Budget Justice Coalition post-MTBPS Press Statement:
No winners from Minister Mboweni's #MTBPS2018 address

Cape Town, 25 October 2018 – Rather than taking bold steps to stimulate the economy and embark on a more inclusive growth path, the Medium Term Budget Policy Statement (MTBPS) tinkers at the margins. While the statement focused on improving governance and strengthening institutions such as SARS, it is the view of the Budget Justice Coalition (BJC) that an economic recovery and turnaround will come only from investment in our human capital and a stronger focus on meeting the constitutional obligations of the State. The anaemic social spending of recent years that is bankrupting many social services will only further entrench patterns of poverty and inequality.

The country faces continued underfunding of social sectors, especially health, education and social development. Although a useful scapegoat in the face of Treasury's dearth of new ideas, the public sector wage that is not the cause of our problems. Austere debt targets and a refusal to increase key tax rates are limiting government's revenue raising potential. Billions of Rands foregone from two decades of decreasing corporate and personal income tax rates and a failure to crack down on tax evasion are a central cause of our budget deficit.

The BJC is concerned about the following:

- The MTBPS flags tax shortfalls of R27.4 billion for 2018/19. Yet despite pressing social needs over the medium term, the MTBPS commits government to "maintain the main budget expenditure ceiling" and "avoid increases in major tax instruments", thus reducing room for counter-cyclical borrowing and spending, and shrinking the space for anti-inequality policies. We continue to propose an increase in personal income tax rates for high-income earners, raising corporate income tax rates moderately, the institution of a higher VAT rate on luxury goods, cutting tax-breaks for the wealthy and increasing taxation of wealth;
- While there have been some important reprioritisations, many line items are worse off under this budget;
- The lack of assessment of the impacts of austerity and fiscal adjustment on households and particularly on women and LGBTQI+ individuals, children and rural households;

We welcome:

- Positive governance measures, particularly in relation to the South African Revenue Service (SARS), which receives an additional R1.4 Billion allocation to boost revenues.

Health

- By simply re-prioritising expenditure allocations and giving short-term solutions, the MTBPS doesn't address core questions such as: Why is there so much underspending within health departments? What happens to the health revitalising grants? Why are health departments still underfunded to meet their mandates? Why have medico-legal expenses been escalating? Answering these will be critical in moving towards quality universal health coverage.
- The President's commitment in the run up to the health summit has been partially addressed with a release of R500 million from the National Health Insurance (NHI) fund. This is likely to only meet funding shortfalls in government's contractual obligations to fund the medical internships and the employment of community service professionals. However, the broader Human Resources crisis remains unaddressed: 2000 additional recruits, while welcome, are far from answering the urgent combined needs of the 9 Provinces.
- The allocation of over R150 million towards the procurement of bed linen and beds, while important, is a drop in an ocean of broader health systems needs such as infrastructure or the improvement of staff accommodation in rural areas, which prevents health care professionals from settling in these areas.

Education

- Whilst we welcome the 'additional' funding, the R800 million that has been allocated to the nationally administered School Infrastructure Backlogs Grant (SIBG) does not come close to reversing the almost R7 153 billion cuts made to infrastructure grants in the previous budget.
- We are concerned about the failure of the Department of Basic Education to meet its targets.
- The BJC is pleased that the early childhood development (ECD) conditional grant of R500 million will continue to subsidise services for around 60 000 children from low-income households and improve ECD centres. However, with more children needing to be provided with this service, the Department of Social Development and National Treasury must work together to ensure that the 21% budget underspending from the 2017/18 year is improved.
- We acknowledge the zero-rating of sanitary pads as of 1 April 2018, but are disappointed that school uniforms were not similarly zero-rated, as recommended by the Independent Expert Panel. We also note the announcement that the Department of Women has developed a framework to provide free sanitary towels to learners from low-income households, and that this project rollout will be funded through the provincial equitable share.

Social development

- Increasing social grants should be at the centre of a pro-poor economic stimulus. The BJC is disappointed that despite the weight of SA's Constitutional guarantee, poor people between 18 and 59 still have no access to state financial support and asserts the need for an investigation into the feasibility of a Basic Income Grant for all.
- The BJC is concerned about underspending within the Department of Social Development, in relation to the Child Support Grant, which stands at R100 million. Significant funds have here been taken away from SA's most successful child poverty alleviation programme, which is particularly important when stunting is a political and economic problem. This follows a similar trend to the 2017 MTBPS when R518 million was unspent on the CSG and R217 million on the adult disability grant. The BJC therefore notes a concern around potential decreasing accessibility to social grants. 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.
- The BJC welcomes the scrapping of VAT on sanitary pads, bread flour, and white cake flour, However, in the context of the anti-poor increase to VAT in February 2018, we are disappointed that Treasury did not make the decision to zero-rate a number of essentials such as; nappies, school uniforms, protein rich foods (for e.g. chicken and peanut butter), and candles. These measures would have gone some way towards reducing the unsustainable costs of living for poor and low-income households.

Human Settlements

- We welcome changes to housing grant structures amounting to R14.7 billion to promote upgrading of informal settlements and the centralization of housing subsidies to better support middle and lower income home buyers.
- We note with concern, however, the failure to meet human settlements targets. In the first half of 2018/19, only 74 of the targeted 546 informal settlements had upgrading plans and only 30 576 subsidy units were delivered against an annual target of 99 454. Only 789 finance-linked individual subsidies have been disbursed to qualifying homeowners against an affordable housing market against a target of 18 680.

Rural Development & Land Reform

- The AENE shows the lack of commitment by the government to land reform and restitution. After six months of the year, the Department of Rural Development and Land Reform has only reached 12.5% and 23% of its land reform and restitution targets respectively.

Public sector wage bill

- The discourse from government on public sector wages is disturbing. Transformation cannot take place, unless the right number of properly trained, decently remunerated public servants are available in all the critical areas, particularly frontline service delivery. There is a need for fundamental restructuring to ensure that resources go to the right places, and ordinary public servants, often overstretched and working under difficult conditions, are not demonised.

- Alarmingly, no additional funds have been made available for personnel budgets, despite above inflation wage rises, meaning that departments will continue to be forced to cut non-personnel budgets, such as goods and services, transfer to NPOs who implement social welfare services to vulnerable groups, equipment and maintenance, or to reduce critical posts. Vacant posts already stand at close to 200 000.
- Members of the BJC have put forward concrete proposals on how the wage bill can be restructured, including through rationalising high paid posts, reducing upper end salaries and perks, and redeploying administrative staff to support frontline professionals, to release them from non-core functions, thereby improving delivery. But Treasury remains trapped in an old mind-set, thinking that by applying blunt fiscal instruments they can resolve what is in reality an organisational problem.

Unemployment

- The BJC is disappointed to see no meaningful proposals to stimulate the economy and create employment. Continued adherence to conservative and self-defeating fiscal policy stances, which have consistently failed in the past, show an inability to respond boldly to a crisis situation, when a real stimulus along the lines of what a number of countries have done since the global economic crisis is required.

If you would like to access the BJC's more in-depth statement, or if you would like any further information, please contact Butho Mpofu on 061 807 6443 / mpofu@section27.org.za, or contact:

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About the Budget Justice Coalition: 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.