

COSATU Submission:

Division of Revenue Amendment Bill - Medium Term Budget Policy Statement (MTBPS)

19 November 2021



COSATU

Submitted to:

**Standing Committee:
Appropriations**

National Assembly

Republic of South Africa

1. Introduction

The Congress of South African Trade Unions (COSATU) is disappointed by the tepid Medium-Term Budget Policy (MTBPS) tabled by Government at Parliament.

The MTBPS provided few new ideas or interventions to grow an economy that is in its deepest recession in a century and with an unemployment rate that has breached 44% and is rising. No new allocations were provided to stimulate a stagnant economy.

No new measures were provided to increase badly needed state revenue, nor to deal with the ballooning levels of corruption and wasteful expenditure. No practical plans or steps were provided to rebuild a capacitated developmental state, to stabilise and save our battered State-Owned Enterprises (SOEs) or fix the litany of dysfunctional municipalities.

The essence of the MTBPS as with the previous Budgets of the past few years has been to shift the blame to the public service wage bill.

This approach is tantamount to outsourcing the bill for corruption, state capture and mismanagement to nurses and teachers. It fails to address the real causes of the economic and fiscal crises.

In short, the MTBPS is a missed opportunity and the economy and workers will pay the price for that.

2. Economic and Social Relief Measures Needed to be at the Heart of the MTBPS

COSATU had hoped government would have placed the revival of the economy and providing relief for distressed workers, the unemployed and businesses at the centre of the MTBPS. Our greatest challenge is an economy that is in a deep recession, where 1.5 million jobs have been lost during the pandemic, where young people struggle to find work.

2.1 Mass Stimulus Package

What is needed is a mass stimulus package. That is what the United States, Europe and China have successfully done to turn their economies around. This would help battered businesses, save and create jobs and thus increase state revenues to reduce the debt trajectory to a sustainable level. The MTBPS did not provide for that.

Simply adopting austerity cuts and hoping for miracles is not an economic model that will take the economy forward. There are few details that say how we will in the near future drastically reduce our unemployment rate from the dangerously high level of 44%.

COSATU agrees with government that we cannot afford for debt to continue to rise at the current trajectory. If it continues at this rate, South Africa will be forced to seek a bail out from the International Monetary Fund or World Bank and then embark upon a brutal austerity package.

Where COSATU disagrees with government is on how to achieve this. The Federation believes that the most sustainable approach is a more nuanced and multi-focal intervention. This includes plugging the massive leakages in the fiscus which bleed the state of billions in lost revenue to corruption, wasteful expenditure, SOE bail outs and tax evasion.

It includes providing relief to businesses and battered sectors to enable them to remain open, to recover, to avoid retrenches and to grow. It includes providing stimulus to a stagnant economy and addressing the network and administrative blockages to growth. It includes providing relief for the unemployed and highly indebted workers. It includes rebuilding the state and repositioning embattled SOEs so they can become enablers of and not obstacles to economic growth.

These are the essential intervention points which the MTBPS did not respond convincingly too.

COSATU Proposals:

- A mass stimulus programme to kickstart economic growth, in particular key growth sectors. It needs to include funding from the Developmental Finance Institutions and the private sector.

2.2 Presidential Employment Stimulus Programme

The Federation appreciates the R11 billion allocated to the Presidential Employment Stimulus Programme that has helped create over 550 000 jobs. It has helped provide young people with a salary, experience and confidence.

The proposed allocation of R74 billion to it over the next 3 years is welcome but in fact should be increased further.

COSATU Proposals:

- The Presidential Employment Stimulus Programme should be expanded further over the Medium-Term Expenditure Framework.

2.3 Economic and Social Relief

Many key sectors that employ large numbers of workers have been devastated by the pandemic, lockdown, the July violence and the recession. Government needed to take the opportunity to provide relief and support to them as it had done in the first quarter of the 2020 lockdown, e.g. tax relief and access to more affordable credit.

Sectors badly needing relief include hospitality, tourism, restaurants and retail. Treasury and the Banks' commitment to develop new measures to support struggling businesses is welcome but needs to be expedited.

Government needed to table new measures and interventions to ramp up local procurement to support local industries and jobs.

Workers have borne the brunt of the economic hardships and through the R63 billion dispensed by the Unemployment Insurance Fund (UIF), provided the largest source of stimuli and relief to the economy during this period. Government needed to have announced measures to improve the capacity of the UIF's archaic systems which result in continuous delays in workers receiving monies due to them.

COSATU welcomes the progress made by government to dispense over R32.9 billion through the various relief measures provided for to victims of the July violence in KwaZulu-Natal and Gauteng. It is hoped that this will enable these two provinces to pick up the pieces. The delays by the UIF in paying workers in these two provinces who lost wages to the violence is a matter of national shame.

COSATU Proposals:

- Government intervention in the Unemployment Insurance Fund to modernise its systems to ensure that workers and companies receive the relief due to them timely.
- A package of support for embattled businesses and sectors of the economy from both the state and the banks.

2.4 Pension Funds Withdrawals

COSATU welcomes Treasury's commitment to release a policy paper in November and to then table an Amendment Bill with the February Budget providing for distressed workers limited access to their pension funds.

This needs to be expedited. It will provide badly needed relief to highly indebted workers. It needs to include both public and private sector workers who are all struggling to feed their families.

COSATU Proposals:

- The release of the Treasury pension funds' emergency relief and two pots regime policy paper by mid-November 2021.
- The release of the Pension and Government Employment Pension Fund Amendment Bill by December 2021 for public comment and its tabling at Parliament with the 2022/23 Budget.

2.5 R350 Covid-19 Special Relief Dispensation Grant

The R350 Covid-19 Special Relief Dispensation (SRD) Grant has provided welcome relief to more than 9 million unemployed persons. Its recipients will not miraculously find work when it ends in March 2022. Government needs to extend and enhance it in the 2022 Budget. It is a foundation for a Basic Income Grant.

SASSA and the Post Office need to move its recipients to electronic payments. Its recipients should not be forced to wait in endless queues at the Post Office.

COSATU Proposals:

- Extend the R350 SRD Grant needs beyond March 2022.
- A road map to raise it to the food poverty line should be developed.
- Its payments must be moved from physical to electronic for all recipients.
- It should be used as the foundation for basic income grant for those with no source of income.

2.6 Infrastructure Programme

The R500 billion and R100 billion allocated for infrastructure investments over the next 3 and 10 years respectively is a critical injection to the economy.

Treasury's proposed amendment of Regulation 28 to allow pension funds the choice of investing in infrastructure projects is a welcome boost to growing the economy.

COSATU Proposals:

- Acceleration of the infrastructure programme.
- Finalisation of Regulation 28's Amendment by the end of 2021.

3 Rebuilding a Capacitated Developmental State is Central to Spurring Economic Growth

3.1 Corruption and Wasteful Expenditure

It is worrying that the MTBPS is silent on measures to stem the flow of corruption and wasteful expenditure bleeding the state.

Government needs to extend the ban on doing business with the state to the leaders of ruling political parties as well as the spouses and children of Cabinet members.

The commercial crimes courts and the National Prosecuting Authority needed to be allocated additional resources to ensure corruption cases are prioritised.

COSATU Proposals:

- Extend the ban on Ministers doing business with the state to include the office bearers of ruling parties at a national, provincial and regional level, as well as the spouses and children of such Executive members and politicians.
- Increased appropriations for the tackling of corruption cases for the NPA, SAPS and Courts.
- Empowering SARS to instigate lifestyle audits of members of the executive, leadership of ruling political parties, their spouses and adult children, executive management across the state and supply chain management.
- Implementation of the blacklisting of delinquent companies from public tenders.

3.2 Public Procurement

A single online, transparent public procurement systems needs to be established for the entire state to help reduce the space for looting, save costs and support local procurement.

COSATU appreciates the commitment to table the Public Procurement Bill at Nedlac shortly.

COSATU Proposals:

- Establishment of a single, online, transparent public procurement system for the entire state, e.g. public service, entities, SOEs and local government.
- Expanded designation of key locally produced goods across the state.
- Centralised procurement of certain large-scale items e.g. medicines, textbooks, vehicles.
- Enforcement of 30-day payment rule across the state and holding offending officials accountable.
- Enhancing the Public Procurement Bill to meet these objectives.
- Tabling the Public Procurement Bill at Nedlac by the end of 2021 and at Parliament by April 2022.

3.3 Revenue

COSATU applauds progress made by the South African Revenue Service to rebuild its capacity after the era of state capture.

The 2022 Budget needs to allocate more resources to it to ensure it has sufficient personnel, skills and tools to tackle the billions lost to tax and customs fraud and evasion.

The 2022/23 budget should include some tax increases in for those earning over R1.5 million through income, inheritance and estate taxes. Duties on luxury imports should be raised.

Government needs to provide finality to the E Tolls saga and announce a new funding model for the Gauteng freeways.

COSATU Proposals:

- Further appropriations to provide SARS with the necessary capacity to tackle tax evasion in the 2022/23 Budget.
- A comprehensive plan to enforce 100% customs duties collection must be developed by SARS for implementation with the 2022/23 Budget.
- Empowering SARS to implement lifestyle audits for politically influential persons and the wealthy.
- Treasury to further reduce tax loopholes.
- Increase taxes on the wealthy in the 2022/23 Budget through income taxes for those earning above R1.5 million per annum, inheritance and estate duties for the wealthy, and import duties on luxury imports that can be manufactured locally.

- The long-delayed release of a new funding model for the Gauteng Freeways.

3.4 State Owned Enterprises (SOEs)

The lack of clear plans to place the embattled SOEs on a sustainable path in the MTBPS is glaring.

Eskom needs to be assisted to deal with load shedding, maintenance backlogs, investments in new generation, tackling corruption and pilferage, and reducing its debt to an affordable level. The economy cannot recover without reliable and affordable electricity. The timeframes for bringing on board new generation capacity need to be expedited.

Plans are needed for other SOEs, in particular for Transnet which is critical for our exports, for PRASA which needs to provide safe and reliable transport for workers, for DENEL which has simply stopped paying workers their full salaries, and for the SABC and the Post Office.

Government needs to retable the Road Accident Fund and Benefits Scheme Bills at Parliament. The economy can simply not afford suffocating petrol price hikes to sustain a R450 billion RAF liability. The MTBPS is silent on the delays to South African Airways' resuscitation and the pending closure of Mango and the loss of its 700 jobs.

COSATU Proposals:

- Acceleration of measures to stabilise Eskom and bring additional generational capacity to the grid.
- Clear stabilisation, recovery and repositioning plans for embattled SOEs, including jobs plans for workers whose jobs are at risk, in particular, Transnet, PRASA, DENEL, SABC, Post Office, SAA and Mango.
- Tabling of the RAF and RABS Bills at Parliament by February 2022.
- Releasing the fuel price regime paper promised by Government in January 2019 and the development of an alternative and more affordable fuel price regime for the economy.

4 Division of Revenue Adjustments

4.1 Wage Bill

The R19 billion adjusted allocations to Departments to provide for the 2021 wage agreement are welcomed.

It should be noted that the adjustments to the wage bill in the 2021/22 MTBPS and Division of Revenue Adjustment Bill are below inflation and are once off.

The dangers of Treasury's austerity driven approach are that it will not rebuild the state. On all the key indicators in fixing the state, the MTBPS was thin on details.

The wage bill has been stable at 35% of the budget for more than a decade. What has changed is that politicians, their friends and families have looted municipalities and SOEs to the brink of collapse.

COSATU appreciates that the Minister has avoided the provocative stance of his predecessor who sought to unilaterally impose a 4-year wage freeze in his Budget speeches and committed to respecting collective bargaining and to engage with Organised Labour at the Public Service Central Bargaining Council. This approach must be extended to the SALGA and SOEs' Bargaining Councils too.

Public servants like all other workers have the right to protect their meagre wages from being eroded by inflation. Government has lauded nurses, doctors, police officers, defence force personnel and other public servants for holding the nation together in its darkest hours. It should not pickpocket them when it comes to protecting their wages from inflation.

Cabinet should lead by example and announce a cut to the exorbitant packages paid to politicians and the executive management of SOEs. It should work with Organised Labour to establish a single collective bargaining framework for the entire state which would help both workers and government.

The decline in headcounts for the Police of 5 842 and Basic Education by 966 are worrying. The appointment of 18 458 nurses and health workers is a welcome boost in the fight against Covid-19.

COSATU Proposals:

- Government to respect collective bargaining in the public service, entities, SOEs and local government and to engage those bargaining councils and fora on matters of collective bargaining, including the wage bill and signed wage agreements.
- Work with Organised Labour to establish a single collective bargaining and wage regime for the entire state, including SOEs.
- Implement wage caps for executive managers in the SOEs and entities.
- Implement a 25% package cut for members of the Cabinet, Provincial Executive and Mayoral Committees as well as executive managers in the state, entities, SOEs and metros.
- Open the Ministerial Handbook for public comment to ensure that the exorbitant perks for the executive are removed and a more modest regime adopted.
- Reverse the head count reduction for key frontline service delivery posts e.g. SAPS and Basic Education.

4.2 Basic Education

COSATU is worried about the impact of cuts to key public service delivery functions, including the increased allocation at below inflation levels to Basic Education.

COSATU welcomes the adjusted allocation of R113 million to school infrastructure, including for sanitation and water. This includes:

- R132 million for the Eastern Cape;
- R 26 million for the Free State;
- R14 million for KwaZulu-Natal; and
- R36 million for Limpopo.

The inability to allocate R149 million when thousands of schools still lack adequate sanitation is indefensible. The shifting of R97 million from sanitation to the appointment of maths teachers indicates a serious project management capacity problem in the Department and hence its inability to ensure all schools have access to decent sanitation and water.

The failure by Basic Education to meet 80% of its target to provide sanitation to 1000 schools during the pandemic is indefensible. The Minister and the Director-General for the Department need to be held accountable.

COSATU welcomes the allocation of R6 billion for the employment of more than 310 000 teaching assistants.

COSATU Proposals:

- A clear and realistic plan must be tabled by DBE at Parliament to ensure all schools have access to decent water and sanitation by the end of 2022.

4.3 Health

COSATU is worried about the impact of cuts to key public service delivery functions, in particular the cuts over the next 3 years to the Health by 0.6%.

COSATU welcomes the adjusted appropriations to the Department of Health for:

- Community Health Outreach R167 million;
 - Mental Health R40 million;
 - Oncology R127 million;
- Medical interns (Human Resources and Training) R 243 million; and
- Covid-19 vaccines roll out and hospital nurses and staffing R350 million.

COSATU is concerned with the cuts of R560 million to the National Health Insurance Grant's Health Facility Revitalisation programme through the following cuts:

- Eastern Cape -R30 million;
- Limpopo -R180 million;
- Mpumalanga -R25 million;
- North West -R15 million; and
- Unallocated R17 million.

These cuts undermine government's programme to protect the lives of ordinary workers in the midst of the worst global pandemic in living memory, delapidated public healthcare infrastructure and the need to lay the foundations for the NHI.

COSATU Proposals:

- Reversal of cuts the Department of Health and in particular funding for the NHI.

4.4 Social Development

COSATU is worried about the impact of cuts to key public service delivery functions, in particular the cuts over the next 3 years to Social Security by 16.9% with the potential ending of the Covid-19 Special Relief Dispensation R350 Grant.

COSATU does welcome the allocation of R120 million to employ social workers and R178 million for Early Childhood Development Grants, including the employment of 70 000 ECD workers.

COSATU Proposals:

- Reversal of cuts to key social security departments that will impact upon their ability to deliver essential social relief e.g. the Covid-19 SRD allocations to SASSA.

4.5 Treasury – Neighbourhood Development Partnership Grant

COSATU welcomes the adjusted allocation of R751 million the Neighbourhood Development Partnership Grant which has also seen the employment of 32 663 persons in neighbourhood cleaning and greening programmes.

COSATU Proposals:

- Such programmes should be enhanced and extended and means found to ensure their sustainability.

4.6 Local Government

The Auditor-General's reports on the dysfunctionality of countless municipalities are well known. Yet the MTBPS provides no hints on what government's plan is to fix this.

The inability of the City of Cape Town to spend R1.3 billion on its My Citi Service whilst Metro Rail is collapsing is inexplicable.

The roll over of R582 million by the eMfuleni Municipality for the Vaal River infrastructure programme is worrying as this matter has been dragging on for several years.

The allocation of R81 million to George Municipality for investments in water infrastructure is welcome.

COSATU Proposals:

- Clear stabilisation, recovery and repositioning plans for embattled municipalities and a road map to move towards the District Development Model.

5 Conclusion

COSATU hopes that government will table a budget that will stimulate the economy, ensure job creation, provide relief to the unemployed, include plans to tackle corruption and wasteful expenditure, rebuild the SOEs and the state, and respect collective bargaining in February. This MTBPS is simply not enough.

Workers and South Africans at large have lost faith in government's policies and commitments. This was clear when voters gave their verdict in the local elections. The ANC and government need to wake up and do so fast. They are simply running out of time.

Thank you.



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