BUDGET JUSTICE COALITION SUBMISSION TO THE

SELECT AND STANDING COMMITTEES ON FINANCE ON THE

2023/24 MEDIUM TERM BUDGET POLICY STATEMENT

6 November 2023

About the Budget Justice Coalition

This submission has been developed collaboratively by members of the Budget Justice Coalition (BJC). The purpose of the BJC is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in accordance with the Constitution.

The organisations who make up the BJC are: Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), Legal Resources Centre (LRC), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Youth Capital, Treatment Action Campaign, Centre for Child Law, 350.org, Open Secrets, Social Policy Institute, Public Affairs Research Institute, Amandla.mobi, Black Sash as well as friends of the coalition.

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1. Introduction

The Budget Justice Coalition is concerned about the tabling of the 2023 MTBPS which is an extension of the austerity trajectory that South Africa has been undergoing in the last few years. The current macroeconomic framework should aim to redressour high levels of inequality, worsening poverty levels and the deterioration of the capacity to provide quality of public services. The 2023 MTBPS is tabled at a time when nearly one in two young South Africans are not in employment, education or training opportunities and where 8 in 10 young South Africans have to make the painful choice between buying food and looking for work[1]8 in 10 young, unemployed people have never had a job.[2] Furthermore, the rising cost of living makes the quality of life for South Africans has worsened according to the recent statistical release in October 2023, the Consumer Price Index (CPI) had increased to 5,4% from 4,8% in August[3]. Unemployment for women in South Africa is currently at 35,7%, with black women being the most vulnerable in our economy with an unemployment rate of 39,8% in the second quarter of the year[4].

In our 2022 submission, we had highlighted concerns regarding the fiscal consolidation undertaken by the National Treasury over the years. Furthermore, we had provided alternatives to austerity based on debt management. The BJC is disheartened by yet another tabling of an MTBPS that does not adequately speak to the social and economic rights of the most marginalised. We argue that the economic outlook is worsened by the austerity measures that have been undertaken by the National Treasury over the preceding years, alongside substantial wasteful expenditure, corruption and the high cost of badly managed state-owned enterprises. The BJC and other CSOs have previously offered concrete proposals on how the economy can be recovered whilst protecting the rights of the most marginalised in our society. In this year's submission the Budget Justice Coalition maintains its calls for an anti-austerity budget and recommends the following:

[1] Youth Capital Beyond the Cost Research Report available at: https://youthcapital.co.za/beyond-the-cost-research-report/ .

[2] Statistics South Africa Quarterly Labour Force Survey Q3 2022 available at: https://www.statssa.gov.za/publications/P0211/P02113rdQuarter2022.pdf .

[3] Statistics South Africa Economic Wrap Up October 2023 available at: https://www.statssa.gov.za/?p=16785 .

[4] Statistics South Africa Quarterly Labour Force Survey Q2, 2023 available at: https://www.statssa.gov.za/publications/P0211/Presentation%20QLFS%20Q2%202023.pdf .

2. Summary of Recommendations

2.1 **Gender Responsive Budgeting** (GRB) must be implemented with various inputs from stakeholders including civil society organisations. Clarity must be provided on the guidelines provided to Departments on the implementation of GRB and where possible, gender experts and civil society organisations must be provided with an opportunity to contribute to these guidelines ahead of the 2024/25 budget.

2.2 **Social Assistance Grants:** the Social Relief of Distress Grant (SRD) must be expanded and its value increased to the Food Poverty Line of R760 and inserted into the MTEF while working with stakeholders for pathways towards a UBIG and pursuing additional sources of finance and tax revenue for UBIG. In addition, current challenges hindering access to the grant must be resolved. These include but are not limited to unlawful questions in the online application form, the exclusionary online-only application process, flawed bank and database verification processes, an irrational and retrogressive income threshold and widespread and systemic non-payment of approved beneficiaries.

2.3 **Procurement Reform:** the BJC welcomes the tabling of the Public Procurement Bill in Parliament. We encourage the National Treasury to consider proposals to Regulations on the Public Procurement Bill once they are made. Current gaps identified in the Bill relating to the centralisation of powers, ineffective oversight mechanisms should be addressed before the Bill becomes an Act.

2.4 **Health** cuts to programmes such as HIV/ AIDS funding and health care infrastructure should be addressed urgently. In the weak economic climate, demand for public health services is rising and the public health system needs to be well resourced to respond to this, particularly in preparation for the NHI. Over the past decade, health care funding has seen real term cuts, with the main budget for 2023 cutting funding by 4.9% in real terms. While we recognise that the health care system is plagued with underspending, we are of the view that reducing the quantum of spend will threaten the quality of health services provided.

2.5 **Education and ECD:** continuous budget cuts in the education and early childhood development sector fails to protect and prioritise the development and well-being of children. This further threatens their basic human right to access education. Regardless of the underspending and/or irregular spending, we encourage investment in quality provision of basic education services as well as transparency, cost-effective and accountable public procurement.

2.6 **Enhancing Public Participation** the FOA pilot processes undertaken by National Treasury should be institutionalised. This process provides an opportunity for members of the public to engage in all budgetary processes and enhances budget transparency and accountability.

3. Fiscal Policy

The government and National Treasury have been implementing an economic policy since 2012 in order to reduce the budget deficit and government's debt-to-GDP ratio with the introduction of the expenditure ceiling. The government's austerity programme is being justified on the basis of South Africa's growing debt levels. The National Treasury has raised alarm, purporting that the country is on the precipice of economic collapse. While it is true that the level of government and public debt has increased substantially over the past 15 years, this is congruent with global trends. Further, South Africa's debt-to-GDP ratio is in-line with other emerging markets. Our public debt share of GDP – which stood at 71.4% at the end of 2022/23, is similar to the average for countries at a comparable level of economic development, at 69%. Even when considering the higher projected debt-to-GDP ratio in the 2023 MTBPS, South Africa is still in line compared to peer countries. In addition, there are other mitigating factors, such as low levels of foreign denominated debt and strong domestic capital market. We also have more than sufficient foreign exchange reserves to cover debt-service and import costs for more than 5 months. This highlights that South Africa is not facing a debt crisis, and austerity is therefore not necessary. While the 2023 MTBPS acknowledges that growth can help address the current fiscal challenges, there is no growth plan that has been presented nor has there been any measures proposed to reduce the cost of debt. Instead, there is failure to create employment and growth through the redistribution of income and wealth.

Secondly, historical evidence suggests that austerity is not the best means to stimulate growth and address growing levels of government debt. For instance, evidence shows that fiscal contraction larger than 1.5% of GDP generates a negative effect of more than 3% on GDP even after 15 years. The drop in GDP reaches 5.5% for cuts larger than 3%.[5] This is because government spending constitutes a large part of the GDP. Thus cutting government spending especially when there is low demand in the economy, resulting in an increasing debt-to-GDP ratio.[6] It would be more effective for the government to use its capacity to stimulate growth and employment in the economy. This should be enabled by harnessing and utilising the maximum level of potential resources available for targeted spending in labour intensive sectors of the economy and investing in social services that ensure the progressive realisation of social, economic and cultural rights.

There have been a range of proposals that could be realistically implemented that can contribute to raising additional revenue. These include a review of a range of tax incentives and rebates; maintaining effective personal income tax rates and rolling-back bracket creep over the medium-term; restoring the corporate income tax rate to 28%; and strengthening capital and exchange controls to curb financial outflows, including illicit financial flows, base erosion and profit shifting; and implementing wealth taxes in the medium-term.

In line with the government's overarching fiscal policies, the National Treasury, however, has pegged the tax-to-GDP ratio at 25%. This level is well below the OECD average and inadequate in a context of unparalleled levels of income and wealth inequalities. Over the medium-term, the National Treasury must adjust the tax-to-GDP ratio upwards and enhance the progressivity of South Africa's tax framework. In this regard, it is pertinent to start to set timelines towards the establishment of a progressive net wealth tax on the top 10% of wealth earners; increase the effective personal income tax rates of high income earners and explore additional revenue raising through increased domestic resource mobilisation.

Fiscal consolidation (austerity) is not only not the most effective way to deal with debt, it also has adverse socio-economic outcomes including rising levels of unemployment, inequalities. Moreover, in many instances, austerity fails on its own terms in that reductions in government spending may emanate in a contraction of the economy, leading to rising debt levels over time.

NT and the government is acting unconstitutionally, given that they have been implementing and are proposing intensified austerity measures, which will lead to a

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[5] Klein Martins, Guilherme, "Long-run effects of austerity" (2022). *Economics Department Working Paper Series*. 342 available at: https://scholarworks.umass.edu/econ_workingpaper/342/.

[6] Sibeko, B. & Isaacs, G. (2020). A fiscal stimulus for South Africa. Institute for Economic Justice Working Paper Series, No 3 available at: https://iej.org.za/wp-content/uploads/2020/08/A-fiscal-stimulus-for-South-Africa-Final-IEJ.pdf.

retrogression of Constitutional Rights, whilst failing to explore the possibilities of raising the maximum potential revenue.

4. Fiscal Framework

Over the medium-term, the government proposes to decrease as a proportion of GDP, main budget revenue from 25.3% of GDP in 2022/23 to 24.2% in 2024/25. While main budget expenditure drops from 31.9% in 2020/21 to 28.2% of GDP by 2026/27. In other words, the government is proposing a path of continued austerity over 2024 Medium Term Expenditure Framework (MTEF) that is deeper and more sustained than anything attempted in the past. The proposed changes to the fiscal framework are strongly concentrated on core government services and are likely to lead to a deterioration of service provision and a weakening of the state.

The fiscal measures implemented result in government consumption expenditure contracting in real terms. Total government consumption will drop to 3.2% in 2024 and 0.5% in 2025 in real terms, according to the Treasury's fiscal framework. What this translates to is a smaller role for the government in the economy.

Importantly, real consolidated compensation spending falls by 3% over the medium term. This implies large cuts to the government's workforce. According to the Public Economy Project (PEP), the government will have to reduce employees by 40,000 people over the next two years. This is likely to have enormous implications for basic education, healthcare and the provision of social welfare services. Of concern, the April 2023 salary agreement has not been accommodated in the 2024/25 expenditure estimate; the Government needs to explain how it plans to finance compensation going forward. Does it intend to shift spending away from goods and services and capital, or will the full burden of the shortfall be met by reducing headcounts?

The consolidated budget includes the main budget and spending financed from revenues raised by provinces, social security funds and public entities. The consolidated budget deficit, according to the government, will narrow from 4.9% of GDP in 2023/24 to 3.6% of GDP in 2026/27, with debt projected to stabilise in 2025/26 at 77.7% of GDP. The government is prioritising debt servicing from R155.5 billion in 2023/24 to R187.7 billion in 2025/26 to bring down the deficit and bring about a primary surplus. However, according to the PEP, it is unlikely that the Government will be able to achieve its stated goals.

A more plausible fiscal outlook must include compensation budgets growing by CPI, non-interest spending not being contained, ongoing support for SOEs over the MTEF included on budget (above-the-line), as well as assuming the SRD grant is extended over the MTEF and adjusted for CPI and unallocated reserve is allocated in full to fund the expenditure pressures. The project finds that the main budget deficit will be higher than predicted and that gross debt as a percentage of GDP will increase faster, and not stabilise over the MTEF. According to the PEP, gross debt will be 79.3% of GDP by 2025/26 as opposed to the government's predicted 77.7% of GDP.

Fiscal consolidation is the "new normal" and claims that fiscal consolidation will end after the medium term is unlikely to happen. The main burden of austerity continues to be on government consumption which will hurt critical frontline services over the medium-term.

5. Alternatives to Austerity

The budget should be development oriented and specifically target unemployment, poverty and inequality as seriously as debt stabilisation. There are also alternative ways for the government to raise resources, including through: new forms of tax; new channels of concessional development finance; untapped pools of public funds; and credit allocation policies to lower the cost of available debt.

In a context where it is expected that the government will face a revenue shortfall of up to R44-billion this year, there are a number of interventions that could be implemented to harness additional revenue in an equitable manner. The first area of consideration could be the medical aid rebates the government provides as they advantage the 16% medically insured population, while the majority bears the brunt of an under-resourced health system. Both the government and the OECD have suggested scrapping these rebates. This could raise R28-billion for public health care (this figure excludes rebates for out-of-pocket medical expenses).

A second proposal to generate R25-billion in forgone revenue can be harnessed by maintaining the effective tax rates on income earners with an income of R500 000 per annum and above, as opposed to reducing it as suggested in the 2023 Full Budget Review. In addition, the Government could place a moratorium on its contribution to the Government Employees Pension Fund (GEPF) saving R54 billion. The GEPF annual report for 2022/23 will be published soon. It is reasonable to expect that the GEPF will grow by R200-billion over the financial year, based on the average growth rate over the recent period. This surplus is more than sufficient to cover the benefits of pensioners.

Over the medium term, there are a range of measures that should be implemented to harness greater levels of resources to invest in healthcare, as proposed by organisations like the Alternative Information and Development Centre (AIDC) and the Institute of Economic Justice (IEJ) among others. A progressive net wealth tax is a powerful intervention to redress the massive levels of historical wealth inequalities and the continued concentration of wealth in post-Apartheid South Africa. According to Chatterjee *et al* (2021), a progressive net wealth tax of between 3% and 7% on the top 10% of wealth earners could raise approximately R140 billion in revenue annually.

Our country loses significant revenues owing to corporate tax abuses including illicit financial flows (IFF), base erosion and profit shifting (BEPS); a burden that the everyday South African bears. The Financial Intelligence Centre estimates that between $15 billion and $25 billion dollars is shifted out of South Africa to tax havens each year. There needs to be greater urgency toward implementing publicly disclosed beneficial ownership registries based on country-by-country reporting and the automatic exchange of information along with strengthening capital and exchange controls and increasing South African Revenues Services (SARS) capacity to investigate corporations suspected to be involved in IFF and BEPS. These important measures can contribute to curbing profit shifting, resulting in raising more than R100 billion in revenue each year.

While the worsening economic outlook of our country may appear hopeless, perhaps it could be an opportunity to structure our public finances in an equitable manner that protects the Constitutional rights of our people.

6. Gender Responsive Budgeting

The 2023 MTBPS is yet again a trade off between rights. If the government is serious about its commitment to decreasing the economic gap, it should find more progressive and effective ways to allocate spending across the sectors, especially for women.

With a population of 62 million and 42,2% of households headed by women[7], it is imperative that a gendered analysis is conducted of the impact of any cuts or decreases to allocations. Barriers for women in accessing basic services must be addressed with the intention of narrowing and eventually eradicating the gender gap.

Any budget cuts and underspending can only serve to widen the economic, social and gender gap in South Africa. National Treasury committed to leading an interdepartmental steering committee and working with stakeholders to develop a roadmap and tools to facilitate gender responsive budgeting (GRB) in the February 2023 Budget[8], we argue that this process must be expedited and that members of the public be afforded an opportunity to provide input with a view to ensuring that gender responsive budgeting is institutionalised.

7. Climate Change Financing

We are concerned that the 2023 MTBPS, and Treasury's ongoing commitment to fiscal consolidation in general, has yet to propose serious efforts towards the sustainable mobilisation of financial resources for climate change adaptation, mitigation and South Africa's energy transition.

The continuous and drastic rise in global temperatures - alongside significant changes to weather patterns - due to the rapid burning of fossil fuels poses a colossal threat to societies around the world. For Southern Africa, a global temperature rise above 1.5 degrees Celsius would result in higher levels of food insecurity, mass migration and the debilitation of vital infrastructure as a result of heatwaves, droughts, floods, wildfires and other continuous extreme weather events. In other words, climate change, if not urgently confronted, would render countries like South Africa inhospitable for the vast majority of citizens.

[7] StatsSA General Households Survey, 2021 available at: https://www.statssa.gov.za/?p=15473.
[8] National Treasury: BUDGET 2023 Budget Review available at : https://www.treasury.gov.za/documents/National%20Budget/2023/review/FullBR.pdf.

To avoid climate catastrophe, South Africa must drastically cut down its greenhouse gas emissions. Coupled with this, South Africa must also ensure that remaining greenhouse gases are reabsorbed by the earth's atmosphere through "carbon sinks" such as the ocean and the planet's forests. This attempt to balance emission reduction and emission absorption is what South Africa must pursue to achieve "net zero" by the standards of the Paris Agreement.

South Africa will need to mobilise a great amount of financial resources to undertake a transition away from fossil fuels and towards a low-carbon economy based on a mix of renewable energy. Unfortunately, the process of decarbonisation is largely dependent on mobilising private investment and ensuring the state makes decarbonisation a profitable pursuit for private sector energy generation.This means providing the right incentives, subsidies, guarantees, and support for private sector investment in areas like renewable energy, infrastructure, electric vehicle manufacturing, and so on. This process has unfolded through the Just Energy Transition Partnership and Just Energy Transition Investment Plan.

A crucial aspect of the JETP is South Africa receiving climate financing (loans, investment guarantees and grants) on the condition that it undertakes a series of reforms (to fiscal, monetary, energy and industrial policy) that are suitable to the interests of private investment and suitable to private sector interests eager to penetrate into the energy sector. These reforms include unbundling of the national electricity utility (Eskom) into generation, transmission and distribution entities. The corporatisation of these unbundled entities so that they may function like capitalist enterprises, the entrance of independent power producers into energy generation and the establishment of an independent regulator (sometimes referred to as an independent systems operator) which will function to discipline Eskom while making it easier for IPP's to gain a foothold within a new, competitive energy market.

We maintain that such plans to open up the energy sector to private generation and investment will not only worsen energy poverty (through the pursuit of cost-reflective tariffs) but also expose South Africa to economic risks while diluting economic sovereignty. This method of climate financing has resulted in South Africa seeking more foreign loans that must be paid with interest (in the context of an increasingly weak national currency), building an increasingly indebted state that will only create more justifications for unsustainable cuts to public expenditure. Moreover, surrendering energy production to private sector interests means that South Africa will have less capacity to thoroughly plan and coordinate a truly just energy transition.

Cultivating an economic landscape and energy sector that is hospitable to private investment and the pursuit of profitable decarbonization will lock Treasury onto a path of austerity through continued decreases in corporate tax, interest rate hikes, the easing of collective bargaining, the implementation of casualized work to reduce labor costs and the diluting of environmental and industrial regulations.

Rather than relying on private investment and working to ensure decarbonisation is profitable, the BJC maintains that resources must be firstly mobilized domestically through public investment. This would require the state to halt the process of Eskom's unbundling and begin providing the utility with the financial resources it requires to boost its generative capacity, conduct thorough maintenance and begin transitioning to renewable sources of power. But the process of decarbonisation goes beyond Eskom, as greenhouse gas emissions also largely emanate from the sectors of transport, mining and industrial agriculture. Therefore, the BJC maintains that the Treasury must begin to evaluate how sustainable public investment can be geared towards decarbonizing these mentioned sectors. The alternatives to austerity proposed in this submission can also be utilized towards initiating a publicly led just energy transition e.g halting illicit financial flows, implementing a progressive net wealth tax, alongside taxes on high income earners and unlocking the resources of the Public Investment Corporation (PIC) as the asset manager of the Government Employees Pension Fund (GEPF).

Furthermore, as the BJC we note that the government will be improving its responsiveness to extreme weather events and climate change, however we argue that this cannot be achieved without deliberate gender responsive budgeting. Climate change will have a detrimental impact on all living in South Africa but particularly for women. Any disaster relief and climate change efforts must centre women at the core.

8. Key Expenditure Trends

South Africa spends more on debt servicing costs (than on any other function such as basic education, healthcare and social protection). According to the National Treasury, our gross loan debt increased by 47.2 percent pointing that the government is expected to borrow approximately R553,7 billion per annum over the next three years. The BJC notes with concern the high amounts of debt that have been accumulated over the years which have impacted severely on socio-economic rights.

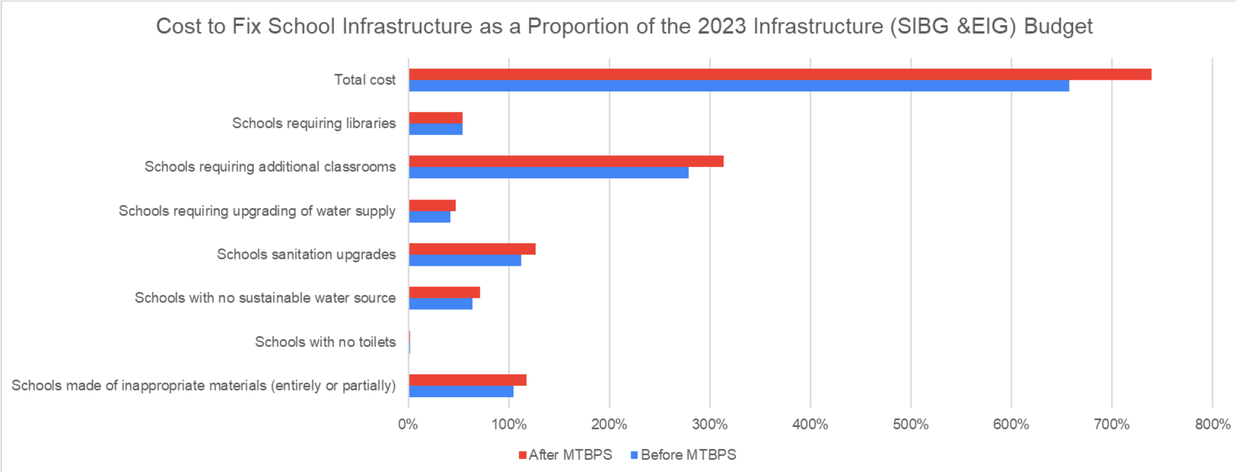
a. Education

While the BJC notes the nominal increase of the consolidated basic education budget of R10 billion (3.1%), when taking CPI inflation into account, this amounts to a 1.4% reduction of the overall budget in real terms. Even though education remains one of government's largest spending items, the overall share of national spending that education takes up has been slowly dwindling since 2016 - it has not kept up with inflation and, most importantly, growing learner enrolment. The sector is plagued by issues like low learning outcomes, school overcrowding, insufficient teachers and failing or absent infrastructure. The consolidated budget growth is below inflation over the MTEF and even if the entire budget was spent with no irregular, wasteful, or fruitless expenditure, the amount of money given to the sector would still be negligent in comparison to what is needed to address the many challenges.

Despite additional money allocated to wages, the National Treasury notes that provincial education departments are still constrained in hiring additional teachers and that this may lead to the exacerbation of overcrowding and reduced learning outcomes. The Treasury says "*To mitigate this, the sector will . . . manage infrastructure projects more tightly*". In the same breath, the Treasury has reduced the already inadequate school infrastructure budget (combined SIBG and EIG) by R1.7 billion. The table below shows the Department of Basic Education's estimated costs of meeting key legally binding minimum standards for school infrastructure as a proportion of the total adjusted school infrastructure budget for the 2023/24 financial year.[9] Just the cost of building additional classrooms to end the yearly school admissions crises and school overcrowding is 314% of the total yearly budget.

Estimated Costs to Meet Legally Binding Minimum Standards for School Infrastructure as a Proportion of the 2023/24 Adjusted Allocation to the Infrastructure Budget[10]		
Issue	**Estimated cost to address**	**Percentage of total adjusted school infrastructure budget (2023/24 MTBPS = 14.2 billion)**
Schools made of inappropriate materials (entirely or partially)	R16 707 992 169	118%
Schools with no toilets	R235 448 747	1.7%
Schools with no sustainable water source	R10 176 117 056	72%
Schools sanitation upgrades	R17 953 386 864	127%
School water supply upgrades	R6 674 438 950	47%
Schools requiring additional classrooms	R44 498 765 853	314%
Schools requiring libraries	R8 646 000 000	61%
Total cost	**R104 892 149 639**	**739%**

[9] Department of Basic Education (13 April 2023), 'Infrastructure Report to Interested Bodies and Unions'. Available here.
[10] Ibid.



In a country where many school children attend school in classrooms built of inappropriate materials and worsened by the increasing frequency of extreme weather events, this cut will only reduce resources available to respond to this.

The National Treasury has justified this reduction on the basis that there is usually underspending and irregular expenditure when it comes to school infrastructure projects. Bad spending practices in infrastructure delivery can largely be attributed to public procurement processes. The development of the Public Procurement Bill, aimed at strengthening these systems, has been slow and fraught with controversy due to its non-alignment with the Zondo Commission recommendations. Government, including the National Treasury, has a duty to provide proper oversight and ensure transparent, cost-effective and accountable public procurement. A reduction of the budget does not solve this issue, rather it punishes the most vulnerable learners, who rely almost solely on government funding, for the State's failure to provide proper oversight and ensure transparent, cost-effective and accountable public procurement.

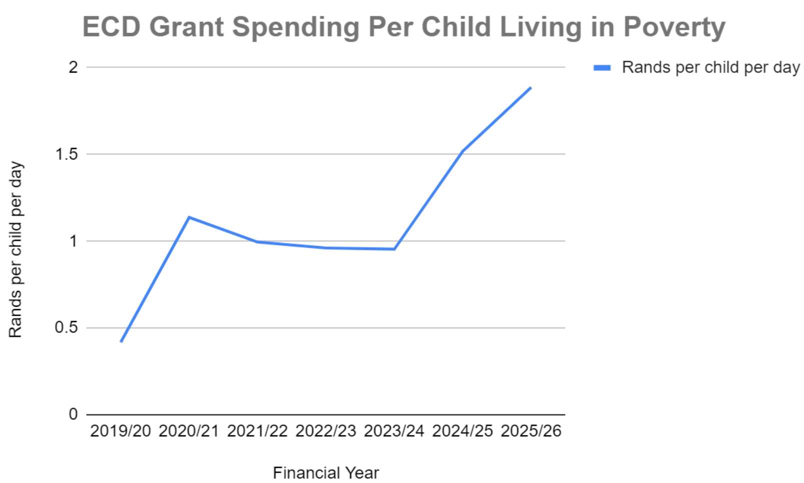
b. **Early Childhood Development**

The 2021 PIRLS results showed that 81% of Grade 4 learners in South Africa cannot read for meaning.[11] Despite this crisis, 70% of public schools do not have libraries and

[11] PIRLS 2021, Available here.

one third of those that do are not stocked with books.[12] Early learning, key to the development of literacy and numeracy, has also not been prioritised.

While funding for the Early Childhood Development (ECD) sector has shown some signs of improvement, it is still vastly inadequate to cater to the just under 7 million children of ECD-going age.[13] This already meager budget has been reduced by R58.1 million (4.7%). The Department of Basic Education reports that 4.7 million of these children live in poverty and are eligible for a subsidy.[14] Learners who benefit from State ECD subsidies – only 25% of children who need it - only receive R17 per day. Even if the South African government used the full ECD Conditional Grant to subsidise all 4.7 million eligible children, each child would only receive R0.95 per day in 2023 and only R1.52 in 2024.



The per child per day subsidy, which is meant to support access to ECD services for learners from low-income families, has not increased in nominal terms since 2019, at R17 per child per day for ECD centres and R6 for non-centre based programmes. This means that in real terms, taking inflation into account, this already wholly inadequate subsidy has actually decreased. Aside from covering the costs of staff, rent and equipment, this subsidy also covers food for learners – only 50% of this subsidy can be allocated to food, which amounts to R8.50 per day. The inadequacy of this subsidy is further highlighted

[12] Equal Education PAIA Request August 2023. Available here.
[13] Department of Basic Education (June 2023) *Comprehensive Progress Report on ECD Function Shift.* Available here.
[14] Ibid.

when considering that many learners in Early Learning Programmes (ELPs) attend centres from 7am to 6pm, and that this R8.50 subsidy is expected to cover the cost of food for learners for the entire day. Erosion of its real value at a time when food inflation is as high as 13% will likely translate into reduced nutritional support for children under five years of age - the group most in need of adequate nutrition to prevent malnutrition and stunting.

c. Health

The BJC is concerned about the erosion of the value of investment in health care by inflation. The 2% nominal increase in health care from 2023/24's proposed R259.2 billion to the MTBPS R264.5 billion may appear to be positive for resourcing access to health care. However, the MTBPS recognises that the value of this investment will likely be eroded by inflation, revised at 5.6% (for 2023/24 fiscal year) coupled with the increasing demand for public health services. In particular, essential health care programmes have received notable cuts including HIV/AIDS funding (4% cut from the main budget's R23.9 billion to R22.9 billion for the 2023/24 financial year translating into R1 billion cut) and Health infrastructure (5% nominal cut from R8.6 billion to R8.1 billion - a R441 million cut). Although funding has been made available to cover the public wage bill, in a context of cost containment measures that encourages hiring freezes, our understaffed health care system will face difficulties redressing staff shortages.

d. Social Protection

The National Development Plan 2030 aims to amongst others ' *create an effective social welfare system that delivers better results for vulnerable groups*…' The BJC argues that this cannot be efficiently achieved without incorporating a universal basic income grant in the long term. The extension of the Covid-19 Social Relief of Distress Grant (SRD Grant) until March 2025 is a short term solution to the increasing social security needs of marginalised persons living in South Africa.

The MTBPS provides additional allocations to provinces to cover the cost of salary increases in terms of the public sector wage settlement. However, the allocations are only for some sectors, such as health and education, but there are no additional allocations for social development. This is despite the fact that the wage agreement, taken at national level, has to be implemented by the provinces. It is unacceptable that provinces will be forced to meet the salary agreements made at national level without sufficient funding to do so, and that this will undoubtedly require cuts in other social spending areas. In 2023, the provincial departments will have to honour their service contracts to NPOs, which provide a large bulk of the welfare services.

9. International Obligations

In 2018, United Nations Committee on Economic, Social and Cultural Rights experts expressed concern that the austerity measures introduced in our Budget could further exacerbate inequality and restrain the redistributive capacity of our fiscal policy. We therefore maintain our call for human rights impact assessments (HRIA's) in the development of our economy and progressive realisation of constitutionally afforded rights.

10. Procurement Reform

The tabling of the Public Procurement Bill is a much-welcomed development from the February 2023 Budget. Although the Bill has been somewhat lauded as a panacea for the currently fragmented legislative system, the BJC and Imali Yethu provided solutions to gaps within the current Bill in our joint submission[15]. Both coalitions argue that in order to have conducive reform that is anti-corruption and curbs state capture, transparency, accountability and oversight challenges must be resolved. Recommendations made include:

10.1 The provision of access to basic procurement information that enables procurement monitoring by the public must be included in the Bill. The Procurement Bill must address

[15] Budget Justice Coalition 2023 "Joint Submission to Parliament on the Draft Public Procurement Bill" available at: https://static.pmg.org.za/230913_BJCSubmission_on_Procurement_Bill.pdf.

this by ensuring adequate access to information and open data, along with active and timely responses to requests for information.

10.2 A clear division of responsibilities must be established within any legislative framework. As it stands the Bill before Parliament centralises power to the Public Procurement Office and the Minister of Finance, which poses significant risks as evidenced by State Owned Enterprises[16].

10.3 The current version of the Bill raises concerns regarding the prospect of fostering an organisational culture shift away from the prevailing approach, characterised by excessive bureaucracy that, in turn, undermines efficient service delivery.

The BJC thus supports the strengthening of the Bill through the implementation of mechanisms as outlined in our submission and by various procurement experts.

11. Enhancing Public Participation

The permanent inculcation of the Fiscal Openness Accelerator[17] process facilitated by the International Budget Project and GIFT, which afforded an opportunity for members of the public to engage in pre-MTBPS discussions and make detailed contributions must be continued. The BJC has noted with grave concern the consideration of public input post-MTBPS when there should ideally be opportunities to shape and influence the budget at an earlier stage. As a coalition we had raised these concerns both in our submission on the fiscal framework in 2022 and in the public hearings on the February 2023 budget. Unfortunately, members of the public have not been updated on the FOA pilot process and could thus not engage on the 2023 MTBPS before it was tabled. We therefore call for this to be resolved in anticipation of the February 2024 budget.

[16] K Zeeman 2023, “Pravin Gordhan accused of interfering in SOEs” available at: https://www.citizen.co.za/news/south-africa/pravin-gordhan-interfering/ .

[17] Global Initiative for Fiscal Transparency available at: https://fiscaltransparency.net/fiscal-openness-acceleration-project/ .