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| **Submission by COSATU on** **the Medium Term Budget Policy Statement 2017** |
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**Submitted to:****Standing Committee on Finance** **Parliament****Republic of South Africa** |

## Introduction

## The Medium Term Budget Policy Statement revealed a crisis of leadership and a dearth of ideas in government

COSATU is extremely disappointed by the government’s Medium Term Budget Policy Statement {MTBPS} delivered by the Minister of Finance Malusi Gigaba last week in Parliament. It is now patently clear that the nation is in the midst of its worst governance and economic crisis since 1994. The MTBPS said nothing, proposed nothing and offered no hope to millions who are poor and unemployed.

The federation had hoped against all hope that government would listen to workers, civil society and the public at large this time around and act decisively to rally the social partners behind a common programme. We had hoped that government would rise to the occasion by acknowledging its failings and producing a meaningful plan to arrest the collapse of the economy, the looting of the state and spur economic growth with the aim of creating decent permanent jobs for all.

This prolonged stagnation in the South African economy was calling for a solid policy response on the part of the government; but last week’s MTBPS revealed a crisis of leadership and a dearth of ideas.

1. **Jobs**

The African National Congress campaigned and was elected on a manifesto that promised the people of South Africa jobs but since 2014 unemployment has nearly doubled to a real rate of 36.2%. Quarter after quarter workers are retrenched and lose their jobs across sectors of the economy and at the same time the state is actively reducing the number of jobs available in the public sector.

Municipalities and provincial departments are increasingly outsourcing permanent public sector jobs to the Expanded and Community Works Programmes, where workers are paid R78 per day with contracts lasting a few months at a time.

The MTBPS shows that the Departments of Agriculture, Environmental Affairs, and Tourism amongst others are woefully failing to meet their job creation targets. Other departments simply don’t even bother with any job creation targets.

The Presidency promised organised labour and business a Presidential Jobs Summit in September 2016 to bring social partners together to stem this jobs bloodbath. None of that has happened. We cannot turn the economy around and resolve the 36.2% unemployment through wishful thinking and rhetoric.

COSATU is deeply disappointed that the Department of Labour has failed to deliver the Unemployment Insurance Amendment Act due to two typing mistakes. This progressive law would have seen billions of UIF funds given to the thousands of retrenched workers and mothers on maternity leave. This law has been delayed since 2013 simply due to capacity challenges in the department and a lack of political urgency. Now it is only expected to be implemented in 2018. The UIF is workers’ money and they must be allowed to access it when workers are being retrenched across the economy.

1. **Governance and Corruption**

Society is rapidly losing faith in government and government’s word no longer holds any value and after today’s MTBPS the situation has gotten worse. We find it extraordinary that government continues to be deafeningly silent about our governance crisis.

The Auditor General, senior Cabinet members and countless media articles paint a picture where more than R100 billion of the state’s trillion Rand budget is lost to corruption, wasteful and irregular expenditure. No Minister, parastatal CEO, private sector CEO, Director General has so far been sent to prison despite this avalanche of looting. After listening to the Minister it is obvious that its business as usual and nothing is going to change in the next coming months because government does not have a plan.

There need to be full scale forensic investigations to the growing allegations of serious corruption at SAA, SABC, Denel, Eskom, SASSA and the SSA.

**State Owned Companies**

The collapse of good governance and widespread looting are well known at SAA, Eskom, SABC, Transnet, SASSA, PRASA, Denel etc. Yet the MTBPS offers no meaningful intervention or plan to stop this crisis. Vague mentions are made of changing SOE boards but there is no indication of a full scale forensic audit in the implicated entities from the National Treasury. We regard these commitments about turning around SOE as meaningless if there is no will to go after the crooks and fraudsters that have collapsed these entities.

It is abundantly clear that the President and the Cabinet are not bothered that South Africa is on the way to being downgraded at the end of November. Government does not seem worried that such a downgrading may see the state then having to pay SAA’s R19 billion and Eskom’s R350 billion debts immediately. This would collapse government and see hundreds of thousands of public servants’ jobs, salaries and pensions at real risk.

At this rate and with no tangible or coherent plans reflected in the MTBPS, COSATU is concerned that we are in serious danger of seeing our government seeking a bailout from the IMF and the World Bank. Such a development would threaten all of government’s progressive socio-economic delivery programmes, hundreds of thousands of public sector jobs and the economy as a whole.

COSATU hopes that the MTBPS’ silence on government’s previous desires to use the PIC (public sector workers’ pensions and workers’ UIF and compensation funds) to bail out SAA, SABC, Eskom and Denel is a sign that government has received the message loud and clear from the workers.

We will not allow government to use our money to bailout these state companies until we have criminals that looted and collapsed these institutions behind bars. If government wants to ask the PIC to invest in SOEs in exchange for above inflation returns, then it must do its job and clean up the mess it created and apply to the PIC like any other economically viable entity that has clean audits and proper governance. Then it will find support from COSATU as we equally do not support the collapse of SOEs and workers’ jobs there.

1. **Fiscal and Monetary Policy, Revenue and Taxation**

The South African economy is barely out of a recession and there is enough room for the South African Reserve Bank to lower interest rates to help lift workers out of bone crushing debt levels and also help spur economic growth. The SARB needs to play a more active and progressive role in protecting and creating jobs.

We have no sympathy with our government pleading of poverty because they do not seem bothered by the Attorney General’s estimate that up to 10% of our state revenue is lost to corruption and wasteful expenditure. The economy cannot afford to allow government to keep over taxing working and middle class families. We cannot afford any more income tax hikes nor a VAT increase.

If government wants more revenue, it must deal with corruption and wasteful expenditure, sort the R6 billion social grants outsourcing debacle and cut down the country’s bloated Cabinet of 78 Ministers and Deputy Ministers by half.

Government needs to develop some backbone by increasing taxes on luxury goods and also raise tariffs on imports. The National Treasury seems not to be bothered by the UNCTAD’s revelations last year that the mining sector under invoiced government to the tune of R1 trillion between 2001 and 2014.

If government has no appetite to force the rich to pay their taxes in full, then it cannot expect sympathy from the workers and the poor.

The plans by government to privatise state assets without consulting social partners and stakeholders will backfire. COSATU will not support privatisation as this will see permanent decent jobs scrapped in favour of labour brokers and will also wreck havoc and compromise workers’ salaries, job security and pensions.

**Debt and Expenditure Levels**

The federation is deeply alarmed at the massive rise in state debt levels. It cannot be business as usual when the MTBPS projects a rise in state debt from R2 trillion today to R3 trillion by 2020. This is unsustainable and is putting workers’ jobs, their pensions, service delivery and the entire nation’s sovereignty at risk.

Debt levels need to come down urgently; starting with elimination of the endemic and rampant corruption. Government needs to engage with unions and other social partners on ways to stabilise the state as soon as possible.

Government needs to stop blaming teachers, nurses, police officers, prison warders, doctors and municipal street cleaners for the wage bill. It must reduce the out of control salaries of SOE CEOs and executives, Political Office Bearers including the Directors General. We cannot blame nurses earning less than R200 000 whilst the CEOs of Transnet, Eskom are taking home more than R8 million annually.

Government needs to learn the value of engaging workers and go to the Public Sector Collective Bargaining Council to discuss which posts are critical for service delivery and cannot be frozen and which posts are not. It is difficult to have faith in government when it freezes critical health and education vacancies and wants to reduce police posts yet we see a massive rise in the size and budget of the Presidency and other policy departments. If government is serious about a way forward then it must engage unions and it will find real progressive solutions are possible.

1. **Key Departments**

**Energy**

Energy remains the epicentre of state looting it is the catalyst which threatens to cause the state to collapse. COSATU welcomes the MTBPS’ acknowledgement that Eskom and Nersa must stop fleecing workers and the economy with massive above inflation hikes. What is troubling is that government is thin on details about how it plans to bring Eskom under control and that the Minister for Public Enterprises supports these massive tariff hikes.

COSATU welcomes the Minister’s bold and refreshingly honest statements that the expansion of nuclear energy is both unaffordable and unnecessary at a price tag of R1 to R3 trillion nuclear plans. We hope that this will be explained to the President, the Ministers for Energy and Public Enterprises and Eskom.

We hope this will stop the clandestine and behind the door plans to commit the country to another deal that will see the notorious arms deal looking like a picnic. It is still puzzling that demand for electricity caused Eskom to close 5 coal plants, but there is still hush talk about an expensive nuclear deal.

It is equally disappointing that the Department of Energy has failed to make any progress with regards to its targets to roll out solar panels to poor households this year.

**Social Security**

Social Security has provided a life line to millions of poor South Africans, especially women and children. This has long been a key victory of government. However despite the President’s 2015 January 8 speech’s commitment to end outsourcing in the state and the Minister for Social Development’s rhetoric to defeat white monopoly capital, the payment of social grants has been outsourced to a foreign white owned monopoly at a cost of R6 billion per annum.

Despite several Constitutional Court judgments and interventions and ANC policy conference resolutions, the Ministry and SASSA continue to delay in-sourcing this function to the Post Office and Post Bank. By the looks of things, the National Treasury and the entire government are in no hurry to build the state’s capacity to provide this much needed service to the poor.

**National Health Insurance**

COSATU strongly supports the envisaged NHI. However we are deeply concerned it is being delayed and watered down under extreme pressure by an industry that sees its exorbitant profits under threat whilst workers die of easily curable diseases.

We are concerned that government is in a rush to cancel medical aid tax rebates for workers, whilst it has not shown itself to be capable of managing funds and infrastructure in line with the good governance objectives of the PFMA.

**Basic Education**

COSATU is shocked that the Department of Basic Education has only built 3 out of a target of 115 new schools, provided water to 1 out of a target of 344 schools, provided sanitation to 4 out of a targeted 257 schools, and electricity to 29 out of 77 schools so far this year.

This is shocking, yet government is silent on how it will fix this mess. Learners and teachers deserve a decent and safe teaching and learning environment and government needs to wake up from its slumber.

**Higher Education**

COSATU strongly applauds the massive increase in funding that government has given to tertiary students and universities over the past few years. However there is no plan emanating from government on when and how will free tertiary education be delivered.

It is deeply worrying that the Presidency is not sharing the Heher Commission’s report on higher education with the nation. We cannot afford to delay whilst students battle to cope with massive fees and universities are buckling to fund quality education.

**Water and Sanitation**

South Africa is one of the 30 most water scarce countries. Cape Town will run out of water by March. Many informal areas lack decent sanitation. Schools as well. Yet the Department has failed to achieve more than 90% of its targets this year. And the MTBPS is silent.

**Transport**

Transport is the lifeline of creating jobs and growing the economy. Yet government and the MTBPS have no urban transport plans. They only refer to MyCiti busses in Cape Town and say nothing about the rest of the country. They are silent on the governance and corruption crisis in PRASA and still weirdly believe in that failed and universally rejected concept of e-tolls.

**Housing**

The Department and its provincial and local counterparts’ failures to meet 90% of their targets this year is deeply alarming. Yet the MTBPS is once again silent on this, despite the fact that this happens whilst the number of informal settlements and homelessness are rising across our cities.

1. **Key Recommendations**

Key recommendations that COSATU is calling for amongst others to turn the state, the economy and the nation around include:

* 1. The resignation of the President and key Ministers alleged to be involved in corruption or the collapse of the Departments of Social Development, Energy, Cooperative Governance, Water and Sanitation and Mineral Resources. We cannot expect change with the current and deeply compromised leadership.
	2. Convening of the long promised Presidential Jobs Summit with labour and business to engage and agree upon a jobs and economic stimulus programme as a matter of urgency.
	3. The overhauling of the boards and executives of SAA, SABC, PRASA, Denel, Eskom and SASSA.
	4. The commissioning of full scale independent forensic audits of the SAA, SABC, Denel, Eskom, SASSA and SSA.
	5. The investigation and prosecution of those responsible for state corruption, both government and private sector persons involved.
	6. Lifestyle audits of senior public and private sector leadership across the board.
	7. Deployment of officials from the Chief Procurement Officer’s office to oversee supply chain management in all municipalities and SAA, SASSA, SABC, Eskom, Denel, SSA and PRASA.
	8. Crackdowns on tax evaders.
	9. Meaningful cuts of wasteful expenditure by the leadership of government and SOEs.
	10. Engagements with unions on wages to reduce expenditure, the freezing of vacancies and the wage bill at the PSCBC.
	11. A parliamentary bill to protect the integrity of the PIC.
	12. Cancellation of all nuclear expansion plans.
	13. Insourcing the payment of social grants through the Post Office and Bank.
	14. Fast tracking the establishment and roll out of a progressive and comprehensive social security and National Health Insurance.
	15. Eradicating the infrastructure backlog at schools.
	16. Fast tracking engagements on free and affordable tertiary education.
	17. Development and implementation of a water plan for the nation along the lines of the electricity war room previously.
1. **Conclusion**

There are few who doubt that the nation is facing its worst crisis since 1994 and this is a crisis spurred on by our compromised and bungling leadership. We still believe that the fundamentals are there to turn the state and economy around but what is lacking is a bold, decisive and imaginative leadership.

The MTBPS has only served to prove one thing that government does not grasp the extent of the crisis and also has no idea how to stop and fix it.

This was not just a missed opportunity but it was a sadly revealing moment for the country.

COSATU is willing and ready to play its part, engage with government and business on meaningful solutions.

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