market interest rates.

The adoption of the full-cost recovery model in a context of mass unemployment and inequality – where the excluded majority are unable to afford rising electricity prices - partly contributes to Eskom's rising debt, as most municipalities are not in a financial position to pay Eskom for the electricity it distributes. With mass unemployment, many (if not most) households cannot afford electricity, even when they are connected to the grid. The introduction of a provision for free basic electricity in 2004 was a step in the right direction, but at just 50KWh per month for poor households that is insufficient to meet even basic requirements. Not only is the provision of free basic electricity (FBE) inadequate, **research by the Public Affairs Research Institute reveals that millions of households that should be getting the free electricity every month, are not**. In 2019 for instance, the national budget provided funding for a total of 9.8 million households to get the free basic services, including the 50kWh of electricity. But only 2 million households were actually getting the free basic electricity from their municipality. This means that they have to pay for that electricity out of their own pockets, leaving them less money to pay for other necessities, like food.

Government must expand the number of households provided with FBE. This can be done through making the resource provision to municipalities for FBE a conditional share grant. This will reduce the revenues received by municipalities from the sale of electricity. Government should increase the resources allocated to local governments to offset this loss of revenue and to ensure that there is not a further decline in basic services. Furthermore, there should be an increase in the level of FBE provided to households to at least 200kWh per household, per month to ensure adequate provision of electricity.

Recommendations:

- Eskom and SOE debt-service cost must not reduce spending on non-interest expenditure;
- End the full cost recovery model;
- Expand the allocation of FBE to more households;
- Provide adequate FBE electricity (i.e increase the provision of FBE to at least 200kwh per household, per month); and
- Increase revenue allocation to local government and make FBE part of local government conditional share grant

'Crime', violence, safety, and justice

Knowledge and practice of 'what works' to address violence and realise safety and justice has developed over the last three decades. This extends beyond a narrow focus on the criminal justice system, to include '<u>prevention</u>' measures such as ensuring safe housing, <u>transport,</u> <u>toilets</u>, parenting support, <u>ECD</u>, and economic opportunity. Yet '<u>**criminalisation of poverty**</u>' persists, with increased policing against 'petty offences', the majority of which are linked to the basic necessities of life for people who live in poverty, or those who engage in informal economic activity, or public protest against the rights violations they experience. This is especially noteworthy in light of many acts of "white collar" violence such as tax avoidance, price fixing, fraud and corruption that often go uninvestigated.

The National Strategic Plan on Gender-Based Violence and Femicide (NSPGBVF) provides for a multi-stakeholder government-wide coordinated response to gender-based violence and femicide. Of concern is the ongoing political lipservice to '*ending the scourge of violence against women*' while the implementation of the NSP lags. The realisation of the NSPGBVF requires ongoing prioritising, and sustained political will. **Ensuring that the NSP is costed and these costs translate into departmental budget allocations is fundamental. It is meaningless without resources.** The well documented failures in justice linked to GBV, related to policing, investigations, and prosecutions require investments, primarily in quality human resources, and to a lesser extent to infrastructure. Analysis suggests that instead of making these investments over the past 28 years, SAPS and DoJ have been incentivised to deter reporting and decline prosecutions.

Strategies to realise safety and justice require explicit consideration of people's different vulnerabilities to crime and violence, and the different barriers to justice they face; for e.g., those faced by womxn; children; people with disabilities; (African) migrants and refugees; LGBTQI people. An established evidence base points to the need for services that address the intersections between violence against women and against children. These strategies, so easily articulated in policy, require resource allocations to realise.