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## Budget Justice Coalition's Pre-MTBPS Press Statement: Civil society organizations highlight MTBPS expectations

Cape Town, 23 October 2018 – Newly appointed Finance Minister Tito Mboweni has to deliver one of the most challenging Medium Term Budget Policy Statements (MTBPS) of the democratic era tomorrow (24 October 2018). A Value Added Tax (VAT) hike, increased fuel prices and real cuts in key social spending areas (including education, human settlements and health care)<sup>1</sup> were announced in the February 2018 budget. Austerity is being implemented at a time when South Africa requires a massive state-led social investment strategy and a fiscal stimulus which both creates jobs, redistributes resources and provides quality services to the poor.

We hope that Minister Mboweni's tenure is characterised by a radically pro-poor approach and the recognition of the state's duty to implement fiscal policies that will make possible the realization of the socio-economic rights set out in the Constitution. To that end, we call on Treasury to:

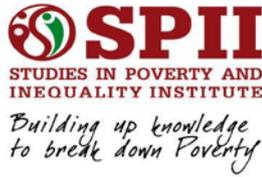
- **Leverage new resources over the medium term**, rather than simply reallocating shrinking resources, which, to date has led to in cuts in critical social spending;
- devise clear and precise plans to **curb irregular expenditure** which was estimated at [R45 Billion](#) in the 2017/18 audit outcomes;
- **adequately fund social services** and support vulnerable people, and;
- illustrate a clear commitment to **support local government's 'municipal recovery plans'** particularly in relation to infrastructure and expenditure management

The United Nations Committee on Economic, Social and Cultural Rights<sup>2</sup> [recently found](#) that there are more than enough resources in South Africa to meet the nation's socio-economic

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<sup>1</sup> South African government expenditure per person has declined for three years in a row. Since 2016/17, the growth of non-interest budget expenditure – essentially expenditure on social and economic programmes – has averaged at 0.3%, below average population growth, at 1.6%, and average GDP growth, at 1.2%. See [here](#).

<sup>2</sup> This Committee oversees implementation of the International Covenant on Economic, Social and Cultural Rights by 170 nations. SA ratified this treaty in 2015.



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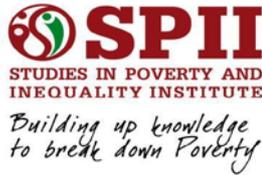
needs, if the correct policies are implemented. To ensure these resources are available for all, we need to:

1. Combat illicit financial flows, base erosion and profit shifting. This will not only recover huge amounts of lost resources annually but will also mean that workers can be paid better wages. Included in this would be increased financial transparency. These measures alone could allow the state to recover 4 to 10% of the GDP;
2. Ensure wealthier South Africans pay their fair share, through implementing a wealth tax, increasing taxes on high net worth individuals as well as implementing a VAT on luxury items;
3. Restore the level of corporate income tax to at least 35% (the rate was 50% in 1990);
4. Ensure greater compliance by (a) restoring the capacity of SARS, including the re-establishment of the Large Business Centre, (b) instituting the general anti-tax avoidance (GATA) Act and;
5. End corruption and the looting of state resources estimated at more than R50.3 billion annually.

The Budget Justice Coalition is concerned about the impacts of austerity and fiscal adjustment on households and particularly on women and LGBTQI+ individuals, children and rural households.

The coalition further hopes that the MTBPS will address the following issues:

### Social Security



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In South Africa everyone has the right to have access to social security. Despite this constitutional guarantee, there is no provision for poor people between 18 and 59 years old. Stats SA data consistently tells a story of growing destitution for millions living in South Africa. Not only is this a serious constitutional shortcoming, it is a betrayal of the democratic hope for a better life for millions of people, and it dampens economic growth.

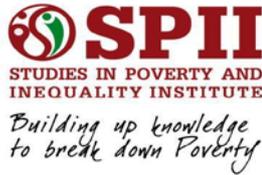
We need to see:

- A commitment to increase the Child Support Grant in line with a Decent Standard of Living. The first goal for this increase would be to increase the value in line with the Food Poverty Line by February 2019 within a broader political commitment, as well as to remove the means test which National Treasury has already committed to.
- We need to see a commitment to the development of a road map for the extension of social security to ALL people living in South Africa and a commitment to investigate the feasibility of a Basic Income Grant as recommended by the UN Committee on Economic, Social and Cultural Rights.

The UN Committee provides for the right of access to an adequate standard of living, which aligns with the inalienable right to dignity for all in South Africa. This commitment on social security is long overdue. The impact on the spending power of the poor of the recent VAT and Fuel levy hikes needs to be compensated for, but people's rights also need, as a matter of principle, to be met.

### **Basic education**

We call on the Minister of Finance to articulate clear commitments towards the prioritisation of early childhood development (ECD) through meaningful policy. While we welcome the introduction of the ECD grant, we are disappointed that in its first year, only 79% of the grant was spent. This is concerning given major challenges including lack of qualified ECD educators and age-appropriate learning facilities.



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Furthermore, the Budget Justice Coalition calls on Minister Mboweni to reverse [major cuts](#) to basic education funding in his maiden MTBPS. The 2018/19 budget announced decreases to school infrastructure grants by approximately R7 billion over the medium term, and [reduced](#) the Department of Basic Education's budget by 8% in real terms - a first since its establishment in 2009.

## Health

Additional resources are necessary to solve the crisis in public health and lay a foundation for universal health coverage, or the National Health Insurance (NHI).

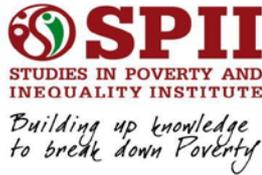
Health infrastructure is in shambles, with inadequate ventilation, lack of adequate access to water and sanitation, undignified ablution facilities as well as waiting areas that do not accommodate patients. We note with concern that the infrastructure program has again delivered on a mere 30% of its targets despite spending 99,7% of the allocated budget.

Human resources make up a large share of health budgets. For us, attempts to address this through expenditure caps and moratoria on new recruits without a rational process that considers health needs causes more harm. What is needed is an analysis of the distribution of health care professionals, employment of critically needed health workers, and an effective prioritisation of posts that ensure that service delivery is not compromised.

Wasteful and irregular expenditure (including R51 Billion in medico-legal costs), coupled with growing accruals in the health department point to serious governance failures in the management of supply chain processes. We call on Treasury to interrogate these and implement measures over the medium term to ensure that further resources are not lost.

## Human Settlements

Upgrades and development to housing are central to sustainable, decent and dignified living conditions in human settlements. It is therefore worrisome that there have been significant baseline reductions in the human settlements budget in recent years. This will likely result in



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the inability to meet NDP targets in human settlements, including the building of 316,813 government subsidized houses and the upgrading of 417,391 informal settlement sites on a national scale. We hope that the MTBPS will address these shortfalls.

We stress that broader social funding cuts must be reversed and measures must be put in place to ensure that government departments spend allocations efficiently and timeously. A 'fiscal stimulus' which reduces areas of critical social expenditure, in order to release resources for other important spending, is not a stimulus at all, but a rearrangement of the fiscal deck chairs. South Africa simply cannot afford to continue underfunding in sectors as fundamentally important as these.

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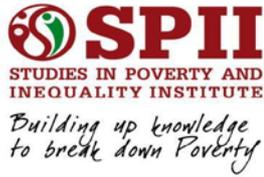
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**About the Budget Justice Coalition:**



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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.