

COSATU Submission:

Appropriation Bill

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COSATU

Submitted to:

**Standing and Select Committees:
Appropriations**

Parliament

Republic of South Africa

1. Introduction

The Congress of South African Trade Unions (COSATU) notes the 2022/ 23 Budget (Appropriation Bill) and Medium-Term Expenditure Framework (MTEF) tabled at Parliament by the Minister for Finance, Enoch Godongwana.

The Federation feels that the central ideas in the budget and the Appropriation Bill are not focused on enhancing the labour-absorbing capacity of the economy.

The current economic context and growth trajectory necessitated that government expands its interventions to deal with structural constraints which have inhibited the economy from producing employment and poverty reduction outcomes.

The Budget was not daring or sweeping enough to meet the nation's challenges head-on. An anticipated 1.8% GDP growth trajectory over the MTEF will not see any reduction in unemployment.

Overall, this was an extremely disappointing budget that repeated old promises, continued its austerity trajectory and was devoid of any new policy interventions to solve the problem of economic stagnation.

There is no plan to fix the economy or create jobs, no plan to fight corruption and no plan to stop the leakages that have led to 10% of the budget being lost to corruption.

There do not appear to be any bold plans to rebuild local government which are deteriorating at an alarming rate in many provinces.

The SOEs do not have a funding model, municipalities are still teetering on the brink and budget cuts have continued to be imposed on Rural Development and Land Reform (sabotaging land reform), the CCMA, and the Department of Home Affairs.

2. Fiscal Framework

The central thrust of the budget, whilst providing some relief to the unemployed, is to focus on reducing the debt levels. COSATU has long argued that the nation's number one economic problem is economic stagnation and not solely our debt levels, important as that is.

The fact that 59% of the budget is spent on social relief and support for the poor whilst positive and progressive, unfortunately also reflects on government's failure to adopt policies that empower South Africans to look after themselves and their families.

A mass employment programme and stimulus plan are missing from the Budget. Simply reducing the debt on its own will not grow the economy or create jobs.

3. Economic and Social Relief

COSATU welcomes the extension of the R350 SRD Grant, it now needs to be extended and linked to skills training programmes to help its recipients find jobs. It

lays the foundation for a Basic Income Grant, but we are disappointed it has not been adjusted for inflation or with the food poverty level.

The Federation supports the Presidential Employment Stimulus (PES) which has helped 840 000 people find work and gain experience and skills. The allocation of R76 billion over the MTEF is welcome. We are however disappointed that the allocation for 2022 was reduced by R6 billion and the jobs target cut to 510 000.

This needs to be reversed and sufficient funds need to be allocated to enable the PES to create at least 2 million jobs.

The allocation of R35 billion in loan and equity support for SMMEs recovering from Covid-19 is positive news. This should have been handed over to the Development Finance Institutions (DFIs). The banks will sadly suffocate this programme like they did the Loan Guarantee Scheme.

The Federation welcomes Treasury's commitment to tabling an Amendment Bill to allow highly indebted and financially distressed public and private sector workers limited access to their pension funds. This needs to be fast-tracked and finalised in 2022 so such relief can be accessed by workers struggling to survive.

4. Public Service and Local Government Wage Bill

COSATU welcomes the Minister's move away from the reckless approach to collective bargaining adopted by his predecessor who negotiated in Parliament.

It is critical that the 2022 public service negotiations are settled soon and the 2020 wage agreement honoured.

Government has done massive damage to its relationship with public servants with its abandonment of the 2020 wage agreement and the imposition of a wage freeze for 2020. Treasury's attempts to pull a similar stunt in local government in 2020 and 2021 has similarly caused municipal workers to doubt government can be trusted to respect collective bargaining and honour signed agreements in future.

Government needs to fix this relationship. The Minister's commitment to respecting collective bargaining and to engage in collective bargaining councils on matters relating to the conditions of service of workers is a step in the right direction.

The projected below-inflation salary increases over the MTEF must be rejected. An austerity-driven approach to this matter will simply see a rise in the brain drain from the public service of skilled workers, in particular nurses, doctors, teachers, and engineers.

It is hoped that with the Public Investment Corporation having grown its assets from R1.9 trillion in 2019 to R2.3 trillion in 2022, it will work with the Government Employees' Pension Fund to ensure the goal of the Government Employees Housing Scheme is achieved to provide affordable home loans for struggling public servants.

The government needs to show some courage and cut the exorbitant packages paid to politicians and the senior management in the state and SOEs.

A single collective bargaining and wage regime is needed for national and provincial government, SOEs and entities. This will help address wage inequities, clamp down on the bloated wages paid to senior managers in entities and SOEs and help provide greater sustainability. Physical headcounts to weed out ghost posts are needed, in particular in provinces, entities and municipalities.

5. Infrastructure

The Federation welcomes the allocation of over R812 billion for infrastructure projects in energy, water, roads, rail, ports, housing, education, and agriculture over the MTEF.

This sadly will be pilfered by the private sector considering that nothing has been changed in government procurement and regulatory framework. We urge the government to designate steel, machinery, clothing, and other construction material for local procurement to boost local manufacturing.

The pending finalisation of the amendment of Regulation 28 to allow funds to invest in infrastructure is welcome and may help spur investments.

6. Provincial Government

Provincial governments play a key role in allocating many key services to communities, e.g. health, education, social services, roads, agriculture etc. It is thus worrying that the MTEF provides for a continuous reduction in allocations to provincial government.

R566 billion is allocated for 2022/23. This is then cut significantly to R543 billion in 2023/24. Allocations are then increased slightly in 2024/25 to R562 billion. However once inflation, population and urban migration are taken into account, these are significant cuts in both nominal and real terms.

- **Health:** The allocation of R8 billion to fund the National Health Insurance over the MTEF and R3.3 billion to employ medical interns and community doctors, are welcome. As is the R15.6 billion to manage Covid-19.

However, the 0.2% growth in the Health budget over the MTEF will further weaken an already overstretched healthcare system.

- **Basic Education:** Infrastructure funds, including R471 million, for 30 new schools, water for 50 schools and sanitation for 450 schools is welcome. As are R24.6 billion to address teacher and materials shortages and R12.7 billion to hire over 310 000 teaching assistants.

It is critical that the Department be held accountable for this expenditure and that we begin to see the school backlog of schools lacking adequate sanitation, water and classrooms begins to be addressed and is eradicated over the MTEF.

- **Human Settlements:** R26 billion over the MTEF to upgrade 900 informal settlements is positive.
- **SASSA:** The below-inflation increases of 1.9% for Foster Care Grants is callous and should be amended by Parliament to be brought in line with CPI.
- **Land Reform:** The 2.7% cut over the MTEF for land reform defies a desperate cry for land and undermines the government's professed commitments to accelerate land reform. The silence on the continuing financial crises in the Land Bank is worrying.
- **KZN Flood Relief:** The allocation of R784 to rebuild roads damaged by the recent floods will be a welcome boost to those communities.

7. Local Government

It is concerning that despite the Auditor General highlighting 175 out of 259 municipalities as being financially distressed, the Budget provides no clear interventions to address this crisis. Businesses are closing and retrenching workers in many municipalities because local governments fail to provide decent roads, water, or electricity.

The number of 175 municipalities, whilst alarming is itself outdated as it is from 2019. This is massive increase from 86 such municipalities in 2013 and is now likely to be higher.

Rural towns are being turned into economic wastelands under the watch of incompetent politicians and management. Municipal workers are being sent home without their salaries and in one case, are being given food vouchers. This is scandalous.

It is concerning that the capacity and intervention programme mentioned in the Appropriation Bill and Budget provides no specific interventions, time frames or objectives.

The Appropriation Bill and budget are silent on numerous municipalities failing to pay revenue collected to Eskom which then places Eskom and the entire economy and country at risk. Despite repeated interventions by Eskom to collect municipal payments, municipal debt owed to Eskom is rising at a rapid pace.

It is clear that local government is in deep trouble. Many municipalities lack a sufficient rates base and are not financially viable. Many municipalities lack competent managers or professionals with the relevant skills and qualifications.

A new and sustainable funding model, as promised in the Budget is needed. This needs to include consolidating unsustainable municipalities and moving towards the District Development Model.

Treasury and COGTA need to play a hands on role in the appointment of municipal managers, financial, supply chain, engineering, utilities and other senior managers in municipalities to ensure that those appointed can actually do the job.

Whilst being deeply dismayed at the complete absence of intervention plans in the Appropriation Bill and Budget to stabilise and fix local government there are positive allocations to municipalities. These include the following allocations over the MTEF:

- **Local Government Allocations:** 7.9% increase in funding.
- **Electricity:** R6.6 billion and R11.4 billion for electrification infrastructure.
- **Water and Sanitation:** R11.6 billion for water infrastructure.
- **Human Settlements:** R13 billion for informal settlements' upgrading.
- **Transport:** R20 billion for transport.
- **Basic Services:** An increase from R4.2 billion to R14.2 billion for free basic services for indigent households.
- **Presidential Employment Stimulus:** R800 million for 2022/23 for the Neighbourhood Development Grant for greening programmes.

8. Corruption and Wasteful Expenditure

The silence of the Appropriation Bill and Budget on clear steps to halt the bleeding of the state of billions of Rands lost to corruption and wasteful expenditure is depressing. Action is needed. Government has the legal powers under the Auditing Amendment Act to hold offending politicians and managers personally financially liable for wrongdoing.

Government needs to return to Nedlac to engage on extending the ban on politicians doing business with the state. SARS needs to be empowered to undertake lifestyle audits of politicians and senior state managers and supply chain officials. The leadership of the NPA and SAPS must be woken up and made to prioritise corruption cases.

The Public Procurement Bill needs to be enhanced and expedited to provide for a single online, transparent public procurement system for the entire state, including SOEs and municipalities. This will help reduce corruption and support local procurement.

9. SOEs

- **Eskom:** COSATU welcomes the additional allocation of R43 billion to Eskom and the progress made in reducing its debt burden by R100 billion. It is critical that the implementation of the Eskom Social Compact be accelerated to ramp up maintenance, bring onboard new generation capacity faster and ensure there is a Just Energy Transition that will not send any worker to the unemployment line or create ghost towns.
- **Transnet and PRASA:** COSATU welcomes the allocation of R127 billion to Transnet for rail and ports infrastructure over the next 5 years and R62 billion for PRASA for passenger rail rehabilitation. However, these will be lost to the systematic destruction of our rails if a dedicated SAPS Railway Unit and the

SANDF are not deployed to secure our railway and the export of scrap copper and steel are not immediately banned.

- **Post Office:** The planned retrenchments of 6 000 postal workers must be stopped. A turnaround plan that repositions the Post Office with the Post Bank is needed. Retrenching workers cannot be accepted.
- **SABC:** The lack of a clear turnaround plan at SABC is clear. Not long after retrenching hundreds of workers, it is advertising 500 posts. Outsourcing management failures to workers by seeking to move them from permanent decent jobs to temporary contract posts is neither sustainable nor humane.
- **SAA:** Whilst welcoming the revival of SAA, the continued lack of clarity on its way forward remains concerning.
- **Road Accident Fund:** The continued delays in fixing the perennial mess at the RAF defies logic and is costing taxpayers and road accident victims. The government needs to retable the RAF and RABS Bills at Parliament to enable its ballooning liabilities of nearly R400 billion to be brought under control.
- **DENEL:** The allocation of R3 billion is welcome, but a turnaround plan that includes paying workers what they are owed is needed.

10. Revenue

COSATU applauds the excellent being done to rebuild SARS. This has provided welcome space for the government to provide relief for the poor. Tax relief of R5.2 billion will help protect workers from inflation.

COSATU is worried that billions are still lost to tax and in particular customs fraud and evasion. SARS needs to be further resourced to tackle these.

This will help generate additional revenue for the state and protect local manufacturing jobs.

The government needs to investigate increasing taxes on the wealthy through income, inheritance, estate, and luxury import taxes and duties.

No increase to the Fuel Levy will help cushion workers and the economy. The fuel price regime needs to be overhauled. COSATU hopes that the commitment to do so will not be another false mirage.

11. National Departmental Appropriations

- **DTIC:** COSATU welcomes the allocation of R17 billion for industrial financing over the MTEF, we remain concerned about the 4.8% cut in funding to DTIC over the MTEF and the 50% decline in funding by the Development Bank of projects.
- **CCMA:** A reversal of 50% from last year's cuts by R49 million in 2022 and R120 million over the MTEF will not be enough to help undo the damage of

the previous reckless cuts to an overwhelmed CCMA that is struggling to cope with a flood of retrenchments.

- **Mineral Resources:** Additional resources to reduce mining applications' backlog will help spur mining and create jobs.
- **Home Affairs:** The cut of 4.3% over the MTEF will worsen the already chaotic levels of services at Home Affairs offices.
- **SANDF:** The establishment of a Rapid Response Unit to support SAPS is welcome.

12. Conclusion

The Appropriation Bill and 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.

Thank you.



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