SUBMISSION BY THE BUDGET JUSTICE COALITION (BJC) ON THE 2018 MEDIUM TERM BUDGET POLICY STATEMENT (MTBPS) & THE 2018 ADJUSTMENTS APPROPRIATION BILL

TO THE STANDING COMMITTEE ON APPROPRIATIONS

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Submitted by:

For further information contact:

SECTION27 | Daniel McLaren | mclaren@section27.org.za | 079 9101 453
Public Service Accountability Monitor | Zukiswa Kota | z.kota@ru.ac.za | 072 648 3398
Studies in Poverty and Inequality Institute | Isobel Frye | isobel@spii.org.za | 084 508 1271
Studies in Poverty and Inequality Institute | Sacha Knox | sacha@spii.org.za | 083 688 3158
Rural Health Advocacy Project | Russell Rensburg | russell@rhap.org.za | 079 544 3317
Children's Institute | Paula Proudlock | paula.proudlock@uct.ac.za | 083 412 4458
Equal Education | Sibabalwe Gcilitshana | sibabalwe@equaleducation.org.za |084 070 4947
Equal Education | Hopolang Selebalo | hopolang@equaleducation.org.za |074 261 1672
Institute for Poverty, Land Reform and Agrarian Studies | Prof. Benjamin Cousins |bcousins@plaas.org.za |083 6354279

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1. INTRODUCTION

This submission is informed by a range of civil society organisations (CSOs) who are part of the Budget Justice Coalition (BJC), including the Alternative Information and Development Centre (AIDC), the Children's Institute at UCT, the Dullah Omar Institute (DOI) at UWC, Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), Pietermaritzburg Economic Justice and Dignity (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION 27, and the Studies in Poverty and Inequality Institute (SPII).

In this submission, we focus on the in-year adjustments to expenditure. However, we have also made a submission to the Finance Committee which we attach as an Annexure. We urge the Appropriations Committee to also read this submission, since it provides a concise analysis of *why* government finances are so constrained. It shows that they needn't be and provides clear and well-researched alternatives to the continued cuts and squeezes to social spending that are resulting in regression in the enjoyment of Constitutional rights.

The themes covered in that submission include:

- Overall expenditure trends
- Revenue generation
- Macroeconomic policy
- Infrastructure spending
- Fiscal policy and risks
- Assessments of allocations and spending on: health, education, social development, violence against women and children, gender-sensitive budgeting, human settlements, rural development and land reform, the public sector wage bill and unemployment.

2. IMPLEMENTING THE RECOMMENDATIONS OF THE UNITED NATIONS COMMITTEE ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

After two years of engagement between government, civil society organisations and the UN Committee on Economic, Social and Cultural Rights (UN Committee), the Committee released its Concluding Observations[1] on South Africa's implementation of economic and social rights in October 2018. The Committee, whose recommendations are binding since government ratified the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 2015, acknowledged the efforts that had been made to-date to overcome the disparities of apartheid, but noted several concerns and made several recommendations that Parliament must take note of.

Recommendations in relation to fiscal matters[2]

The Committee recommends that the State party:

- Review its fiscal policy in order to improve its capacity to mobilize the domestic resources required to bridge existing gaps and to increase its redistributive effect;
- Consider revising the Provincial and Local Government Equitable Share Formulas to reduce regional disparities in the enjoyment of the Covenant rights;
- Assess the impact of the VAT increase, particularly on low-income households, and take corrective actions as necessary;
- Intensify its efforts to combat illicit financial flows and tax avoidance with a view to raising national revenues and increasing reliance on domestic resources, including by combating trade mispricing within multinational corporations; and seek international cooperation with relevant international organizations as well as the countries of origin of multinational corporations to this end; and
- Re-examine its growth model in order to move towards a more inclusive development pathway.

[1] UN Committee on Economic, Social and Cultural Rights, Concluding Observations on the Initial Report of South Africa on its Implementation of the ICESCR (October 2018). Available at:. https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=E%2fC.12%2fZAF%2fCO%2f1&Lang=en
[2] Ibid at paragraph 17.

Recommendations in relation to government spending[3]

The Committee reminds the State party that, where austerity measures are unavoidable, they should be temporary, covering only the period of the crisis; necessary and proportionate; not result in discrimination and increased inequalities; and ensure that the rights of disadvantaged and marginalized individuals and groups are not disproportionately affected. The Committee recommends that the State party:

- Increase the level of funding in social security, health and education;
- Task the Department of Planning, Monitoring and Evaluation, with ensuring that public policies are directed towards the realization of the rights of the Covenant;
- Ensure the Standing Committee on Public Accounts in the national parliament (and its equivalents in provincial parliaments) take such rights into consideration in assessing the budgetary choices of the national and provincial governments respectively.
- The Committee refers the State party to its open letter of 16 May 2012 to States parties on economic, social and cultural rights in the context of the economic and financial crisis.

We urge Parliament to study the Report of the UN Committee and fulfil its duty to monitor the Executive's implementation of these recommendations.

3. HEALTH

Unequal access to quality health care services in South Africa is a direct result of the unequal levels of investment in private and public health during apartheid, which continue to this day. Universal Health Care has been a goal of the governing party since taking power but has been continually undermined by the slow pace of reform and under-funding of public health, and the under-regulation of the private health market.

In this context, and despite rising medical expenditure costs (including for equipment, medicine and personnel) the health budget in SA has been flat for six years in a row, when inflation and growth in the uninsured population are accounted for. The UN Committee warned that the policy of under-funding priorities like health was threatening to reverse the gains that had been made since 1994[4]. It therefore recommended that government increase the level of funding for health. Yet the MTBPS does not envisage such an increase. In fact, estimated total consolidated expenditure on health for the current year was revised down by about R350 million, from R205.45 in the February budget to R205.1 billion in the MTBPS. Moreover,

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[3] Ibid at paragraph 19.
[4] Ibid at paragraph 18.

when adjusted for inflation of approximately 5% and population growth of 1.6%, total health spending grows by only about 1.3% per annum over the MTEF in real terms.

This is insufficient to transform public health care services or even to deal with the current crises of vacant posts, accruals for goods and services and rising medico-legal claims, all of which are a direct result of chronic under-funding of public health. It is therefore critical that Parliament interrogate Treasury's fiscal framework and the choices that have been made in the allocation of scarce public resources.

Vacant posts and inadequate human resources for health

It is estimated that there are 37 000 vacant posts in our public health care system.[5] These are posts which are necessary to deliver vital health services to the majority of the population. SECTION27 receives reports on a regular basis of dire crises in hospitals, including emergency and paediatric wards: of patients sleeping on floors and doctors running from one ill-child to the next. This situation is both immoral and unconstitutional. Yet, every Rand spent on improving public health has multiple positive spillover effects in the economy. Moreover, every Rand spent on ensuring there are adequate numbers of health care professionals in our health systems results in multiple savings across the board: by reducing medico-legal claims, the need for excessive overtime and for recruitment, by ensuring that publicly trained staff are maintained in the public health system.

While we welcome the MTBPS commitment to fill 2 200 medical posts, this will not be sufficient to address our human resources for health shortages. Moreover, in the three weeks that have passed since the MTBPS, no announcement has been made (to our knowledge) of how and when these posts will be filled. We therefore call on Parliament to ask for details from the Treasury and the Department of Health on this.

We are also concerned that these posts will be funded by taking from the NHI grant, rather than from normal provincial funding. This is because the NHI grant is meant to support the strategic development of NHI, not the immediate personnel needs of provincial health departments. Indeed, the reason for under-staffing is Treasury's continued refusal to adjust personnel budgets appropriately to cover the additional costs of the public sector wage agreement. When combined with flat-lining equitable share allocations, this automatically forces provinces to freeze posts. Allocating a few additional funds for health personnel through the NHI grant is therefore a backdoor approach to funding health that fails to deal with the strategic needs of the development of the NHI while plastering over the cracks that general under-funding of provincial health departments has given rise to.

[5] Zoe Mahopo '37 health posts are vacant' *Sowetan* 02 July 2018. Available at: www.sowetanlive.co.za/news/south-africa/2018-07-02-37000-health-posts-are-vacant.

Health infrastructure

Universal Health Care will remain beyond reach so long as the dire state of our health facilities is allowed to continue. The R820 million cut to the Health Facility Revitalisation Grant in the February 2018 budget has had a disastrous effect on provincial plans for hospital maintenance and development. The additional R199.5 million added to this grant in the MTBPS will only cover the post-disaster reconstruction of 14 hospitals in KwaZulu-Natal. We recommend that cuts to the health facility revitalisation are reversed and this grant is instead leveraged not only as a means of improving our health infrastructure, but as a job creator and much needed stimulus for the economy.

The R166 million added to the infrastructure component of the NHI grant is welcomed but again will only benefit one hospital, in Limpopo.

Medico-legal claims

The rise in medico-legal claims is a direct result of under-resourced and crumbling health facilities as well as poor systems and financial management (which are themselves exacerbated by qualified staff leaving the public service due to bad conditions). How can one expect a doctor, who has been working 15 hours a day – without overtime pay – to deliver consistent excellence to patients? Until Treasury frees up funds for health and provincial health departments take the necessary steps to turn themselves around, we will continue to pay the costs in the shape of billions of Rands in medico-legal claims every year.

We are concerned that there is a lack of action on setting up a task team within the Department of Health to deal with the issue of rising claims, despite R10 million being allocated in the Appropriations Bill for this.

Community health workers

Despite years of promises to improve the working conditions of community health workers, including paying a minimum wage, funds are only allocated in the outer year of the MTEF for this. This is a great disappointment to the tens of thousands of community health workers that serve our communities and demonstrates the lack of regard that our politicians and officials have for these workers, despite their huge contribution to advancing public health. We recommend that Parliament require Treasury to bring this allocation forward so that CHWs can be paid their dues from 01 April 2019.

Financing Universal Health Care through NHI

In addition to the impacts of the general under-funding of public health on NHI progress, the lack of a comprehensive financing plan to support the progressive implementation of NHI is also hampering the implementation of this “priority”. We recommend that such a plan is drafted immediately, in consultation with stakeholders, and is based on flexible economic scenario planning to ensure that sustainable funding for NHI is secured whether we experience low (0% - 3%) or high (3% - 6%) growth environments.

It is also high time that the Business Plan for the NHI conditional grant was published. This will enable better public oversight of this grant.

We also recommend that the Department of Health, Treasury and the Presidency work more closely together to ensure a coherent programme of work for NHI. The current situation of different centres of power and an uncoordinated approach is not commensurate with the building of NHI.

Underspending by the National Department of Health

We are also concerned by underspending by the NDoH on its response to the Life Esidimeni disaster, to improve contracting and capacity in mental health care, as well as on public health programmes funded by the sugar tax. The ‘unallocated funds’ in the NHI grant are also a concern, and may point to planned under-expenditure on this grant, perhaps so that the funds can be reprioritised to cover further in-year needs of under-funded provincial health departments.

Recommendations

- Require Treasury and the Department of Health to publish plans for the filling of all vacant public health posts without further delay.
- Reverse reductions and ensure real terms increases to the health revitalisation grants.
- Urgently tackle the underlying causes of rising medico-legal claims.
- Address underspending in national and provincial health departments.
- Pay Community Health Workers a minimum wage from 01 April 2019 and provide an end of year (2018) bonus to every Community Health Worker of at least R1 000.

4. BASIC EDUCATION

The 2018 Medium Term Budget Policy Statement (MTBPS) boasts that “[a]fter debt-service costs, education is the fastest-growing area of expenditure”[6], however this statement is misleading. The “Learning and Culture” line-item being referred to includes basic education, higher education and arts and recreation. When

[6] National Treasury. 2018. Medium Term Budget Policy Statement. Page 7

considered on its own, the basic education budget is actually growing slower than a number of other budget priorities. Additionally, the basic education budget has been continuously revised downward.

Basic Education Spending

Table 1: MTBPS Basic Education Projected Spending

	Projected Basic Education Spending in the 2018/19 Financial Year
MTBPS 2016	R250,7 billion
MTBPS 2017	R249,8 billion
MTBPS 2018	R247,4 billion (revised estimate)

Source: *2016 - 2018 MTBPS*

The table above illustrates the downward revisions in the projected basic education allocations from 2016 to 2018. The basic education government expenditure according to the budget review for the 2018/19 financial year was R230,4 billion; almost R20,3 billion less than what we had projected to be spending two years ago.

This decrease in projected allocations is particularly concerning given the 1% VAT increase which came into effect in April this year. This has meant that the cost of textbooks and materials for building schools, amongst other items, have increased, while the sector has less funds to make provision for education resources.

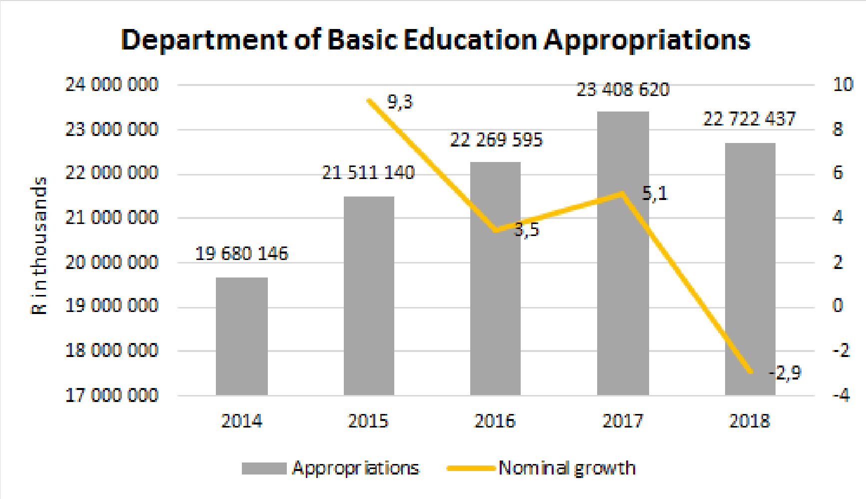
The 2017 MTBPS stated that an increase in population numbers had been "reflected in higher-than-expected enrolments in primary schools and will affect high school enrolment rates from 2018".[7] It is therefore worrying to see these decreased basic education budget allocations given the rising price of goods and increased number of learners; most of whom rely almost exclusively on the state for access to schooling.

Alongside these downward revisions in the total basic education budget, the average growth rate of the Basic Education Department has also been slowing down.

[7] Nation Treasury. 2017. Medium Term Budget Policy Statement. Page 55.

Department of Basic Education Appropriations

Graph 1: Basic Education Appropriations



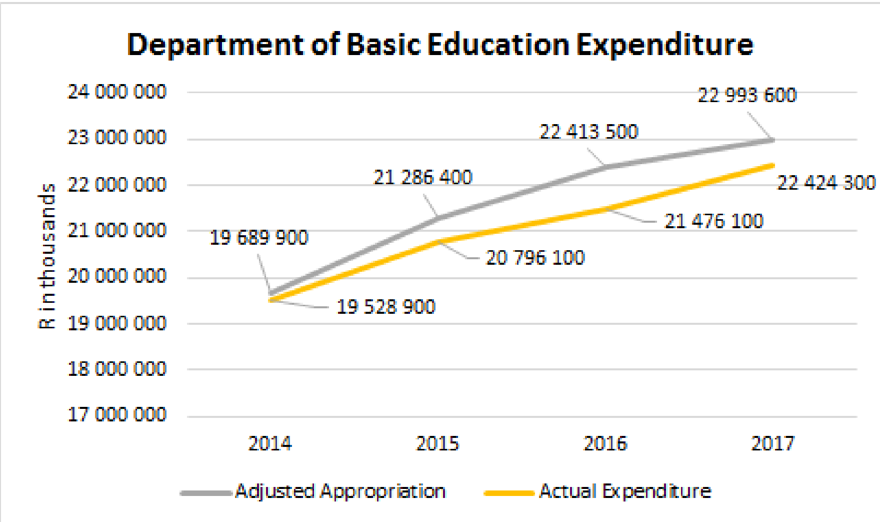
Source: 2014 - 2018 Appropriations Bill[8]

The graph above shows that while allocations to the Department of Basic Education have been increasing, the annual percentage growth is slowing down. For example, between 2014 and 2015 we see a percentage increase of about 9%, yet the following year, between 2015 and 2016, we see a far lower percentage increase (3,5%). In fact, this year, the basic education budget reflects a negative percentage growth rate which means the annual budget, as per the 2018 Appropriation Bill, is less than the previous year.

While the regular downward revision of basic education budget allocations is a cause for concern, the Department's inability to efficiently spend its allocated funds is also deeply worrying.

Basic Education Expenditure

Graph 2: Department of Basic Education Expenditure



Source: 2014 - 2017 Estimates of National Expenditure

8 The figures used in this graph represent the main appropriations for the basic education budgets from 2014 to 2018 as presented and tabled during the annual budget speech in February at the beginning of each financial year

The above graph shows that where the Department has been allocated funds, it has struggled to use its entire budget. This trend has also been seen in the spending of infrastructure grants, namely the School Infrastructure Backlog Grants (SIBG) which funds the Accelerated School Infrastructure Delivery initiative (ASIDI) and the Education Infrastructure Grant (EIG).

Table 2: School Infrastructure Backlogs Grant Underspending

R' 000	**Allocated**	**Spending**	**Underspending**
2013/14	R 1 956 000	R 1 370 100	R 585 900
2014/15	R 2 513 600	R 2 407 900	R 105 700
2015/16	R 2 024 300	R 1 368 300	R 656 000
2016/17	R 1 979 800	R 1 049 500	R 930 300
2017/18	R 2 179 698	R 1 786 396	R 393 302

Source: 2014 - 2018 Estimates of National Expenditure

This table depicts the spending patterns of the SIBG for the last 5 years, and shows a continuous trend of under-spending on the ASIDI programme.

Table 3: ASIDI targets versus performance

	2016/17		**2017/18**		**2018/19**[9]	
	Target	**Performance**	**Target**	**Performance**	**Target**	**Performance**
Schools Built	136	16 - (12%)	115	12 - (10%)	50	9 - (18%)
Sanitation	265	9 - (3%)	257	29 - (11%)	285	64 - (23%)
Water	459	10 - (2%)	344	43 - (13%)	325	64 - (20%)
Electricity	620	0 - (0%)	134	17 - (13%)	-	-

Source: 2018 Adjusted Estimates of National Expenditure & DBE 2017/18 Annual Report

[9] Figures for the 2018/19 financial year only reflect progress over the first six months of the year.

The table above shows how ASIDI has performed in terms of school infrastructure delivery. The programme, which was initiated to eradicate infrastructure backlogs in schools without water, sanitation, electricity and those made of inappropriate materials, has failed to address these backlogs timeously. For the past three years – as depicted in the table – the Department has not met a single target. ASIDI was initially intended to conclude after a three year period, having addressed the infrastructure backlogs identified within its scope. However seven years later, the programme has still not completed its work.

Despite this, the 2018 MTBPS has recognised that school infrastructure still remains a serious challenge that needs much attention, and we welcome the re-prioritisation of R800 million, as reflected in the Adjustments Appropriations Bill. These funds have gone towards the SIBG, increasing its allocation from R1.4 billion to R2.2 billion. While this sum is a much needed injection towards addressing school infrastructure backlogs, it does not offset the R7 billion budget cut to infrastructure grants over the medium term, announced in February's budget speech.

Recommendations

- The Standing Committee on Appropriations, National Treasury and the Department of Basic Education need to work together to determine which programmes contribute to the underspending of allocated budgets and how to mitigate further underspending in the current and next financial year.
- Provide financial management support to the Department of Basic Education and provincial education departments to encourage output driven expenditure, particularly on infrastructure grants.
- Increased oversight on the ASIDI programme to ensure efficient budget expenditure, as well as monitoring performance to see that delivery targets are reached before the 2020 Norms and Standards second deadline.
- National Treasury should reverse the almost R7 billion cuts to school infrastructure grants announced in the February budget speech.

5. HIGHER EDUCATION

Similar to the 2017/18 financial year, post-school education and training remains the second fastest growing expenditure item, after debt service costs. This line item will grow by approximately 10% over the medium-term.[10]

Access to and exclusion from higher education

Access to and exclusion from higher education institutions has long been a contentious issue in democratic South Africa. In particular, fees have emerged as an important factor that exclude poor, predominantly black, students from higher education institutions, and have featured prominently in student protests since 1994. In 2015 the cost of tertiary studies was again thrown into the spotlight when student protests about university fees erupted at well-known universities across the country. Organised under the banner of #FeesMustFall, students demanded that fees as a barrier to accessing higher education be removed.

In response to the long-standing question on how higher education will be funded, former President Jacob Zuma- during the ANCs 2017 elective conference – announced that higher education studies would be free (starting in 2018) for poor and working-class first-year students. This announcement undoubtedly had an impact on the country's fiscus. As a result, in his 2018 Budget Speech former Minister of Finance, Malusi Gigaba, asserted that R57 billion would be re-allocated to fund fee-free higher education for poor and working class students over the medium term.

The National Student Financial Aid Scheme (NSFAS) and the Higher Education budget

The National Student Financial Aid Scheme (NSFAS) is the primary vehicle through which fee-free tertiary education is rolled out.

The graph below illustrates the massive increase, between 2018/19 and 2020/21[11], towards the higher education budget. It also shows that a substantial amount of these funds are pooled into Programme 3 – under which NSFAS is housed.

The graph also highlights the annual percentage growth of the higher education budget. Between 2016/17 and 2017/18, the percentage increase was a mere 6.3%, and after the fee-free announcement, it escalated by nearly 40%.

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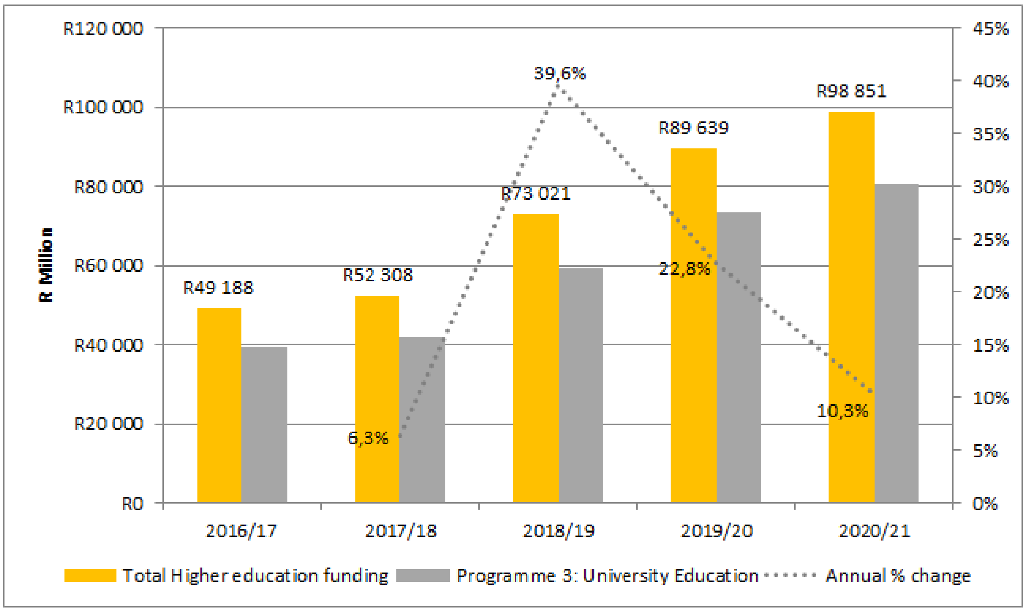
[10] National Treasury, *Medium-Term Budget Policy Statement* (2018), pg.30. Available at: http://www.treasury.gov.za/documents/mtbps/2018/mtbps/FullMTBPS.pdf

[11] The figures provided are projections as highlighted in the Medium-Term Budget Policy Statement

Graph 3: Total Higher Education Budget, Programme 3 and annual % change (2018)



Source: 2018 Estimates of National Expenditure

The 2018 Adjusted Estimates of National Expenditure (AENE) indicate that an additional amount of approximately R103 million was allocated to Programme 3 (University Education), increasing the allocation from R59.14 billion to R59.25 billion.[12] One reason for this increase was due to, *"…additional allocations to the National Student Financial Aid Scheme for the phasing in of free higher education and training for the poor and working class…"*[13]

Consequence of the increases and other concerns

Unfortunately the consequence of these increases on other social spending budgets, have been dire. The 2018/19 national budget revealed baseline reductions across a number of sectors, including budget cuts to municipal, housing and education infrastructure.

Although it is common knowledge that NSFAS has been plagued by challenges for years, 2018 brought to the fore the difficulties within the financial aid scheme's internal governance structures. Alongside these problems, at various intervals during the year, students reported that they had not received their much-needed allowances and other forms of funding from the financial aid scheme.

[12] National Treasury. 2018. *Adjusted Estimates of National Expenditure*. Pg. 135. Available at: http://www.treasury.gov.za/documents/mtbps/2018/aene/Vote%2015%20Higher%20Education%20and%20Training.pdf

[13] Ibid pg. 142

Questions remain on how the state intends to address these competing priorities, therefore, sustaining the funding of fee free higher education and ensuring that other social needs are met through appropriate budget allocations.

Recommendations

- The development by the Department of Higher Education and Training, in consultation with the relevant stakeholders, including National Treasury, of a policy that speaks to the roll-out of fee-free higher education is imperative. In the absence of a guiding document the sustainability of this proposal falls into question.
- The realisation of fee-free higher education must not compromise the provision of other social services, such as basic education – particularly in relation to budget allocations.
- With the support of DHET, governance challenges within NSFAS must be addressed as a matter of urgency. The consequences of the disarray within the funding scheme impacts those in need of financial assistance most of all.

6. SOCIAL DEVELOPMENT

With regards to Social Development - the Constitution, as well as the International Covenant on Economic Social and Cultural Rights (ICESCR), obliges the South African government to respect, protect and fulfil socio-economic rights. Progressive realisation requires the full realisation of socio-economic rights over time and entails the obligation of non-retrogression. Further, the Maximum Available Resources obligation of the ICESCR requires states to demonstrate that they have utilised all of their available resources to fulfil socio-economic rights.

The BJC asserts a reframing of social grants as necessary economic stimulus and recommends more fully integrating the welfare system into South Africa's economic recovery plans. Increasing social grants should be at the centre of a pro-poor economic stimulus. This point remains pertinent when amelioratory measures in response to austerity and the recent VAT increase are severely lacking. Not only will an increase in social grants benefit poor households directly, but it will also increase spending on food and fuel which will stimulate the economy and increase revenue collection of VAT and fuel tax.

Underspending on the Child Support Grant

The BJC is very concerned that the Child Support Grant (CSG) of R410 remains below the value of the food poverty line of R547/person/month. The low value of the grant means parents and caregivers cannot afford basic food for their children, never mind other costs such as nappies, school uniforms, and transport.

In light of South Africa's high rates of child poverty (62%) and stunting (27%), the United Nations Committee on Economic Social and Cultural Rights recommended on 12 October 2018, that South Africa increase the CSG amount to the level of the food poverty line (R547). The need to increase the CSG amount was also recommended by the Panel of Experts appointed by Treasury to investigate ways to mitigate the negative impact of the VAT increase. We are disappointed that these recommendations have not been responded to in the MTBPS and that we are instead observing a trend of underspending on the CSG line item in the budget of the Department of Social Development.

- R100 million has been declared underspent for the first half of the 2018/2019 fiscal year. This is reported to be due to "lower than anticipated take-up".
- This follows on a R533 million underspend on the CSG for the 2017/18 year reportedly due to "greater efficiency in eligibility assessment".

The BJC is concerned that this trend of taking money away from the CSG line-item does not align with the principles of Non-Retrogression or Maximum Available Resources.

The Child Support Grant Top-Up for orphans

In the February 2017 budget of the Department of Social Development, a commitment was made to providing a higher CSG to orphans who are in the care of extended family members and additional budget was included for implementation in 2019/20. However the law required to put this into effect, the Social Assistance Amendment Bill, has been sitting still on Parliament's table since its tabling in April 2018, despite a court order requiring it to be prioritised.[14] Without this law being passed, the budget will be unspent- at a time when caregivers of vulnerable children are most in need of additional income.

No commitment to provide social assistance for poor people between 18 and 59

Despite having a constitutional right to social assistance if they cannot support themselves, poor people between 18 and 59 still have no access to state financial support. Noting South Africa's high level of inequality and poverty, the United Nations Committee on Economic Social and Cultural Rights recommended on 12 October 2018, that the government of RSA investigate providing basic income support to poor people between 18 and 59.

[14] *Centre for Child Law v Minister of Social Development and Others* case no. 72513/17 HC Gauteng Division, Pretoria

There is no mention in the MTBPS of the the need to prioritise the finalisation of the review of comprehensive social security - which is the policy process that must be completed before a range of much needed social security reforms can be processed.

Repeated under-spending on the Food Relief Programme

The DSD also underspends on the Food Relief Programme. Only 112,806 vulnerable individuals accessed food through this programme, against a target of 415,000 individuals. That is only 27% of the targeted individuals and follows a similar trend in the previous year. In both years, this was attributed to delays in making transfers to Non-Profit Organisations. These delays in transfers to NPOs negatively affect not only the individuals in need of the food, but also the continued employment of the women and youth working in the NPOs. The Budget Vote narrative does not offer any detail on how these delays will be prevented from reoccurring.

Recommendations:

- ➢ More fully integrating the welfare system into South Africa’s economic recovery plans.
- ➢ Address underspending in relation to the Child Support Grant (CSG).
- ➢ Urgently increase the Child Support Grant amount to the level of the food poverty line
- ➢ Investigate the feasibility of a Basic Income Grant for All and prioritise the review of comprehensive social security
- ➢ Address underspending in relation to the Food Relief Programme.
- ➢ Parliament to prioritise the Social Assistance Amendment Bill to create a CSG Top-Up for orphans in line with the High Court order.

7. ENVIRONMENTAL GOVERNANCE

While the budget of the national Department of Environmental Affairs has been augmented by 4,5%, the additional allocation has been assigned to a programme which is not associated with the Department’s core business of fulfilling a host of legal responsibilities emanating from South Africa’s raft of environmental statutes, which are themselves linked to the Constitutional right to have the environment protected for the benefit of present and future generations.

The MTBPS is silent in relation to environmental governance, although reference to the *Adjusted Estimates of National Expenditure* indicates that the budget of the national Department of Environmental Affairs (DEA) has been increased by an amount of R318 million, or 4,5%, from R7 112,532 million to R7 430,532 million.[15] Further scrutiny reveals that this amount is allocated to the Department's Programme 6,[16] which is focused on implementing Expanded Public Works and green economy projects.[17]

It is notable that prior to the adjustment, with a budget of R3 871,281 million, this programme already accounted for 54,4% of the Department's total budget.[18] Whilst the programme doubtless has positive socio-economic spin-offs, PSAM had previously expressed concerns regarding the extent to which the budgetary attention afforded to this element of the Department's operations detracts from the its core business of fulfilling a host of legal responsibilities emanating from South Africa's raft of environmental statutes.[19] With its allocation now having been augmented by 8,2% to R4 189,281 million, and its share of the Department's budget having risen to 56,4%, these concerns are obviously exacerbated.

Indeed, if one has regard for the fact that a further 12,7% of the Department's budget is dedicated to its Administration Programme,[20] it means that at 30,1%, less than a third of DEA's total budgetary dispensation is available for core Departmental functions.

These functions are outlined below, together with their 2018/19 budget allocations.

Table 4: Allocations by Programme - Department of Environmental Affairs core functions

Programme	Programme purpose	Allocation[21] (R'000)	% of DEA budget
Legal, Authorisations, Compliance and Enforcement	Promote the environmental legal regime and licensing system to ensure enforcement and compliance with environmental law[22]	189,324	2,5
Oceans and Coasts	Promote, manage and provide strategic leadership on oceans and coastal conservation[23]	491,995	6,6

[15] *Adjusted Estimates of National Expenditure 2018,* National Treasury, Adjusted budget summary, p. 243.
[16] *Ibid,* p. 245.
[17] *Estimates of National Expenditure 2018,* National Treasury, Budget summary, p. 568.
[18] *Derived from Estimates of National Expenditure 2018, National Treasury, Table 27.14.*
[19] http://psam.org.za/wp-content/uploads/2018/10/Env-governance-budget-observations.pre-2018-MTBPS.pdf
[20] *Adjusted Estimates of National Expenditure 2018,* National Treasury, Adjusted budget summary, p. 244.
[21] *Ibid.*
[22] *Estimates of National Expenditure 2018,* National Treasury, Budget summary, p. 561.
[23] *Ibid,* p. 563.

Climate Change and Air Quality	Formulate policies, administer legislation and implement systems to improve regulation, monitoring and compliance regarding climate change and air quality[24]	294,508	4,0
Biodiversity and Conservation	Ensure the regulation and management of biodiversity, heritage and conservation matters in a manner that facilitates sustainable economic growth and development[25]	773,350	10,4
Chemicals and Waste Management	Formulate policies and administer legislation regarding the use of chemicals and waste management[26]	550,254	7,4

Given that these functions are directly associated with the Constitutional right to have the environment protected for the benefit of present and future generations, their allocations appear to be relatively miniscule, more so when it is taken into account that DEA's adjusted budget itself constitutes a mere 0,9% of that of the national government as a whole.[27]

Recommendation

- In the circumstances it is contended that augmentation of DEA's budget should have been for the purpose of bolstering the Department's ability to deliver on its core functions as detailed above, rather than for Expanded Public Works and green economy projects.
- It is recommended that due consideration be given to shifting the mandate for the EPWP to a line function under which the fundamental job creation criteria can be better fulfilled.

8. HUMAN SETTLEMENTS

Observations

Two matters tabled in the MTBPS are worth highlighting; the first being the changes to grant structures amounting to R14.7 billion to promote upgrading of informal settlements and the second being the

[24] *Ibid,* p. 564.
[25] *Ibid,* p. 566.
[26] *Ibid,* p. 570.
[27] Derived from *Estimates of National Expenditure 2018,* National Treasury, Table 2, p. v.

centralisation of housing subsidies amounting to R1 billion to better support middle and lower income home buyers.

The MTBPS notes that there are over 3.1 million people living in informal settlements in South Africa, and commits to intensifying informal settlement upgrading during the mid-term period. There is a positive shift towards defining informal settlement upgrading not as Greenfield housing projects, but as on-site upgrading that involves improvement of municipal services and security of tenure to households. This approach aligns with the Upgrading of Informal Settlements Programme (UISP), which prioritises the provision of tenure security, improvement of access to basic services and community participation for the benefit of all informal settlement residents.

Estimated local government allocations over the medium term expenditure framework period includes 146.3 billion in infrastructure grants. The MTBPS notes this as the largest transfer to municipalities in the local government equitable share, expected to grow by 9.9 per cent in 2019/20, 9.7 percent in 2020/21 and 8.6 per cent in 2021/22. This presents municipalities with an opportunity to make a meaningful contribution to informal settlement upgrading, but in reality very few municipalities are making use of funding available and the UISP framework to positively impact informal settlements. Previous research by the Studies in Poverty and Inequality Institute has shown that since its introduction in 2010/11, the Urban Settlements Development Grant (USDG) has been poorly spent, despite the increase in allocations over the years. The MTBPS indicates that new funding conditions for informal settlement upgrading will be included in the USDG for metropolitan areas in 2019/20, the impact of new funding conditions preventing underspending of funds and encouraging better financial planning and utilisation is yet to be assessed.

In the first half of 2018/19, only 74 of the annual target of 546 informal settlements had clear settlement upgrading plans. It is concerning that so few informal settlements from the annual target has been met and that there is no clarity around what constitutes an “upgrading plan”. Competing and contradictory approaches to planning for informal settlement upgrading runs the risk of not optimising the UISP. Clearer indicators need to be outlined to better track the quality and quantity of services provided in informal settlements with improved coordination between government departments in upgrading projects across an area[28]. Without information and clarity around informal settlement upgrading plans, informal settlement communities remain uninformed about specific bulk infrastructure and electricity provision plans and timeframes, and ultimately unable to hold their municipal councils to account.

[28] Misselhorn, “A Programme Management Toolkit for Metros: Preparing to Scale up Informal Settlement Upgrading in South Africa, A City Wide Approach

It is also of concern that in the first five months of the financial year, only 30 576 subsidy units were delivered against an annual target of 99 454 and 789 finance linked individual subsidies were disbursed to qualifying home owners in affordable housing market against a target of 18 680. 545 rental units were delivered in the first quarter against a target of 20 429. These constitute a massive shortfall against governments own targets.

Expenditure over the medium term has decreased compared to same time last year due to low transfers to the Social Housing Regulatory Authority and it is concerning to note the withholding of the Human Settlements Development Grant to Limpopo due to the province's non-compliance with the Division of Revenue Act.

The finance linked subsidy programme supports households whose income is too high to qualify for a government provided house. Subsidies within the programme administered through the National housing Finance Corporation will be increased with funding shifted from the Human Settlement Development Grant. The title deeds restoration grant will be phased back after 2021/22.

Recommendations

- ➢ Urgently address the failure to meet human settlements targets in metropolitan and district municipalities.
- ➢ Improve the quality of upgrading plans and municipal budget reporting.
- ➢ Encourage National Treasury to proceed with placing new funding conditions on the Urban Settlements Development Grant.
- ➢ Address decreasing expenditure due to low transfers to the Social Housing Regulatory Authority.
- ➢ Address the withholding of the Human Settlements Development Grant to Limpopo.

9. RURAL DEVELOPMENT & LAND REFORM

Slow pace of land reform

The section entitled 'mid-year progress' attached to Vote 39 shows yet more evidence of the slowing pace of land reform in recent years. Only 10 000 hectares of land were acquired by government for land reform purposes in the first 6 months of 2018/19 compared to the target for the year of 80 000 hectares. Only 266 land claims were finalized in this period, compared to the target for the year of 991. It is not made clear in the report how these issues are to be addressed in the coming months.

As revealed in the public debate on land reform currently taking place, slow delivery is only one of the problems. Key issues not identified in the adjusted estimates of expenditure include elite capture, corruption, officials who lack requisite skills, and the diversion of funds from land acquisition to non-performing programmes such as rural development. As stated clearly in the report of the High Level Panel of Parliament released one year ago, there are major problems in every sub-programme of land reform. There is little evidence of positive impacts on the lives of beneficiaries. There is a severe mismatch between the needs of potential beneficiaries and the design of land reform at present. It is thus no surprise that a society-wide consensus has now emerged that land reform is failing badly, and urgently in need of renewal.

Many analysts are of the view that the current focus on expropriation of land without compensation is a symptom of the chronic weaknesses of the programme, leading to increasing levels of dissatisfaction across society. Whatever the outcome of the process of considering a possible amendment to the Constitution, the likelihood is that government will soon have to embark on a fundamental revision of land policy frameworks. The current budget reflects none of this fluidity, and it is clear that the department is continuing to spend money on failing programmes. This is highly unsatisfactory.

Land reform

This section of the vote makes it clear that the direct benefits to households (originally budgeted at R588 million, reduced to R386 million after adjustments) are dwarfed by transfers and subsidies to departmental agencies and accounts (R1.4 billion). This is mainly because of the problematic state leasehold model that currently being implemented in the land redistribution programme, which has been widely criticized. The state owns all farms acquired under the Pro-Active Land Acquisition Strategy (PLAS) and is supposed to lease them to beneficiaries (in fact, many have not had any leases issued to them). In addition, the low priority of tenure reform is evident in its small budget - originally budgeted at R568 million, now reduced to R386 million after adjustments.

Land restitution

The reasons offered in the document for the slow progress over the last 6 months indicate the cumbersome nature of the restitution process but also severe management problems, as indicated in the High Level Panel report (e.g. many beneficiaries or claimants are now untraceable, missing, or deceased).

Rural development

This sub-programme includes rural infrastructure development, rural enterprise and industrial development, and the National Rural Services Corps. Together these account for around for R1.8 billion (or 17%) of the overall budget. These are all highly problematic programmes, as indicated in various reviews commissioned for the Department of Performance Monitoring and Evaluation. Funds are increasingly being used for the establishment of 'Agri-parks' – an unproven and badly conceived programme. This should be seen as wasteful and irregular expenditure.

Overall, the adjusted estimates of expenditure over the next 6 months provide clear evidence of the many serious problems faced by land reform and rural development at present.

Recommendation

- As a matter of urgency, the department should commit itself to a comprehensive review of policy and programme design that draws on both the report of the High Level Panel of Parliament and the work of the advisory panel on land reform, recently appointed by the resident.

10. CONCLUSION

Our recommendations emerging above are summarized as follows:

INTRODUCTION

Recommendation:

- The Budget Justice Coalition urges the Committee to consider, as a complimentary document to this Submission, the 'Submission by The Budget Justice Coalition (BJC) on the 2018 Medium Term Budget Policy Statement (MTBPS),' submitted to the Joint Meeting of the Standing and Select Committees on Finance, submitted 29 October 2018, and attached as Annex 1 to this submission.

IMPLEMENTING THE RECOMMENDATIONS OF THE UNITED NATIONS COMMITTEE ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

Recommendation:

- The Budget Justice Coalition urges Parliament to study the Report of the UN Committee and fulfil its duty to monitor the Executive's implementation of the recommendations in relation to fiscal matters and government spending.

HEALTH

Recommendations:

- Require Treasury and the Department of Health to publish plans for the filling of all vacant public health posts without further delay.
- Reverse reductions and ensure real terms increases to the health revitalisation grants.
- Urgently tackle the underlying causes of rising medico-legal claims.

- Address underspending in national and provincial health departments.
- Pay Community Health Workers a minimum wage from 01 April 2019 and provide an end of year (2018) bonus to every Community Health Worker of at least R1 000.

BASIC EDUCATION

Recommendations:

- The Standing Committee on Appropriations, National Treasury and the Department of Basic Education need to work together to determine which programmes contribute to the underspending of allocated budgets and how to mitigate further underspending in the current and next financial year.
- Provide financial management support to the Department of Basic Education and provincial education departments to encourage output driven expenditure, particularly on infrastructure grants.
- Increased oversight on the ASIDI programme to ensure efficient budget expenditure, as well as monitoring performance to see that delivery targets are reached before the 2020 Norms and Standards second deadline.
- National Treasury should reverse the almost R7 billion cuts to school infrastructure grants announced in the February budget speech.

HIGHER EDUCATION

Recommendations:

- The development by the Department of Higher Education and Training, in consultation with the relevant stakeholders, including National Treasury, of a policy that speaks to the roll-out of fee-free higher education is imperative. In the absence of a guiding document the sustainability of this proposal falls into question.
- The realisation of fee-free higher education must not compromise the provision of other social services, such as basic education – particularly in relation to budget allocations.
- With the support of DHET, governance challenges within NSFAS must be addressed as a matter of urgency. The consequences of the disarray within the funding scheme impacts those in need of financial assistance most of all.

SOCIAL DEVELOPMENT

Recommendations:

- More fully integrating the welfare system into South Africa's economic recovery plans.
- Address underspending in relation to the Child Support Grant (CSG).
- Urgently increase the Child Support Grant amount to the level of the food poverty line

- Investigate the feasibility of a Basic Income Grant for All and prioritise the review of comprehensive social security
- Address underspending in relation to the Food Relief Programme.
- Parliament to prioritise the Social Assistance Amendment Bill to create a CSG Top-Up for orphans in line with the High Court order.

ENVIRONMENTAL GOVERNANCE

Recommendation:

- Augmentation of DEA's budget should be for the purpose of bolstering the Department's ability to deliver on its core functions, rather than for Expanded Public Works and green economy projects.
- It is recommended that due consideration be given to shifting the mandate for the EPWP to a line function under which the fundamental job creation criteria can be better fulfilled.

HUMAN SETTLEMENTS

Recommendations:

- Urgently address the failure to meet human settlements targets in metropolitan and district municipalities.
- Improve the quality of upgrading plans and municipal budget reporting.
- Encourage National Treasury to proceed with placing new funding conditions on the Urban Settlements Development Grant.
- Address decreasing expenditure due to low transfers to the Social Housing Regulatory Authority.
- Address the withholding of the Human Settlements Development Grant to Limpopo.

RURAL DEVELOPMENT & LAND REFORM

Recommendations:

- As a matter of urgency, the department should commit itself to a comprehensive review of policy and programme design that draws on both the report of the High Level Panel of Parliament and the work of the advisory panel on land reform, recently appointed by the resident.

11. ANNEX 1

The Budget Justice Coalition's 'Submission By The Budget Justice Coalition (BJC) on the 2018 Medium Term Budget Policy Statement (MTBPS),' Submitted to the Joint Meeting of the Standing and Select Committees on Finance, 29 October 2018, is attached as a separate Pdf document to this submission.

The Budget Justice Coalition thanks the Committee for the opportunity to submit our inputs and engage further in relation to the submission.

12. <u>ABOUT THE BUDGET JUSTICE COALITION</u>

The **Budget Justice Coalition (BJC)** is a coalition of about twenty progressive civil society organisations who acknowledge that work to ensure substantive equality in our society is not possible without active engagement with, and transformation of, the budget.

WHO WE ARE:

The **Alternative Information & Development Centre (AIDC)** is an activist think-tank that implements an integrated strategy that involves research, information dissemination, popular education, coalition building and advocacy. AIDC was formed in 1996 and has played a significant role in challenging corporate globalisation through supporting and coordinating campaigns for debt cancelation, against trade and financial liberalisation, for tax justice and against illicit capital flight. Over the years AIDC has had the capacity at a national, regional and international level to draw a broad range of movements into networks and coalitions around critical issues of development.

The **Children's Institute (CI), is** a multi-disciplinary unit in the Health Sciences Faculty of UCT. We envision a society in which children are valued, nurtured and protected; their rights are realised and where they are able to participate, develop and reach their full potential**.** We aim to contribute to policies, laws and interventions that promote equality and realise the rights and improve the conditions of all children in South Africa, through research, advocacy, education and technical support. This is achieved through developing an evidence base; using this to advocate for policy, law and service reform that is in children’s best interests; and educating service providers for effective implementation. Set against a human rights framework, we focus attention on key challenges facing children in South Africa - poverty, inequality, violence and trauma.

Equal Education (EE) is a movement of learners, parents, teachers and community members. EE works for quality and equality in South African education, through research, analysis and evidence based activism. EE’s head office is in the Western Cape, with satellite offices in Gauteng and the Eastern Cape, and a strong presence in KwaZulu-Natal and Limpopo. Since being founded in 2008, Equal Education has led campaigns aimed at the development of learning facilities; improved practice, content and access to teaching; the building of commitment and passion among teachers and learners; and improving the overall efficacy of South Africa’s education system. Our focus and attention is directed by the interests of our members, drawn largely from working-class and poor communities.

The Equal Education Law Centre is a public interest law centre made up of activist lawyers and researchers working to advance the struggle for quality and equality in education through legal research, advocacy and strategic litigation.

The Institute for Economic Justice (IEJ) is a new progressive economic policy think-tank located in South Africa, and launched in 2018. IEJ’s core objective is to provide policy makers and progressive social forces in South Africa with access to rigorous economic analysis, and well thought through policy options, as a basis for concrete interventions. Interventions proposed by the IEJ seek to advance social justice, promote equitable economic development that realises socio-economic rights, and ensure a thriving, democratic, environmentally sustainable, and inclusive economy that places the needs of the majority at the centre.

The **Pietermaritzburg Economic Justice & Dignity Group (PMEJD)** envisions a society of solidarity rooted in new forms of relationships based on a politics of love and universality for a new economy which serves society and provides justice, equity, and dignity for all. PMEJD was founded in 2018 in Pietermaritzburg, South Africa, in response to the unjust and unequal political economy of South Africa which is characterized by high levels of economic inequality, low baseline wages, high levels of unemployment, a household affordability crisis and an apartheid neoliberal capitalism that destroys human solidarity. PMEJD locates itself in solidarity with those who suffer the consequences of this unjust political economy; and in support of imagining and working towards a more just political economy which is dignified, just and inclusive.

The **Public Service Accountability Monitor (PSAM)** is a civil society organisation that aims to improve the provision of public services essential to the reduction of poverty by strengthening social accountability initiatives. The PSAM is specifically concerned with improving governance and public resource management in South Africa and sub-Saharan Africa. This is achieved through the activities of three interrelated programmes: the Monitoring and Advocacy Programme (MAP), the Regional Learning Programme (RLP) and the Advocacy Impact Programme (AIP). The Monitoring and Advocacy Programme seeks to contribute to the progressive realisation of the rights to housing, health and education. The programme also focusses on strengthening public accountability mechanisms in the areas of environmental governance and local government.

The **Rural Health Advocacy Project (RHAP)** is a leading health advocacy organisation based in Johannesburg, advocating for equitable access to quality health care for rural communities in the whole of South Africa. Informed by the voices of rural healthcare workers and communities on the ground, partner organisations, stakeholders and research, RHAP conducts advocacy, generates debate, monitors implementation of health policies in rural areas, supports pro-equity government interventions, and rural-proofs policies to ensure that they are in tune with rural realities. RHAP’s vision is a health system where rural communities access equitable, quality health care services.

Section 27 is a public interest law centre that seeks to achieve structural change and accountability in the health care and education sectors in particular to ensure the dignity and equality of everyone under the Constitution.

The **Studies in Poverty and Inequality Institute (SPII)** is an independent research and advocacy think-tank that focuses on generating new knowledge, information and analysis in the field of poverty and inequality studies. SPII’s objective is the realisation of the transformative principles enshrined in the South African Constitution through advancement of the socio-economic rights (SERs) contained under the Bill of Rights. SPII acts to achieve this overarching objective through an applied use of research – policy and budget analysis, and the development of quantitative indicators to provide tools for rigorous time- specific analysis, building qualitative research through community participatory active research, and promoting participation in social dialogues to achieve the change we seek. SPII has conducted human rights budget analysis for almost decade, through the Socio-Economic Rights Monitoring Tool project, and published two research reports on the right to adequate housing.

The **Women and Democracy Initiative**, based at the **Dullah Omar Institute (DOI)** focusses on realising the rights of women and other marginalised people through strengthened democratic systems. The DOI started its work under the name 'Community Law Centre', an organisation borne out of the struggle against apartheid. The Community Law Centre opened its doors in 1990, Adv Dullah Omar, a human rights lawyer, was its first director. The Centre played a major role in the negotiations towards a democratic South Africa. The Institute works in five research areas, namely children’s rights, socio-economic rights, multilevel government, criminal justice reform and women’s rights.