

# **COSATU**

## **Fiscal Framework & Revenue Proposals**

### **Standing & Select Committees:**

### **Finance**

### **Parliament**

01/03/2022



# Key Challenges Facing South Africa

- Economy facing its deepest recession in a century.
- Unemployment at all time high of 46% with 2.2 million jobs lost since 2020.
- Millions of workers have lost wages & are highly indebted.
- Key State Owned Enterprises in varying stages of collapse.
- Municipalities in distress & struggling to provide basic services.
- Corruption eating at heart of state capacity.

# Fiscal Framework

- Critical to address multiple crises simultaneously, cannot be solely to focus on reducing the debt levels.
- Provide relief to the unemployed.
- Mass public employment programmes.
- Stimulate economic growth.
- Rebuild state, SOEs & municipalities.
- Protect key frontline services.
- Tackle tax & customs evasion.
- Tackle corruption.
- Reduce debt in sustainable manner.

# Economic and Social Relief

- Welcome R350 SRD Grant extension. Retain it, narrow gap with food poverty line. Foundation for a Basic Income Grant. Link to skills training.
- Support Presidential Employment Stimulus but disappointed funding cut from R24 to R18 billion. Need to ramp it up.
- Hope R35 billion funding for SMMEs will not be suffocated by banking lending criteria.
- Need to fast track Pension relief legislation to help financially distressed & indebted workers.

# Public Service Wage Bill

- Welcome Minister's statement that wage bill must be negotiated in the PSCBC & other bargaining council fora. Positive shift.
- Need to protect public servants' wages from inflationary erosion & resolve 2020 agreement.
- Many public servants are highly indebted & support unemployed relatives.
- Need single wage regime & collective bargaining processes for national, provincial, SOEs & entities.
- Reduce politicians & managers' packages.
- Physical headcount for ghost posts.

# State Owned Enterprises

- **Eskom:** Accelerate Social Compact implementation, including debt relief but reject calls to retrench 10 000 workers & sell assets.
- **Transnet & PRASA:** Urgent interventions needed to save rail network, eg SAPS Railway Unit, SANDF deployment & ban on scrap copper & steal.
- **Post Office:** Reject plan to retrench 6000. Turnaround plan needed.
- **SABC:** 1000 workers were retrenched & now being replaced by casual labour.

# State Owned Enterprises

- **RAF:** Need to retable RAF & RABS Bills at Parliament to get it on sustainable path.
- **SABC:** 1000 workers were retrenched & now being replaced by casual labour.
- **DENEL:** Welcome R3 billion but pay the workers.

# Infrastructure

- Welcome R812 billion 5 year plan, in particular:
  - R126bn Transnet;
  - R62 billion PRASA;
  - R26 billion to upgrade 900 informal settlements; &
  - 30 new schools, 40 schools to receive water & 450 to receive sanitation.
- Need to expedite & put in place measures to prevent corruption, & construction site extortion.
- Need to designate for local procurement steel, clothing & yellow machinery.

# Local Government

- 175 out of 259 municipalities are financially distressed.
- Many fail to provide water, sanitation, electricity & roads or indigent rebates & subsidies.
- Companies are closing & retrenching as a result.
- Local government is a hot spot of corruption.
- Yet no concrete measures in the Budget to address these crises.
- No clear road map to move from unsustainable municipalities to District Development Model.

# Corruption & Wasteful Expenditure

- Billions lost to corruption & wasteful expenditure, yet no plans in place to tackle it in the Budget.
- Utilise existing powers, e.g. Auditing Amendment Act & seize assets of offending persons.
- Empower SARS to do life style audits of politicians & wealthy.
- Put in place persons who will tackle corruption at the NPA & SAPS.
- Extend the ban on politically exposed persons doing business with the state.
- Prioritise corruption cases.

# Revenue

- Applaud excellent work done by SARS.
- Build upon it & allocate additional resources to it.
- Prioritise life style audits of the wealthy.
- Close tax loop holes.
- Utilise retiring SANDF personnel & Presidential Employment Stimulus to boost Customs capacity.
- Overhaul unaffordable fuel levy.
- Increase taxes on the wealthy e.g. income, estate, inheritance & luxury imports.
- Protect lower & middle income earners.

# Allocations

- **DTIC:** Welcome R17 billion for industrial financing over MTEF, but concerned about 4.8% cut in funding over MTEF & 50% decline in funding by DBSA.
- **Health:** Welcome R8 billion to fund NHI over MTEF & R3 billion to employ health workers but .2% growth over the MTEF will weaken already overstretched healthcare system.
- **CCMA:** Reversal of 50% from last year's cuts by R49 million & R120 million over MTEF not enough to undo damage of previous reckless cuts to an overwhelmed CCMA flooded with retrenchments.

# Allocations

- **Mineral Resources:** Additional resources to reduce mining applications' backlog will help spur mining & create jobs.
- **SASSA:** Below CPI increase of 1.9% for Foster Care Grants is callous & should be reviewed.
- **Land Reform:** 2.7% cut for land reform undermines government's commitments. Silence on Land Bank financial crises worrying.
- **Home Affairs:** Cut of 4.3% over MTEF will worsen chaotic levels of services at Home Affairs offices.
- **SANDF:** Establishment of Rapid Response Unit to support SAPS is welcome.

# Conclusion

- The budget we fear was another demonstration of the depressing culture of endless dithering, shifting of deadlines, and a fear of taking decisive and bold action.
- This sadly will not take South Africa out of its current quagmire, but it will only worsen the situation.