BUDGET JUSTICE COALITION SUBMISSION TO THE SUBMISSION TO STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE BILL 2023

08 March 2023

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: Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), 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, Ilifa Labantwana, Treatment Action Campaign, Centre for Child Law, 350.org, Open Secrets, Social Policy Institute, Public Affairs Research Institute, Amandla.mobi, Black Sash as well as friends of the coalition.

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1. Introduction

The Budget Justice Coalitions welcomes the opportunity to make submissions on the Division of Revenue Bill 2023. Our submission is informed by a range of civil society organisations which are members of the Budget Justice Coalition.

Our submission on this Bill follows our recent submission to the Standing and Select Committees on Finance in Parliament. We continue to call for participatory human rights impact assessments of spending allocations to public services so that if cuts (whether real or nominal) are made, there is sufficient reflection on how the access to these services will be protected for all, particularly the most marginalised communities in the country.

We continue to argue that the State has failed to justify its decision to continue implementing budget cuts as the core mechanism to reduce public borrowing and call for a budget process that promotes access to public services for all.

We also reflect on how the impact of budget cuts disproportionately impacts the most marginalised and poor in our society and thereby increases inequality. This informs our call for gender responsive budgeting. We believe that MPs have a larger role to play in holding the executive to account for these decisions.

In addition to these written submissions, the Coalition requests permission to make oral presentations before Parliament on 14 March 2023.

2. Gender Responsive Budgeting

Last year, the BJC's submission on the Division of Revenue Bill 2022 called for fiscal sustainability to address women's and gender diverse people's lived experience, both in terms of access to appropriate services, and in processes and decision-making structures at all levels. We argued that the 2022 Division of Revenue Amendment Bill made no progress in allocating funding in a gender responsive manner[1].

[1] BJC Submission on the 2022 Division of Revenue Bill. Available at: http://childrencount.uct.ac.za/uploads/publications/2022_03%20BJC%20Submission%20on%20the%202022%20Division%20of%20Revenue%20Bill.pdf

However, we welcome this year's progress update reported in the Budget Review on gender responsive budgeting in the form of the completion of the development of GRB guidelines, and the intention to workshop these this coming financial year[2]. We propose that these workshops and opportunities to provide input include robust and meaningful public participation to shape a budget and allocations to the provinces, that are truly reflective of the varied lived experiences in this country by way of gender, race, sexual orientation, education, income, age and other identity factors and ensures that it addresses any inequalities resultant, rather than entrench them.

As the BJC, we believe that fiscal policy has the power to advance equality and socioeconomic rights in South Africa. Through policymaking and budgeting that is intentional in its reflection of the unequal way we experience this country, we can support the most vulnerable in South Africa. The social spending areas identified in this submission in particular, speak to the plight of women, specifically black women who continue to be the most marginalised and experience the highest burden of care.

We therefore continue to call for a gendered budget narrative in the Budget Review and the Division of Revenue Bill with an analysis of social spending areas like social grants, health, social development and education through gender outcomes, a review on economic indicators such as the gender pay gap, labour force participation and earned income and a meaningful reflection of investment in combating gender-based violence and the progress. We look forward to progress updates on this and will participate in public consultations as these occur.

3. Education Conditional Grants and PES

3.1 Early childhood development (ECD)

The BJC welcomes the 51% and 24% increase in the Early Childhood Development (ECD) Conditional Grant for 2024/25 and 2025/26. In the subsidy component of this grant, after accounting for the unallocated amount, the increase could enable the number of subsidised children to grow by around 20% over the MTEF. This is a step in the right direction, given that the 2021 ECD Census found only 1.66 million children under 6 years are enrolled in early learning programmes[3], and less than 630 000 benefit from a

[2] National Treasury 2023 Budget Review. Available at: https://www.treasury.gov.za/documents/National%20Budget/2023/review/FullBR.pdf
[3] ECD Census 2021 Available at: https://www.education.gov.za/Portals/0/Documents/Reports/ECD%20Census%202021%20by%20the%20Numbers.pdf?ver=2022-05-24-091008-343

subsidy[4]. But we still have a long way to go to ensure that around 3.5 million poor children under 6 years have access to quality, subsidised programmes.

We note with concern that there is no increase in the value of the per capita subsidy from R17 (centres) and R6 (non-centre based programmes) per day. The value of the subsidy has not been increased since 2019. With every year, its real value is eroded by inflation, undermining its ability to ensure that cost is not a barrier to families accessing care and early learning programmes and that these programmes are able to offer quality services, including nutritious food. The subsidy has to cover all the programme's costs such as staff, rent and equipment, as well as nutritious food for the children. Erosion of its real value at a time when food inflation is as high as 13% will likely translate into reduced nutritional support for children under 5 years of age - the group most in need of adequate nutrition to prevent malnutrition and stunting.

We are pleased to see that R300 million and R400m in 2024/25 and 2025/26 is put aside within the subsidy component for a nutrition support pilot for early learning programmes (ELPs) and a results based service delivery model. In a context where 57% of children attending ELPs face barriers to Thriving by Five[5], these are welcome indications that the Department of Basic Education (DBE) will test approaches to ensuring good nutrition and other improved outcomes for children in ELPs. We call on the DBE to ensure that these initiatives include a focus on unregistered ELPs, recognising that the majority of poor children are accessing programmes which are not able to register and benefit from subsidies without support from government. We note that this is a pilot and that it will therefore not reach the majority of children in subsidised ECD programmes over the MTEF. Increasing the per child subsidy to take into account inflation erosion since 2019 therefore remains a core concern for BJC.

An additional R228 million is allocated to DBE's budget over the MTEF for the once-off provision of ECD resource packages in 2023/24 and to improve the department's capacity to support and provide oversight of ECD. We are encouraged by the move to bolster the DBE's capacity. We hope that the ECD resource packages will be designed to support implementation of the National Curriculum Framework for Children from Birth to Four, and that it will be targeted where the need is greatest using data gathered from the 2021 ECD Census.

[4] Social Development sets up Workstreams. Available at: https://www.dsd.gov.za/index.php/latest-news/21-latest-news/183-social-development-sets-up-workstreams-to-conduct-risk-assessment-and-state-of-readiness-for-the-early-childhood-development-ecd-centres#:~:text=626%20574%20of%20these%20children,out%20in%20the%20Children's%20Act .

[5] Thrive by Five Index. Available at: https://thrivebyfive.co.za/

The ECD conditional grant is one that has great potential in redressing gender inequality in the country. A report by the University of Stellenbosch found that increased enrolment of children under the age of six at ECD centres is one of the most effective ways of creating new jobs in the "care economy" in addition to equipping children to reach their full potential. Moreover, 95% of people employed in the sector are women. Quality ECD investment can therefore contribute substantially to advancing gender equity in the country. Increasing the per child subsidy would enable programmes to employ more women and improve the wages and precarious conditions of employment for women in the sector.

3.2 Education Infrastructure Grant (EIG)

One of the elements of access to basic education as provided for in section 29(1)(a) of the Constitution include making education available. Making education available means that schools should be equipped with adequate infrastructure. This year, the Education Infrastructure Grant (EIG), which contributes funding for the construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in the provinces, increased by 11% in 2023/24 to R13.8 billion. This is welcomed in a context of a state of disaster (called in response to the increasing frequency of extreme weather events including the excessive flooding in seven of nine South African countries). It is imperative that South Africa's education system is well-resourced to ensure that it can address schools that are still affected by the legacy of apartheid, as well as to be climate resilient.

3.3 National School Nutrition Programme (NSNP)

The National School Nutrition Programme (NSNP) sees a proposed increase of 9,1% this year. Although this is well above the headline CPI, we recommend that the NSNP considers the rising cost of feeding children nutritious meals, as food price inflation remains higher than headline inflation. While the Budget 2023 recognises a food inflation rate for this year at 7%, StatsSA recorded a 13.8% year-on-year increase in the most recent month on record.[6] We caution that 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.

4. Social Protection and Social Grants

[6] STATS SA Consumer Price Index 2023. Available at: https://www.statssa.gov.za/publications/P0141/P0141January2023.pdf

The Minister's opening remarks that the 2023 Budget is being tabled "in a difficult domestic and global economic environment… [where] households are under pressure from the rising cost of living, and unemployment remains stubbornly high" created hope that the Budget would respond to the challenges faced by the majority living in South Africa. The expectation was short-lived.

At first glance it appears that the Minister acknowledges the plight of the poor and marginalised by indicating that an additional R66 billion is allocated to Social Development over the medium term, including R30 billion for inflation adjustments to the permanent grants, and R36 billion to fund the extension of the COVID-19 Social Relief of Distress grant for one year until 31 March 2024. However, the budget allocation is effectively regressive, and in danger of deepening poverty and inequality.

4.1 Reduction in the real value and reach of the SRD.

Despite a marginal improvement over the past year, the unemployment rate remains dangerously high, with a third of the working-age population unemployed according to the official (narrow) definition, and 43% if one includes unemployed adults who have given up trying to find work.[7]

Yet the Minister has reduced the overall budget for the Social Relief of Distress (SRD) grant for the unemployed by almost 25%. As at 24 January 2023 there had been almost 13,5 million applicants for the COVID-19 SRD (13 474 520 to be exact[8]), but less than 7,5 million (7 487 351[9]) were approved to receive the grant due to the stringent and narrow eligibility criteria set out in the Regulations under the Social Assistance Act and the additional (unprescribed) questions included on the application portal.

The eligibility criteria were purposefully drafted in such a way that the number of approved beneficiaries for the COVID-19 SRD Grant would not exceed the budget allocated, and now the budget is reduced even further from R44 billion to R36 billion.

The target population for the SRD is also being reduced by contracting the value of the means test, which remains at the outdated income threshold of R624 (the 2021 food poverty line), despite Stats SA publishing the revised food poverty line value of R663 in

[7] StatsSA Quarterly Labour Force Survey, Q3 2022. Available at: https://www.statssa.gov.za/publications/P0211/P02113rdQuarter2022.pdf
[8] 15 February 2023 Briefing by SASSA to Portfolio Committee on Social Development 230215PC_StatusonGrantPaymyents_15Feb23_d2.pptx (live.com)
[9] Ibid

August 2022.[10] Moreover, the mechanism to apply the means test through direct examination of each applicant's bank accounts results in errors of exclusion because it fails to take into account the complexity of money transfers between poor households. Money that appears in a bank account is not necessarily available for the accountholder to expend on their own needs. For example, a woman may be receiving a small maintenance payment of R650 into her bank account for her child from the child's father and this will exclude her from being eligible for the SRD grant despite having no income for her own basic needs. Such a blunt means test method is not gender responsive and likely excludes many eligible women with children.

The recently published Regulations make no changes to the provisions except for extending the SRD to March 2024,[11] despite consistent objections to the provisions through submissions and engagements with the Department of Social Development (DSD) and the South African Social Security Agency (SASSA). The DSD has acknowledged that the SRD Grant could provide the template for working towards universal basic income. DSD has held numerous workshops and Round Table discussions to this end and has recently published a report on the appropriateness and feasibility of a Basic Income Support grant for the Unemployed aged 18-59.[12]

The President, in his State of the Nation Address, announced that "work is underway to develop a mechanism for targeted basic income support for the most vulnerable". In contrast, the Budget speech seemed to confirm the limited duration of the SRD grant until March 2024, with no further budget allocation to continue this important lifeline in 2024/25 and onwards. Furthermore, the SRD grant is not increased at all with inflation, but remains static at R350 for a third year despite consistent calls for an increase to provide a buffer against hunger, or at the very least, an inflation-linked increase so that the buying power of this already small grant is not eroded.

4.2 Headline CPI-linked increases are inadequate for all grants.

The Minister claims that social grants will be increased to adjust for inflation, but this is not the case for those who receive grants. Headline inflation, against which the increases are aligned, does not adequately reflect the higher inflation rates experienced by the poor. Poor households spend the bulk of their income on food, public transport and energy.

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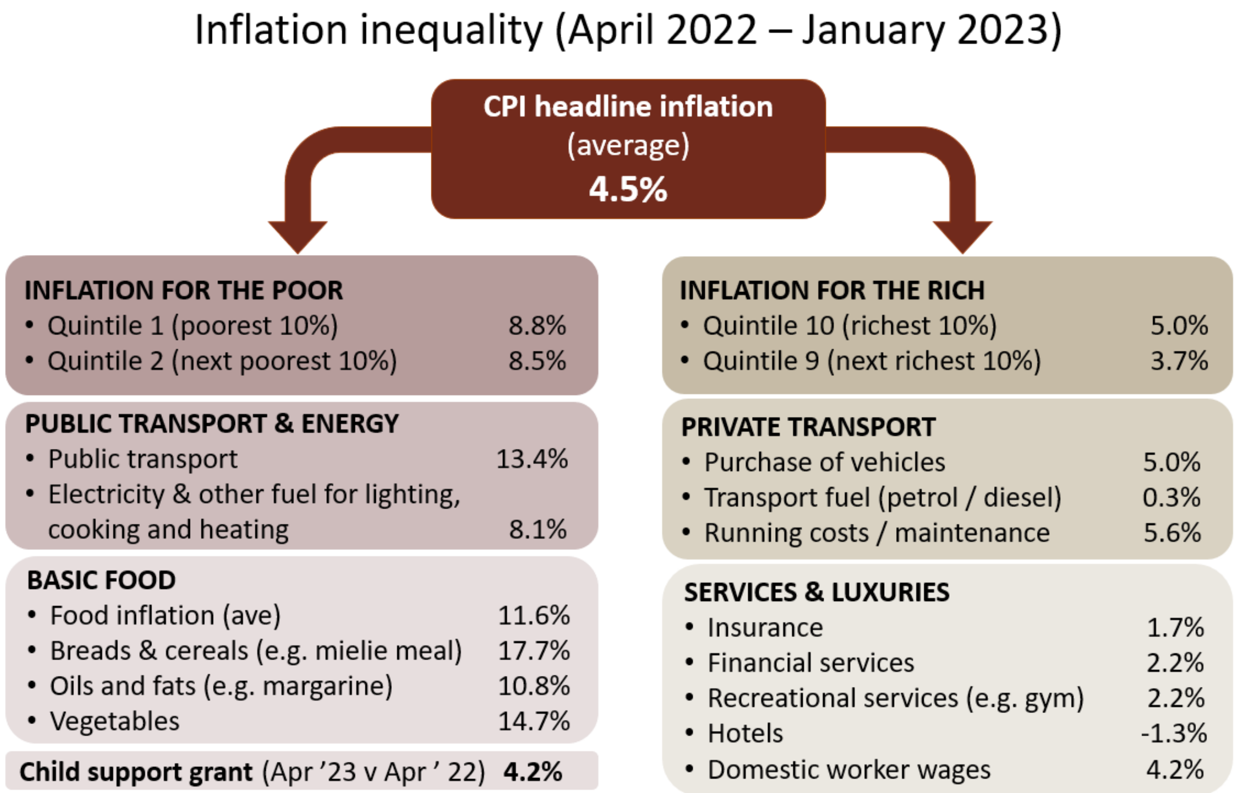
[10] STATS SA National Poverty Lines, 2022. Available at: https://www.statssa.gov.za/publications/P03101/P031012022.pdf

[11] Government Notice No. 48056 NO. R. 3038 AMENDMENTS TO THE REGULATIONS RELATING TO COVID-19 SOCIAL RELIEF OF DISTRESS ISSUED IN TERMS OFSECTION 32, READ WITH SECTION 13, OF THE SOCIAL ASSISTANCE ACT,2004 (ACT NO. 13 OF 2004), AS AMENDED 14 February 2023

[12] Department of Social Development Expert Panel on Basic Income Support. Available at: https://www.dsd.gov.za/index.php/documents?task=download.send&id=356&catid=58&m=0

These categories have experienced inflation rates that are substantially higher than headline inflation, as illustrated in the graphic below.



Source: Stats SA Consumer Price Index tables, Apr 2022 & Jan 2023. (Calculations by Katharine Hall, Children's Institute, University of Cape Town.

4.3 Child support grants lagging behind.

Of all the permanent social grants, the Child Support Grant (CSG) is by far the smallest - just R480 per child per month. It is also the most pro-poor targeted grant because of its means test. To increase the Child Support Grant by a mere R20 (4.2%) in April when the grant is already well below the food poverty line of R663, reflects a lack of understanding of the stark lived reality of millions of children and their caregivers.

The extent and depth of child malnutrition is well documented in South Africa, with over 7 million children below the food poverty line and a quarter of children under 5 years stunted due to chronic under-nutrition. The potential of these children to grow, learn and develop into healthy and productive adults is limited from the start.

The government has a range of mechanisms to address food insecurity for children. The primary and most successful programme is the Child Support Grant, reaching 13 million children in the poorest households. Other programmes include the National School Nutrition Programme (NSNP), meals provided by subsidised early childhood development centres (ECDs), food parcels from the Department of Social Development and Community Nutrition Programmes. However, the NSNP does not reach young children, and does not reach any children during weekends and holidays. The other direct feeding schemes are not provided at scale. The Child Support Grant is not enough to feed a child because it is substantially below the Food Poverty Line.[13] Recent evidence reveals the poignant fact that caregivers sometimes sacrifice their own food needs to ensure that there is something for their children to eat.[14]

Like the other permanent grants, the Child Support Grant will receive a second small increase (of R10) in October 2023, bringing the total increase to an average of R505 over the financial year (an average increase of 5.2% on the previous year). However, in calculating the grant increase, Treasury has failed to correct for the under-estimation of inflation in 2022/23. Treasury projected a headline inflation rate of 4.5% in 2022/23, and the CSG accordingly received a 4.5% increase. However, the revised inflation rate for 2022/23 is now 7.1%.[15] By Treasury's own estimate, the CSG should have received a compensatory increase, correcting the grant amount to about R493 before calculating the 2023/24 inflation increase. If National Treasury had taken this into account, the CSG would need to be increased by at least R40 in the current year just to keep pace with headline inflation.

Future budgets should provide for incremental increases to close the gap between the CSG and the FPL, as the grant was originally designed to cover the basic food costs of a child.

[13] 12 October 2018E/C.12/ZAF/CO/1 United Nations Social and Economic Council Concluding observations on the initial report of South Africa
[14] Children, Social Assistance and Food Security – A Research Report https://www.blacksash.org.za/index.php/media-and-publications/black-sash-publications
[15] National Treasury 2023 Budget Review. Available at: https://www.treasury.gov.za/documents/national%20budget/2023/review/Chapter%203.pdf

5. Recommendations

1. Consistent with our submission on the Division of Revenue Bill last year, we continue to call for Human Rights Impact Assessments as recommended by the UN Committee on Economic, Social and Cultural Rights, which South Africa is a party to. These need to be undertaken whenever the government wishes to propose a funding cut to socio-economic rights entitlements. The results of these assessments should be published and integrated into more meaningful public participation processes on the budget.
2. A reversal of the cuts in real value to basic education, health care, social security, and other sectors to be reflected in the October Medium-Term Budget Policy Statement.
3. With respect to the COVID-19 SRD specifically, we call for an adjustment to the means test threshold to maintain its value with the Stats SA updated food poverty line of R663; and an inflation-linked increase to the grant value.
4. With respect to the Child Support Grant specifically, we call for the increase in the grant amount to be adjusted to a) correct for the below-inflation increase in 2022/23 and b) be in line with food inflation, as the grant is intended to cover the cost of food for a child.
5. Increase allocation for the Public Employment Stimulus and implement it as part of a broader public sector jobs strategy.
6. That oversight of the implementation of the free basic services be improved to ensure that more households actually receive the benefit.
7. A public participation workshop or process for the gender responsive budgeting guidelines during and beyond the 2023/24 financial year, so that expertise and experience from people working on the ground can be shared with the National Treasury.
8. Increased investment in capacity building to enable the provinces to spend their allocations in order to reduce the effects of underspending by provinces.