



STATEMENT: THE BUDGET JUSTICE COALITION REAFFIRMS THE NEED FOR A RIGHTS-ORIENTATED BUDGET

For immediate release.

21 February 2019, Cape Town – The Budget Justice Coalition notes the irony of a budget handed down on World Day of Social Justice that slashes R50.3 billion from social expenditure over the next three years. While we recognise the tight financial spot the Treasury has been painted into by widespread corruption, under-delivering departments and failing SOEs, especially Eskom – we urge government to recall its first duty: to ensure the progressive realisation of people's Constitutional rights.

The fiscal framework proposed in this budget bails out Eskom but cuts spending on education, health care and housing, and makes no new proposals to tackle inequality. For example, the bulk of tax revenue continues to come from VAT, which is paid by everyone, and a Personal Income Tax bracket creep that is paid by all workers. This fails to target higher income earners and ignores the need for much greater taxation of wealth: the main source of SA's inequality.

The BJC notes the following gaps between rhetoric and reality in the 2019 budget:

- President Ramaphosa's pledge in SONA that funding will be provided in the budget to ensure the implementation of the outcomes of the Gender Summit – the BJC can find no new funds allocated for this purpose and the Budget Review does not even mention gender inequality nor the Summit
- The Finance Minister says that the eradication of pit latrines at schools will be prioritised and yet funding for school infrastructure as a whole has been reduced for the second year in a row
- The Treasury says it is committed to assisting in the fight against corruption and yet no new measures were announced to ensure the blacklisting of corrupt government officials and private actors that facilitated state capture
- The National Development Plan talks about reducing the cost of living on the poorest in society, and yet the budget announces another round of delays to the extension of the child support grant to orphans, more increases to the fuel price, and below inflation increases to social grants, including the old age pension.

We will support government's efforts to reform state-owned enterprises so long as those reforms do not sacrifice the developmental role that SOEs play as producers of accessible public goods in the pursuit of financial sustainability. The government must for this purpose explore heterodox financing options such as the reprivatization of the mandate of the Public Investment Corporation to support rational, sovereign economic choices.

The launch of the infrastructure fund is a positive move to boost growth and investment in the years ahead but we are concerned about the lack of detail about the 'blended finance' government proposes throughout the budget. Information relating to the infrastructure fund should be made transparent. The launching of infrastructure project information on <https://vutiekamail.gov.za/infrastructure-projects>, an accessible budget portal, could provide a promising first step in this direction. As we battle as a country to overcome the impacts of state capture, this information cannot and should not be kept from citizens.

Regarding the tax mix, the proposals to freeze the Personal Income Tax brackets and recapacitate the SARS are encouraging. However, we note with concern that measures to implement a net wealth tax have still not been announced. Similarly, capital gains tax was unchanged and our corporate income tax rate remains low (falling from 50% in 1990 to 28% today) while tax evasion and illicit financial flows eat in to our available resources.

Gender Budgeting

The Budget Justice Coalition recognises that the budget is a major tool for transforming gender relations and is committed to the realisation of an intersectional feminist budget and budget process. We were encouraged by commitments made at the recent presidential Gender Summit in this regard. However, there is no mention of gender in the budget review and we can find no additional funds allocated to fulfil the President's promise. We remind the government that the realisation of substantive equality is not an option but a duty placed upon the state by our Constitution, and do not take this step back lightly.

Gender-based violence continues to be a widespread problem in South Africa, however there was no mention of it in the budget speech. The coalition was hoping that allocations of extra funds for sexual offences support services, including dedicated sexual offences courts, but it appears as if there is no real will to make this a reality.

Health

We commend the government on the creation of a human resources capitation grant in health. This will ensure that we have at least three years of funding for community service and medical interns. This responds to some of the challenges faced by recent medical graduates as provinces failed to create sufficient posts for them to complete their training. We need to interrogate what our broader human resources needs are and optimal mechanisms to ensure that these critical posts are always funded. This is however only the start. There is a need to rectify the maldistribution of community health care workers (CHWs) and other health personnel necessary to meet all health needs.

We welcome the R1 Billion allocated to CHWs and note the training needs for provinces, but we call on the department of health to urgently release its plan to integrate CHWs into the national health system.

With the prioritization of infrastructure, we call on the National Department of Health to share their infrastructure plan to effectively utilize the R600 million allocated to this health system priority. We are encouraged by the prioritization of important enabling investments such as the electronic patient record to facilitate movement of patients between facilities. It will also capture crucial information on the healthcare needs of our population. However, we are alarmed that despite calls at the Health Summit to rationalize current health information infrastructure, no action was committed to in this budget.

We also note with concern that medico-legal claims grew from R28.6 billion in 2015 to R80.4 billion in 2018. During this period, payments claims also increased from R498.7 million to R2.8 billion. To address the "apparent rise in unjustified or excessive claims", the government will be:

- Prioritising improvements in areas where claims of negligence are more prevalent.

- Improving medical record-keeping and recruiting more specialist medical personnel.

- Inspecting public healthcare facilities regularly (through the Office of Health Standards Compliance, which must be adequately funded) to ensure they adhere to norms and standards.

- Strengthening the medico-legal units in provincial departments of health, and recruiting national teams of experts to provide specialist support.

- Referring possible fraudulent-fraud cases to the Special Investigations Unit.

Education

The BJC acknowledges the focus on school infrastructure and particularly the commitment the Minister of Finance has made to addressing the sanitation crisis by allocating R2 billion to the School Infrastructure Backlogs Grant (SIBG) in order to eradicate pit latrines.

We note, however, that spending on school infrastructure has been reduced in real terms for the third consecutive year. We therefore question if the renewed commitment is more rhetoric than reality.

Additionally, it is important to note that there have been several commitments made both in the 2018 Medium Term Budget Policy Statement (MTBPS) as well as in the 2019 State of the Nation Address (SONA) regarding the plans to improve access to basic education services. These include the expansion of the Early Grade Reading Study (EGRS), the roll-out of compulsory two-year access to Early Childhood Development (ECD) services for all children as well as the provision for sanitary towels to be made available at all schools across the country. While we welcome these commitments to improve the sector, we are also very concerned that no budgetary allocations were included in the budget. This to us signals the use of political strategy ahead of the elections to making grand claims that the administration has no intention of realizing.

Social Development

Social security grants have failed to keep pace with inflation despite the strong recent recommendation of the UN Committee on Economic Social and Cultural Rights that the Child Support Grant be increased at least in line with the Food Poverty Line, which would constitute a 32% increase. Absolutely no reference was made to this binding recommendation.

No reference has been made to the indexing of grants to a Decent Standard of Living, despite repeated calls to this extent, nor to the introduction of a universal Basic Income Grant. Furthermore, reference was made to the process of drafting a new Social Development Bill despite the failure of government to raise this in the NEDLAC, raising questions of the state's good faith in this process.

The continued negative impact of VAT on the basket of goods affordable to the poor will only be exacerbated by these below inflation increases. We further note with concern that food prices will likely be impacted as a knock-on effect as a result of the impending fuel levy increases and the carbon tax forecast for June 2019 will also likely increase fuel prices and the cost of living. Given this, the delay in implementing the R1 Billion in extended child support grants, which is meant to assist orphans does not augur well for the most vulnerable in our society. We note that it will also affect grandmothers, who are often the caregivers.

Human Settlements

Human settlements has seen a great deal of budget reduction over the years in real terms. In the 2019 budget, there is a baseline (initial allocation derived from previous year's forward estimates) reduction on the Human Settlements Development Grant of R1 billion, R2 billion and R3 billion over the medium term.

While we acknowledge that intention for the government to continue to place emphasis on " supporting people to own their own homes"; efforts to increase home ownership should focus on the provision of housing subsidies for low-income earners, increased access to mortgages for middle-income earners and title deeds registration.

During the 2018/19 Medium Term Budget Policy Statement, the Title Deeds Restoration Grant was phased out although there is still a backlog in the issuing of title deeds for beneficiaries of state houses. The targets for title deeds registration has as a result been reduced from 170 240 in 2018/19 to 159 687 in 2019/20.

We note that the number of subsidy units completed per year are being reduced over the medium term from 98 152, 83 292 to 80 473. R14.7 billion over the two outer years has been reprivatized to create two new conditional grants for informal settlements. The focus on informal settlement upgrades must not translate to neglect on the provision of state (RDP) houses. Although it is imperative that there be assistance provided to those who are able to access financial support to own houses, failure to provide RDP houses for those who cannot afford will shatter all the hope of ever owning a house for the extremely disadvantaged and runs counter to the Freedom Charter's goal to provide decent housing for all. We note, however, that the announcement in the State of the Nation Address of the introduction of the Human Settlements Development Bank is a positive step towards supporting home ownership.

Finally, the BJC notes that the budget continues to be exclusionary in its language. A budget that speaks in layperson's terms is necessary for more public participation. As it is, those who can understand this budget are economists and middle and upper class in the main. The language is positioned for ratings agencies and investor confidence. We call for greater linguistic inclusion. We call for a People's Budget!

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About the BJC:

The Budget Justice Coalition is a coalition of civil society organisations formed to collaboratively build people's understanding of, and participation in South Africa's planning and budget processes to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in a developmental, equitable and redistributive way. Organisations (CSOs) that are part of the Budget Justice Coalition include the Studies in Poverty and Inequality Institute (SPII), SECTION27, Equal Education (EE), Equal Education Law Centre (EELC), the Rural Health Advocacy Project (RHAP), the Children's Institute, the Alternative Information and Development Centre (AIDC), the Institute for Economic Justice (IEJ), the Dullah Omar Institute (DOI), Pietermaritzburg Economic Justice and Dignity (PMEJD), the National Shelter Movement, and the Public Service Accountability Monitor (PSAM).