**Submission to the Standing and Select Committees on Appropriations: Division of Revenue Second Amendment Bill MTBPS 2020**

**For the attention of the Committee Secretaries; Mr D Arends and Mr L Nodada**

**Submission produced and endorsed by:**

**#PayTheGrants of the Cash Transfers subgroup and the Education subgroup of the C19 People’s Coalition**

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**About the C19 People’s Coalition**

The C19 People’s Coalition is committed to ensuring that the South African response to the COVID-19 virus is effective, just, equitable, and meets the needs of the most marginal in our unequal country.

We are an alliance of social movements, trade unions, community organisations and NGOs united by the [Programme of Action](https://c19peoplescoalition.org.za/poa/) we’ve all endorsed. 379 organisations have endorsed the Coalition. The list of organisations that have endorsed the Programme of Action is available[**here**](https://c19peoplescoalition.org.za/about-us/)**.** Read [more about the Coalition](https://c19peoplescoalition.org.za/more-about/) on our website.

**Introduction:**

We make this submission while acknowledging that there has been concern that civil society’s input into the budget and government committee processes is often not [taken seriously](https://www.outa.co.za/blog/newsroom-1/post/national-budget-needs-stronger-civil-society-input-986). In the document we recently sent to the Finance Committee, we acknowledged the constraints that the short turnaround time for submissions and presentations places upon the public, especially those of us who take formulating a collective response seriously. We urge both the Finance and Appropriations Committees to urgently consider and implement measures to make public participation in the budgeting process of this country more accessible and viable, as our experience is increasingly one of this participation being largely relegated to a tick-box exercise.

Generally, what we are seeing is a hollowing out of functioning at the provincial and municipal levels, with incredibly worrying implications for frontline service delivery. We are being asked to be inspired by catchy new intervention, even when the majority of similar, previous interventions are now failing or lying abandoned (examples include the implementation disaster of the emergency food parcel scheme or in the roll-out of the grants, the complete silence around the GBV and Femicide emergency plan, and the current disinvestment in the NHI). We are also being asked to believe in these new interventions when we are still facing crippling levels of inefficiency that we consistently refuse to adequately address. The lack of focus on investing in existing infrastructure shows a short-sighted perspective, in no way geared towards the kind of systems strengthening we desperately require.

In the Explanatory Memorandum, or the narrative explanation of the technical data, Treasury attempts to put their ‘best foot forward’, and highlight the greatest contributions to stated ‘priority areas’. What this means, is that a lot of problematic areas and/or reductions remain hidden within the more technical aspects. This submission will briefly highlight some of these omissions below. However, what is perhaps most startling, is the gross inadequacy of many of the aspects that Treasury have chosen to highlight. This too will be elaborated on below but constitutes a severe failure, when we are currently in the midst of the extraordinary emergency of the COVID-19 pandemic and, what many analysts and affected communities themselves are rightfully calling a severe humanitarian crisis.

Constitutional considerations that are important in relation to the Division of Revenue Second Amendment Bill can be found in Chapter 13, Section 214. Notable obligations, in relation to equitable shares and allocations of revenue, are stated in subsection 2, and include the following: (d), which states “the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them”; (f), which states that the  “developmental and other needs of provinces, local government and municipalities” must be taken into account; (g), which states that “economic disparities within and among the provinces” must be taken into account; and (j), which states that “the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria” must also be taken into account. We believe that many of these obligations are violated by the Bill we are commenting on, which we will describe in some detail below.

**CHANGES TO PROVINCIAL ALLOCATIONS:**

**Provincial Equitable Share:**

R25.3 billion is reduced from the **public service wage bill** in the *Provincial equitable share*. However, the adjusted provincial budgets for 2020 are not yet publicly available. As a result, little detail is provided on how these reductions will be effected: through reductions in salaries or reductions in the number of personnel, and whether these reductions will focus on management positions or actual service provision posts, such as teachers. The lack of detailed information on the nature of these wage cuts demonstrates a lack of rigour, insofar as budgeting processes with complex and possibly unforeseen consequences are not subject to correction by public oversight and deliberation. The way in which this lack of detailed information presents obstacles for meaningful participation is worrying in terms of democratic processes.

To look, for a moment, at potential impacts in relation to the South African **education sector**: Government has indicated that it aims to effect the majority of its wage cuts in labour intensive sectors such as learning and culture. These sectors are overwhelmingly staffed by black womxn. As a result, if wage bill cuts are effected by reducing teachers’ wages, then this will disproportionately harm black womxn and further exacerbate the racial and gendered impacts of the pandemic. If wage bill cuts are effected by reducing or freezing teacher posts, the harms will overwhelmingly impact poor black children, as the class sizes continue to increase. Increasing class sizes are a direct consequence of government deprioritising basic education funding over the past five years. When taking into account inflation, the total spend on education has declined year-on-year for the last four years, while spending per learner declined by 2.3% between 2009 and 2018. Within this context, such wage bills cuts may undermine the right to education. An estimated 600,000 children with disabilities are out of school, (notable here is that there have been no allocations to the *Learners with profound intellectual disabilities grant*, either in the Special Adjusted Budget or the MTBPS). Further to this, approximately 1.6 million children without documentation (mostly in rural areas) have not been able to access schooling. Meeting the state’s obligation to ensure that these children are brought back into the schooling system will require more teachers, not less.

The DoR Second Amendment Bill states that “in response to job losses resulting from the COVID-19 pandemic, additional funds were provisionally set aside as part of the stimulus package to create jobs through labour intensive projects” (2020: 23). Increases to the *Provincial equitable share* for the **Presidential Employment Initiative**/ Education Employment Initiative are concentrated in Kwa-Zulu Natal (approx. 1.4 billion), Eastern Cape (approx. 1.2 billion), and Gauteng (approx. 1 billion). In light of volatile labour market dynamics that the COVID-19 has brought about, the allocations of these funds should be proportional to the number of those out of the labour market. As is, the allocations to provinces do not reflect the proportions of those unable to be absorbed into the labour force. The reasoning of why the allocations have been made in the current form needs to be expanded on, and adjusted to reflect the number of unemployed and discouraged work-seeking people. Those unemployed and not economically active (which have seen large decreases and increases respectively) are likely to revert to pre-COVID levels over time. The provincial allocations should aim to expedite this process as well as cater for quality, stable employment opportunities for those still left out of employment. We remain highly sceptical of these new interventions for job creation, especially when the 800k jobs in the President’s plan will, at best, only recover one third of jobs lost in the crisis, and when this still, at best, leaves 12 million people unemployed.

In relation to **insufficient additions** to the *Provincial equitable share* (PES), the Explanatory Memorandum states that R7 billion is added for the education employment initiative (one of the new Presidential Employment Initiatives), and that R500 million is added for emergency food relief. However, these stated additions are highly misleading when the MTBPS allocations to the PES were decimated by an overall reduction of R17.8 billion (Schedule 2 or table A.1). This reduction will undoubtedly cripple service provision by the provinces, at a time when that desperately needs strengthening in order to anywhere near adequately address the emergency of the pandemic.

**Provincial Conditional Grants:**

In the Explanatory Memorandum to the Division of Revenue Second Amendment Bill, it is stated that as part of a response to the COVID-19 pandemic, R213 billion is being added to the *HIV, tuberculosis, malaria and community outreach grant: community outreach service component*. This refers to an addition within Programme 3 (Communicable and non-communicable diseases) of Vote 18: Health, but what this doesn’t mention is that, within this same grant, there are virements, shifts and adjustments, that actually see this grant face an overall *reduction* of R89 million (2020: 160, AENE), including an overall reduction to the provinces, responsible in many instances for front-line service delivery, of R10.6 million (Schedule 5, Part A).

Also highlighted is a R180 million addition to the *Statutory human resources, training and development grant*: *statutory human resources component* (Appendix D to Schedule 5, Part A), for the appointment of approximately 1000 nurses and 1000 assistant nurses. Notable here is an extraordinarily high allocation for a comparatively low level of impact in terms of the number of nurse and assistant nurse posts filled. Further, what this doesn’t mention is that the *training and development* componentof this same grant is taking a cut of R26 million, meaning a smaller overall increase from what’s stated at R154 million (DoR 2nd Amendment Bill: 73), and a potentially worrying neglect of training and development at a time when we should undoubtedly be prioritising the strengthening of health systems.

Another ‘best foot forward’ is the addition of R496 million to the *Early childhood development grant*, primarily to support early childhood development workers. While we welcome this addition, it is greatly concerning that despite the urgent context of COVID-19, changes to this grant are the only changes/emergency measures being implemented for Vote 19: Social Development, other than the inadequate extension of the Social relief of distress (SRD) grant until the end of January 2021 (which includes the emergency food relief). Allocations to other critical areas of Social Development, the purpose of which is to “ensure protection against vulnerability” (2020: 169, AENE), should be more extensively prioritised in the context of severely exacerbated and ongoing vulnerability brought on by the pandemic.

It is outrageous that despite multiple [exonerations](https://c19peoplescoalition.org.za/joint-statement-extend-and-increase-special-grants-to-prevent-a-humanitarian-crisis/) from civil society and affected communities, including in our [previous submission](https://c19peoplescoalition.org.za/parliamentary-submission-special-supplementary-budget/) on the Special Adjusted Budget, and despite the overwhelming evidence that we are absolutely still in the midst of a horrific crisis situation, there is zero comment in the MTBPS of any more sufficient social protection or investment in social development, other than the grant above, and the brief extension of the Special COVID-19 Social Relief of Distress (SRoD) grant, until the end of January 2021.

During the speech about the economic recovery plan, President Cyril Ramahosa’s announced that the has been extended for 3 months (until the end of January 2021). While the brief extension of the Covid grant is welcome, the withdrawal of the Caregiver Grant (after October 2020) displays [contempt for women and children](https://c19peoplescoalition.org.za/coalition-statement-presidents-inadequate-grant-announcement-is-deeply-anti-women-and-anti-poor/). We are also dismayed at the persistence of the insufficient grant amount, the period of extension and the dismal implementation of the SRoD grant.

The Caregiver Grant has provided crucial support to womxn as the gender wage gap has worsened. Nearly half of all Caregiver Grant claimants, who had a job in February, had lost their job by June – in this context, the Caregiver Grant has been an indispensable measure in relation to job losses. We have also seen an increase in core staple food prices. According to the Pietermaritzburg Economic Justice and Dignity Group, between July 2020 and August 2020, the cost of these core foods increased by 2,3% (R31,75). Over the past five months of lockdown, the cost of these core foods increased by 8% (R106,06); and year-on-year, the cost has increased by 15,6% (R193,84). The cost of the core foods is at the highest level we have ever seen. While the top-ups have helped, they have not been enough to protect families from the negative impacts of the lockdown or COVID-19. The absence of the Caregiver Grant makes womxn, in particular, more vulnerable to the blows of poverty and the negative effects that arise from parts of the MTBPS.

In the Explanatory Memorandum, attention is also drawn to R630 million supposedly added to the *Provincial roads maintenance grant*, which seems like a welcomed prioritisation but fails to mention that this is an addition *after* this grant was gutted by a reduction of R1.7 billion in the 2020 Special Adjusted Budget, meaning an overall reduction to this grant in 2020 of R1.1 billion (Schedule 4, Part A). It is also stated that this MTBPS addition of R630 million is for the creation of 50 000 jobs. When 10.3 million people are currently unemployed (PMBEJD Household Affordability Index, October 2020), this highlighted ‘big intervention’, even if it operates with 100% implementation efficiency (which is unlikely), goes nowhere near far enough in terms of creating an adequate impact.

There is a stated R475 million roll over for the the *School infrastructure backlogs grant*, which highlights the positive impacts of this grant, but fails to mention that this evidences a *failure to spend R475 million* in allocations in the previous financial year. This is particularly concerning, when this roll over is, in the MTBPS, actually cut by R336 million, meaning no new spend on, and a massive reduction to, this an area that could easily have been seen as a vital component of an adequate COVID-19 response. This reality is egregious when considered against the recent context of massive cuts - in the 2020 Special Adjusted Budget (Schedule 4, Part A) - to the Education Infrastructure Grant, of over R2 billion! None of this belies a longstanding lack of urgently required and life-saving prioritisation of school infrastructure in South Africa, or investment in long-term systems strengthening.

Provincial conditional grants are reduced by a huge R1.3 billion in order to finance the rescue plan for South African Airways (SAA). At a time when people are literally being subjected to slow starvation, and are being told that there is simply ‘no money’ to adequately redress poverty and inequality, exponentially aggravated by the pandemic, it is outrageous, both that R10.5 billion is somehow ‘being found’ to finance SAA, and that that is actually coming from debilitating reductions to essential services.

Other reductions to Provincial conditional grants that are mentioned in the Explanatory Memorandum include:

* A whopping R273 million cut to the *Provincial emergency housing grant*, the purpose of which is “to provide funding to provinces for provision of temporary shelter assistance to households affected by disasters or a housing emergency” (Schedule 7, Part A). This massive reduction in the context of an ongoing emergency context is, at the very least, questionable, but also implies an abandonment of the most vulnerable and - because poor households are most likely to be subjected to disasters and emergencies - a clearly anti-poor positionality.
* R240 million is reduced from the *National Health Insurance indirect grant* (Schedule 6, Part A). This, considered with: the R56 million reduction to the *National tertiary services grant* (responsible for “ensuring the provision of tertiary health service in South Africa”); the R42 million reduction to the *National Health Insurance grant;* the R52 million cut to the *Health facility revitalisation grant*; and the R26 million reduction to the *Statutory human resources, training and development grant* (the purpose of which is to “appoint statutory positions in the health sector for systemic realisation of the human resources for health strategy and the phase-in of the National Health Insurance”) exemplify a nonsensical postponement of health system strengthening, towards the implementation of the NHI, despite the current context of the COVID-19 pandemic... when the benefits of strengthening health systems and reducing the inequalities in accessing those systems should be startlingly clear. We cannot help but ask if this neglect, coupled with the investment in flashy new Presidential initiatives, indicate a lack of faith in the existing infrastructure, programmes, and indicators to deliver the required results? We are also of the position that it is irresponsible to be making such detrimental cuts to the Health sector when inequality is so rapidly accelerating - requiring and necessitating the urgent fulfillment of even basic socio-economic rights - and when the right to health is so effectively co-constitutive of so many other rights too.
* R37 million is reduced from the *Title deeds restoration grant*, with this cut being *in addition* to the R377 million reduction to this same grant in the 2020 Special Adjusted Budget (Schedule 5, Part A). When a project intended to address the “pre-2014 title deeds registration backlog” is being largely abandoned in 2020, questions around capability become inevitable.
* From Sports, Arts, and Culture, R4 million is reduced from the *Mass participation and sport development grant*, which we believe makes sense in the context of the restrictions of COVID-19. However, R14 million is also reduced from the *Community library services grant*, which we worry will have long term ramifications, especially when this cut is *in addition* to a R312 million cut in the 2020 Special Adjusted Budget. This massive reduction of support to literacy and accessible education is symbolic of how South Africa fails its people and, especially, of how it fails the poor, making drastic cuts to allocations “primarily targeting previously disadvantaged communities” (Schedule 5, Part A).
* From Agriculture, Land Reform and Rural Development, we are seeing a R14 million reduction from the *Comprehensive agricultural support programme grant*, a R5 million  reduction from the *Ilima/Letsema Projects grant* (the purpose of which is to “assist vulnerable South African farming communities”), and a R980 000 reduction to the *Land care programme grant*, all culminating in an active disinvestment in sustainable food security, bizarrely; at a time when problems of food security absolutely constitute a humanitarian crisis.

Other notable elements of this Bill that aren’t mentioned in the narrative are a lack of prioritisation for the *National school nutrition programme grant*, with no allocations made in either the Supplementary Budget or the MTBPS, despite learners returning to schools and despite a desperate need for radically increased food security at this time. Further in relation to inadequate investment in food security at this time, a further knock to the *Ilima/Letsema indirect grant* (which is to “assist vulnerable South African farming communities”) is evident in the complete lack of adjustments in either the Adjusted Budget or the MTBPS.

In the midst of a pandemic, when the importance of adequate planning and foresight for emergencies should be nothing short of resoundingly clear, there are no new allocations to the P*rovincial disaster relief fund- emergency preparedness grant;* a potentially detrimental ommission and violation of Chapter 12, Section 214, Subsection 2, point (j) of the Constitution, mentioned earlier in this submission.

The MTBPS also makes no adjustments to the 2020 Supplementary Budget cuts of R68 million to the *Maths, science and technology grant* (targeted at public schools) and R59 million to the *HIV and AIDS (life skills education) grant*, once again indicative of a disinvestment in the youth of this country. From Human Settlements, the R1.7 billion cut to the *Human settlements development grant* from the Special Adjusted Budget, is not addressed by any MTBPS revisions and there are also no new allocations to (and therefore a lack of prioritisation for) the  *Informal settlements upgrading partnership grant for provinces*. What this all indicates, to a large degree, is an abandonment of informal settlements and of the most vulnerable.

In Public Works and Infrastructure, there are no changes, in either the Adjusted Budget or the MTBPS to either the *Expanded public works programme integrated grant* for provinces or the *Social sector expanded public works programme incentive grant* for provinces. Again we worry about an abandonment of existing infrastructure for job creation, at a time when our excessively high levels of unemployment necessitate the stimulation of job creation on multiple fronts. We strongly recommend that if existing systems are no longer working for their intended outcomes, that they be urgently reconceptualised and revised, rather than simply neglected.

**CHANGES TO LOCAL GOVERNMENT ALLOCATIONS:**

We are concerned about the incredibly high rollovers within the Municipalities, particularly those within the Nelson Mandela Bay Metropolitan Municipality (NMBMM), which include: R390 million in the *Urban settlements development grant* (which refers to the value of incomplete bulk infrastructure projects in NMBMM, despite a massive reduction to this grant in the Special Adjusted Budget of R1.1 billion) and R98 million in the *Public transport network grant* (which means incomplete integrated public transport network/IPTN infrastructure in NMBMM, which could relate to the massive reduction to this grant in the Special Adjusted Budget of R1.9 billion, which is now further exacerbated by a R253 million reduction in the MTBPS).

While the Explanatory Memorandum states that there is an “additional allocation” for the indirect component of the *Water services infrastructure grant* - seemingly indicating a prioritisation for the implementation of water service interventions - this R12 million is reprioritised money from within the Department of Water and Sanitation, meaning that this is not new spend and that the focus on this area is, somewhere else, depriving the functionings of the very same department. This is particularly concerning when considered in conjunction with the R307 million that is rolled over in the *Regional bulk infrastructure grant*, meaning massive underspend for drought and COVID-19 water and sanitation interventions nation-wide, a situation which can only be further worsened by the R55 million MTBPS reduction to this grant and the MTBPS reduction of R78 million from the *Water services infrastructure grant*. Not only is there no new spend here in order to enable service delivery at the municipal level, there is also massive unaddressed inefficiency and an active disinvestment in delivering urgently needed water services; a stark contrast to the MTBPS allusions towards the strengthening of municipal capabilities and infrastructure.

Local government conditional grants are particularly hard hit with reductions of R613 million, in order to fund the rescue plan for South African Airways (SAA). The prioritisation of spending on a failing state owned enterprise, very much *at the expense of* frontline service delivery - at a time when levels of vulnerability are reaching unprecedented heights - is indicative of a general abandonment of human rights principles within the budget and a tendency to unforgivably neglect those that most desperately need support.

From Cooperative Governance, which is specifically tasked with creating effective service delivery; R180 million is cut from the *Municipal infrastructure grant* and R12 million from the *Integrated urban development grant*, which are explicitly responsible for providing infrastructure for the poor and for eradicating basic municipal infrastructure backlogs for poor households, respectively. This disinvestment in service delivery for the poor, within the context of the pandemic, is nothing short of reprehensible.

An additional R18 million is reduced from the *Integrated national electrification programme (Eskom) grant* after this same grant was cut by R1 billion in the Special Adjusted Budget. While we are adamant that the people of South Africa must be prioritised above the bail-out of  SOEs, these cuts are worrying when Eskom remains responsible for the service delivery of life saving and enabling electricity, and when this grant is specifically purposed towards “addressing the electrification backlog of all existing and planned residential dwellings, including informal settlements and farm dwellers.” This is in addition to a R500 million cut to the similarly focussed *Integrated national electrification programme (Municipal) grant* in the Special Adjusted budget. When backlogs already disproportionately affect the poor, this again seems like a hostile move in relation to the most vulnerable.

Worsening the neglect for informal settlements already exhibited within the provincial sphere of government, we note a complete lack of allocations to the *Informal settlements upgrading partnership grant*, and thus an ongoing lack of prioritisation for informal settlements within the municipalities, in each and every budget: the National Budget, the Special Adjusted Budget, and the MTBPS!

Further indicative of severe neglect for the most vulnerable, R12 million is reduced from the *Neighbourhood development partnership grant*, which is specifically geared towards “improving the quality of life, and access to opportunities for residents in South Africa’s under-served neighborhoods, generally townships and rural towns.”

In relation to existing channels for job creation at the municipal level, the *Infrastructure skills development grant*, geared towards employing graduates into municipalities, takes a R2 million cut, in addition to the R8 million cut to this grant that occured in the Special Adjusted Budget, and the *Expanded Public Works Programme integrated grant* for municipalities, sees no new additions, in either the Adjusted Budget or the MTBPS.

Municipal strengthening does not seem to be a priority at this time, despite the municipality being an indispensable frontline provider of service delivery. We see no allocations, in either the Adjusted Budget or the MTBPS, to the *Local government financial management grant*, despite the essential role that this grant could play on positively impacting some of the municipal inefficiencies outlined earlier. Even worse is the complete lack of allocations to the *Municipal systems improvement grant* since the National Budget was tabled in February.

**CONCLUSION:**

We take very seriously the fact that we are in times of severe fiscal constraint and this is why we are so concerned about ineffective conceptualisation and implementation at this time.

As we have stated before; there is no way out from this crisis without drastically reducing inequality in this country. The MTBPS fails in this regard. When we are discussing policies, we have to remember that we are measuring the impacts, literally in human lives. We desperately need efficient and creative policies to match the complex challenges of the moment. This is one of the reasons why we are demanding the extension and increase of both the SRoD grant and the Caregiver grant, as a first step towards the implementation of a Universal Basic Income Guarantee (UBIG) in South Africa. A UBIG is a good policy option at this time because this single measure has multiple proven benefits, which would address some of the dire neglect spelled out above, such as:

* Improving health outcomes, both in crisis-preventative and health-constitutive ways (including through positive impacts on mental health) and strengthening access to health systems. An increased income allows people, especially the most vulnerable, to safeguard themselves against COVID-19. A UBIG gives people the means with which to buy the necessary PPE and disinfectants that protect themselves and their households, likely decreasing further infection rates as well as burden on the healthcare system. A UBIG also increases the variation in diet, which strengthens immune systems. Further, a UBIG supports the costs involved with preventative healthcare measures.
* Reducing GBV as people have increased financial agency, which empowers people, especially womxn, to better navigate difficult intimate relationships and situations.
* Job creation and retention. A UBIG supports those in self-employment and the informal sector. This is especially important now, with small and informal businesses using savings for consumption rather than continued, sustainable business operations. A UBIG also buffers the job-seeking costs incurred by those not earning income, thereby enhancing the rate at which employment, incomes, and tax revenues recover. Research has also overwhelmingly shown that a UBIG motivates and enables people to look for employment.
* Creating a necessary ‘buffer’ for emergencies situations. The nature of the pandemic has drastically reduced the number of people in employment, as well as the incomes of those still in employment. Appropriate support by government is necessary to maintain any decent level of dignity, especially for those with many dependents in their household. Similar fiscal stimuli have been implemented around the world, as well as in South Africa in the form of the SRoD grant. A UBIG increases consumption spending, keeps money in the local economy, and directly supports the quality of life of the South African public. Not only is this one of the best fiscal responses in a pandemic, it is arguably one of the better ways to address the burdens of unemployment, poverty, and inequality in South Africa in the long term. We have already seen the massively positive effects of the SRoD grant in this regard, albeit for too few people and at too low a level.

None of this is to say that a UBIG should *substitute* for adequate service delivery (which, as we have expressed at length, gravely concerns us) however, we do see a UBIG as a vitally important and urgently required measure for the current and future context. What we need now is systems strengthening (including through the increased capacitation of the provincial and municipal spheres of government), as well as appropriate, comprehensive, and fiscally responsible interventions that adequately serve the people… not just new names for a failure to deliver.

**END**