BUDGET JUSTICE COALITION SUBMISSION TO THE SELECT AND STANDING COMMITTEES ON FINANCE ON THE 2022 MEDIUM TERM BUDGET POLICY STATEMENT

01 November 2022

About the BJC

This submission has been developed collaboratively by members of the Budget Justice Coalition (BJC). The purpose of the BJC is to collaboratively build people's understanding of and participation in South Africa's planning and budgeting processes – placing power in the hands of the people to ensure that the state advances social, economic and environmental justice, to meet people's needs and wellbeing in accordance with the Constitution.

The organisations who make up the BJC are: 350.org, Alternative Information and Development Centre (AIDC), Amandla.mobi; Black Sash; Centre for Child Law at the University of Pretoria, Children's Institute at UCT, Corruption Watch, Womxn and Democracy Initiative at Dullah Omar Institute UWC, Equal Education, Equal Education Law Centre, Ilifa Labantwana, Institute for Economic Justice, Legal Resources Centre, Open Secrets, Public Affairs Research Institute, OxfamSA, Pietermaritzburg Economic Justice and Dignity Group, the Public Service Accountability Monitor, Rural Health Advocacy Project, SECTION27, Social Policy Initiative, and Treatment Action Campaign.

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Executive Summary

The Budget Justice Coalition (BJC) is disappointed by the tabling of another Medium Term Budget Policy Statement (MTBPS) that prioritises debt reduction over investments in state capacity and human rights. The 1.7% real[1] cut in per capita[2] non-interest expenditure in 2022/23 is already doing great harm to public services that are essential for the protection and achievement of human rights.

We question the government's obsession with achieving a self-imposed primary budget surplus, first promised by former Finance Minister Tito Mboweni to a conference of Goldman Sachs investment managers in 2020. A primary budget surplus is achieved when revenue exceeds spending and the difference is channelled to paying down debt. Since the 1970s, this has been the gold standard for IMF imposed austerity measures around the globe, with the institution's own evidence directly linking such extreme austerity targets to long term negative consequences on the economy, rising inequality and ailing public services. Elsewhere, evidence abounds that such austerity measures result directly in multiple human rights violations against people on low incomes and in particular against women and children.

By taking revenue out of our economy and channelling it to debt repayments, the primary budget surplus target will slow down our recovery from the Covid-19 pandemic, which increased unemployment to 40% by the expanded definition and crippled informal and formal businesses alike. An MTBPS premised upon more real terms spending cuts to public services is also unlikely to enable government or the country to "weather the storms that lie ahead". What South Africa needed to hear was a set of macroeconomic policy instruments suited to addressing our developmental needs while at the same time supporting efforts to tackle the impacts of climate change. This is because macroeconomic fiscal policies have significant implications for equality, gender equality, the well-being of South Africa's people and the environment.

This submission sets out our vision for transforming South Africa's macroeconomic fiscal policies in line with a transition to a green and just economy:

- **Policy Credibility.** The MTBPS 2022 is a long list of continued austerity measures already implemented or being considered. While the needs of the majority of South Africans and of the economy is great, the Minister announced an aggressive fiscal consolidation path aimed at stabilising debt. However, questions must be raised about the MTEF spending trajectory and whether the assumptions are plausible. The revenue outlook could be overly optimistic: inflation linked public sector wage increases are not factored into the budget, and despite continued uncertainty, major economic risks including climate disasters are not included in the baseline. The risk could be that the MTEF is not credible for appropriate budget planning, allocation, spending and oversight.

- Austerity Cuts are not inevitable; there are alternatives. There is no need for South Africans to endure an aggressive fiscal consolidation path. Our macroeconomic fiscal policy choices should instead prioritise well-being and environmental justice for all South

[1] I.e. with average CPI inflation of 6.8% factored in.
[2] I.e. per person.

Africans. For example, recent research shows that while government spent R20 000 per learner in 2009, this has fallen to R16 500 in 2021. The MTEF shows continued falls in key departments' budgets, including education, health, water and sanitation and social development. As a matter of urgency the BJC calls for a complete review of the MTEF based on human rights impact assessment methodologies with involvement by all fiscal institutions and civil society public participation.

- **Public Investment for a more inclusive South African economy and a healthy environment.** Since the implementation of austerity-style macroeconomic fiscal policy, inequality, poverty, homelessess and gender-based violence have increased while higher food, transport and energy prices (including a VAT tax hike) have further eroded disposable income of the majority South Africans. This has limited GDP growth by reducing demand in the economy and thus broader economic activity. For example, economist Duma Gqubule[3] demonstrates with hard evidence that in South Africa "there is too little demand. According to Stats SA, large industrial companies had spare capacity of 22.8% in May 2022 because there was no demand for the goods they produced. The Minister's policy fails to recognise that (1) spending on public services and other forms of social infrastructure improves people's future capabilities and should therefore be seen as a form of public investment and (2) increasingly it is recognised the public infrastructure services can have a low carbon intensity and can, thus, be conducive to the achievement of decarbonisation targets while maintaining or creating jobs and powering an economy for all."

- **South Africa's Overall Tax Take Remains Inadequate.** In line with the BJC's[4] FOA Submission on the 2023 MTEF, the Government has an obligation to mobilise the maximum available resources for the realisation of social and economic rights. In line with this obligation, the BJC calls on the government to review its plans for taxation and spending over the medium-term. Between 1996 and 2020, the tax-to-GDP ratio has averaged 24%. This is 41.6% lower than average annual revenue-GDP ratio for OECD countries. With their bigger tax revenue, OECD countries are able to run more effective public services that ensure inclusive growth over the long run.

- **South Africa's Rich - Poor Gap.** The MTBPS provides insight into the budgetary policy tools used to address inequality in the country. Food price inflation reached 12% in September, yet the old age pension and disability grant will be increased by only R10 this October, far below the cost-of-living price increases, while the two lowest valued grants (Child Support Grant and COVID-19 SRD) received no increase at all. This direct attack on the incomes of the poorest, which began under former Minister Tito Mboweni and continues under Minister Enoch Godongwana, ensures that grant recipients will suffer greater poverty in the years to come. Below inflation increases are also pencilled in for the 2023/24 financial year for all the grants, with the planned increase for the Child Support Grant being only 2%. Child hunger, malnutrition and stunting are likely to rise as a result.

[3] www.businesslive.co.za/bd/opinion/columnists/2022-10-10-duma-gqubule-central-banks-might-have-gone-too-far/
[4] https://budgetjusticesa.org/media/bjc-foa-submission-on-the-2023-mtef/

- **Gender Budgeting keeps disappearing.** The transition to a just economy necessitates fundamental changes to how the South African economy and society is organised, produced and reproduced. A key component of these changes is gender equality alongside well-being and the health of the environment. Gender equality should be at the core of the South African macroeconomic fiscal policy. Instead, the Minister in his speech and in the accompanying policy documents makes only one passing reference to gender in relation to increases in funding to implement GBV and Femicide, anti-corruption and the economic recovery plan. Despite the President approving in March 2019 Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing Framework (GRPBMEAF) we continue to see no analysis of the effects of austerity on gender, race and class. Research by feminist economists and activists[5] have shown the adverse impacts of austerity policies on inequality, care, social relationships, social reproduction, social protection, poverty and disadvantage. The BJC recommends that Treasury include an equity chapter to all its policy documents that specifically outlines the fiscal implications of policies on gender, race, class, disability, alongside other relevant social categories.

Introduction

Fiscal policy continues to weaken public services that are essential for human rights and the just transition

South Africa's austere fiscal policy has been recycled for a decade and has had acute consequences for everyday life, with disproportionate impacts on the lives of women, children and groups rendered marginal. During this period, the country has seen increasing levels of poverty, unemployment, inequality and negative environmental impacts. These conditions are linked to the overriding fiscal strategy - often called austerity[6] - which prioritises debt reduction over poverty reduction with the aim of achieving a primary budget surplus by 2023/24. The MTBPS notes that "in 2023/24 a primary budget surplus of 0.7 per cent of GDP is projected". However, it is not clear how this will result in the alleviation of poverty and unemployment, or yield environmental rewards such as decarbonisation in South Africa. In fact, there is significant evidence that such fiscal policy would widen inequality, perpetuate gender bias and undermine human rights. Importantly, the long term negative effects of the quest for a budget surplus through austerity are often ignored. The funding and financing of public investment and public sector jobs can rely on an alternative combination of policies that the Minister failed to present.

[5] https://aidc.org.za/gendered-impacts-of-austerity/; https://www.oxfam.org.za/wp-content/uploads/2020/01/Austerity-hurts-girls-and-women-OZA_Final-01172020.pdf

[6] Economist Busi Sibeko has argued that "austerity is defined as fiscal policy implemented by a state aimed at solving debt and growth problems during a period of economic stagnation … in an effort to balance the budget" Finance Ministers commonly implement austerity policies which include "spending cuts, regressive tax increases, or a combination of both."

Fiscal policy to strengthen public investment and livelihoods for a rights-based, caring and environmentally just economy

Despite the Minister of Finance opening his statement with the remark that “Democracy will have little content, and indeed, will be short lived if we cannot address our socioeconomic problems within an expanding and growing economy” - the fiscal policy framework set out by government, coupled with endemic implementation challenges across national, provincial and local government, has resulted in a decade of declining GDP per capita.

The Minister needs to lead the country in a new direction that is based on: (1) progressive taxation, wealth-related taxes and increased corporate taxes to take advantage of any commodity or energy windfalls; (2) restructuring of Eskom’s debt in particular for Kusile, and for odious debt taken on by other SOEs during the period of state capture; (3) eradicating illicit financial flows; (4) reform and restructure current government bonds within a new fiscal, monetary and legal policy that draws on the Government Employees Pension Fund reducing the overall cost of borrowing, (5) the issuance of government bonds linked specifically to the just transition and gender equity targets; 6) increase social protection contributions and coverage, including the implementation of a universal basic income grant. A potential increase in public debt can be sustained through greater fiscal-monetary policy cooperation, in contrast to the Treasury’s current austerity narrative.

If designed properly, fiscal policies can support public investment and quality public sector jobs/livelihoods that can play a role in improving well-being and enhance the rights of all South Africans while at the same time meeting the urgent need to address the climate crisis. The proposed cuts to public expenditure in the medium term towards health care, public transport, social development, education, and social housing all disproportionately impact poor South Africans.

Summary of recommendations

- **Government should drop the arbitrary and damaging commitment to achieving a primary budget surplus in 2023/24.** South African fiscal policy must ensure that debt management does not come at the cost of regression in fulfilment of socio-economic rights and the undermining of state capacity. The costs of these impacts vastly outweigh any short term gains to “market sentiment” resulting from a budget surplus.
- **Ensure that funding for all socio-economic rights, including social grants, is increased at least in line with CPI inflation and population / service user growth** (i.e. enrollment growth in the case of education), to guard against the erosion of the established programmes.
- The war against the wage bill has resulted in almost 150 000 vacancies across the public sector. **Further cuts to the wage bill pencilled into the 2023 MTEF must be reversed** and government should instead prioritise **filling all public health and education vacancies** so that these sectors can begin to recover from a decade of austerity and the backlogs created by the Covid-19 pandemic.

- Implement **progressive tax reform** targeting high net wealth and medium-high income earners to ensure fiscal sustainability, narrow inequality and raise additional long term revenue for UBIG and other socio-economic priorities.
- BJC requests clearer information on the **Gender Responsive Budgeting (GRB)** roadmap and calls for NT and Cabinet to commit to a GRB process that ensures that womxn, with diverse perspectives, and with lived-experience of different contexts, are centred in the process of developing goals, and debating priorities.
- Gender responsive budgeting should not be limited to budget allocations and priorities, it must be applied to all public-finance decisions, such as those relating to 'fiscal-consolidation'/austerity, borrowing, and taxation.
- Ensure all budget decisions are informed by human rights obligations, and when budget cuts are proposed, undertake a **participatory human rights impact assessment** and publish the findings. In particular, international law requires the country to undertake child impact assessments prior to making any decision that risks erosion of programmes and services for children,

Medium-Term Budget Policy Statement 2022 Fiscal Policies

The Current fiscal policy landscape in South Africa

The BJC does not accept aspects of the MTBPS that will ensure that the gap between rich and poor continues to widen in the world's most unequal society. The ongoing failure by the National Treasury to recognise the structural role that gross inequality plays in all of the challenges that manifest in our country ensures that these challenges remain impossible to overcome. MTBPS proposes that non-interest expenditure will be cut from 25.7% to 23.5% of GDP by 2025/26. In contrast, gross tax revenue will stay buoyant at around 25.4% of GDP by 2025/26. Treasury has made it clear that, in the short-term, it will prioritise debt servicing in order to narrow the consolidated budget deficit from 4.9% of GDP in 2022/23 to 3.2% of GDP in 2025/26. Furthemore, despite the welcome mention of the climate crisis by the Minister, the 2022 MTBPS fails to address decarbonisation targets. It is essential for the Minister of Finance to recognise that climate change and environmental destruction, like inequality, present an existential risk and a constraint on our economy. The failure to tackle these crises head on and to continue to implement gender-blind austerity is a political choice by the current government.

According to research undertaken by the Public Economy Project at the University of the Witwatersrand, non-interest spending has been reduced more dramatically over the past two budget cycles than even the GEAR era cuts of the late 1990s. Yet at that time, considerable savings were also possibly because of the reorganisation of the South African state post-apartheid.

Government spending per head of population declines significantly in 2022/23 and is projected to do so again in 2023/24. With the latest round of bailouts to SOEs factored in at a cost of R30 billion, government's consolidated non-interest expenditure, grows at 6.4% this financial year.

This is below headline inflation of 6.8%, which means that government spending is contracting in real terms by 0.4%. **When population growth of 1.3% is factored in, real government spending per person in SA contracts by 1.7% this year.**

Thus while demand for public services is growing, the funding for services is shrinking.

Spending on socio-economic rights that are enshrined in our Constitution continues to decline in real terms. In the case of basic education, real spending per learner attending public schools has been declining sharply for a decade and will do so again this year and the next. Funding for health care services is reduced by almost 10% in real per user terms in both 2022/23 and 2023/24, making a mockery of the Finance Minister's commitment to addressing funding shortfalls in this area. While food price inflation reached 12% in September, the old age pension and disability grant were increased by only R10 this October, far below the cost-of-living price increases, while the two lowest valued grants (Child Support Grant and COVID-19 SRD) received no increase at all. This direct attack on the incomes of the poorest, which began under former Minister Tito Mboweni and continues under Minister Enoch Godongwana, ensures that grant recipients will suffer greater poverty in the years to come. Below inflation increases are also pencilled in for the 2023/24 financial year for all the grants, with the planned increase for the Child Support Grant being only 2%. Child hunger, malnutrition and stunting are likely to rise as a result.

Debt prioritisation at what cost?

The prioritisation of stabilising debt above all else comes at the cost of the quality of public services. Over the years the BJC along with other civil society organisations has provided evidence and stories on the impact of austerity on public services. The recent PEP research at Wits has confirmed this, showing that while government spent R20 000 per learner in 2009, this has fallen to R16 500 in 2021. The situation is similar for healthcare. As a result, the MTBPS fails to recognise the role public investment, both consumption and capital spending, plays in the economy. An implicit assumption in the policy plan is that shrinking the public sector will stimulate private investment and that this will lead to greater long term prosperity and well-being. Yet no evidence is provided to back these assumptions up. Indeed, the PEP report cites an increase in inequality as a more likely outcome, while the overall welfare improvement is uncertain. BJC continues to argue that austerity is an outdated policy that is ill suited to South Africa's 21st century development needs.

Time to prioritise public services

The MTBPS fails to recognise that (1) spending on public services and other forms of social infrastructure improves people's future capabilities and should therefore be seen as a form of public investment and (2) increasingly it is recognised that public infrastructure services can have a low carbon intensity and can, thus, be conducive to the achievement of decarbonisation targets while maintaining or creating jobs. Public services are essential for long-term human capital development and the state has the Constitutional obligation to ensure that everyone has access to them. As a result, the MTBPS is not seeing its role as part of the government's broader climate change social and industrial plans. Overall, fiscal policy has not been supportive of broader measures aimed at addressing the scourge of unemployment, poverty and inequality. Rather, it has made them worse.

The BJC believes that all fiscal policy decisions should be made in a manner that puts the needs of all people and the environment first, as enshrined in the Constitution. This applies to all budget policy, including, economic policy, fiscal policy, monetary policy, revenue, trade and tax policy and budget allocations. A human rights based budget approach would have resulted in the estimated revenue overrun of R83 billion being used to expand social protection, through the improvement of the SRD grant for instance. It would have put on the table measures to raise revenue for maximum realisation of human rights, including considerations of a wealth tax, and an end to tax rebates for corporates and the wealthy.

Alternatives to austerity-based debt management

The fact that Treasury is taking over a part of Eskom's debt doesn't change the debt service costs for the whole public sector, even if it might have a political effect. The government has been pushing for concessionary lending to finance a just transition from fossil fuels to sustainable, cleaner energy sources. It is however ignoring that the state pension fund GEPF is the biggest creditor of both Eskom (R83 billion in 2021) and the Treasury (R489 billion in 2021). The GEPF is charging the public utility and the government market rates on this lending.

The recent lowering of the actuarial factor in the defined benefit formula of GEPF, which is hitting the state pensioners, should make political space to discuss the 'fully funded' legal framework of the GEPF. If the "100% fully funded policy" of the GEPF board is eased, the present debt service costs can fall. The GEPF can adopt the same prudent investment policy like the UIF (only 25% placed in equity instead of GEPF's 55%) and invest a much larger share of its R2.1 trillion in assets in the public sector, to stop austerity.

Lack of gender budgeting

Women face a greater risk of poverty, and this is especially true for black women. This gender gap in poverty has widened in the past decade, in a phenomenon commonly referred to as "the feminization of poverty". Reductions to care and community services therefore mean that women fill the gap and mask the impact through their unpaid care work. While the MTBPS is a powerful tool that can adjust allocations to alleviate this and advance gender equity in the country, the 2022 MTBPS makes no mention of gender outside of one passing mention to gender-based violence. Thus, the policy statement does not allocate funding in a gender responsive manner. Moreover, the Division of Revenue Bill has made no progress in allocating funding in a gender responsive manner.

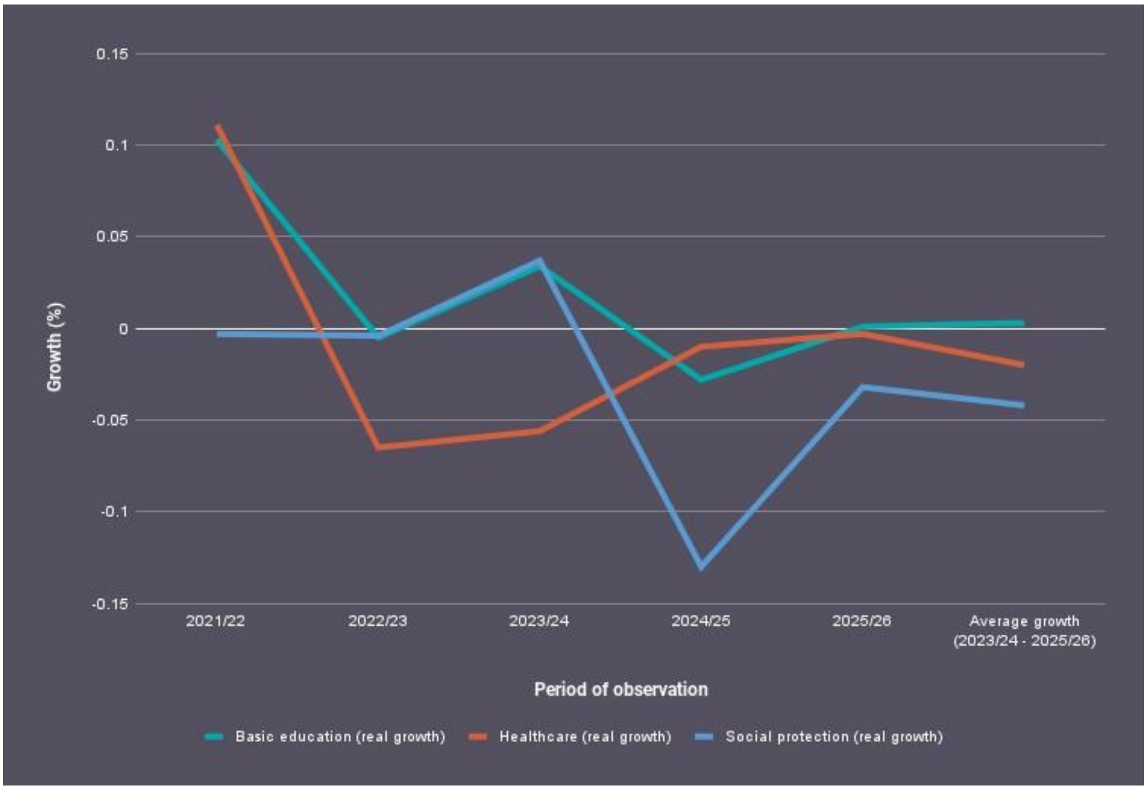
This illustrates a lack of commitment by government to feminist, gender-based budgeting which is shameful given that women are in the majority and yet remain unpaid in their life - due to their unrecognised and invisible work.

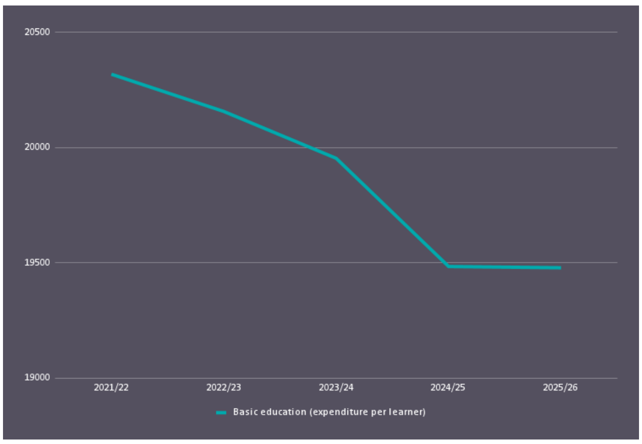
Although President Ramaphosa reiterated the country's commitment to gender responsive budgeting by stating that South Africa will implement gender-responsive budgeting at the G7

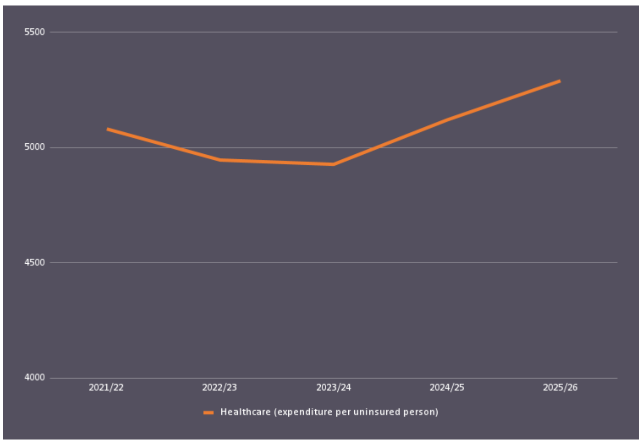
Leaders' Summit in June this year, the 2022 MTBPS provides no evidence of this. Since the February 2022 Budget Review's opaque reflection that Treasury is "working with other stakeholders to implement gender-responsive budgeting across government," the Treasury has not provided an update on the progress made in the policy statement.

Treasury noted that social grants and other social welfare priorities "may remain unaddressed" owing to the extension of the SRD grant. Unfortunately, the 2022 MTBPS fails to recognise the gendered implications of eroding social protection for women during a time when unemployment and the high cost of living remain a concern. Undoubtedly women's experiences of poverty are overlooked in budgeting and policymaking, thus continuing to entrench gender inequality through policy.

Key expenditure trends[7]







[7] Graphs courtesy of the Institute for Economic Justice.

Social assistance

We acknowledge that the Social Relief of Distress Grant has been extended for another year until March 2024 but take issue with the fact that extension is made at the expense of the rights of others to social assistance by saying that other social grant beneficiaries must expect a below-inflation increase (i.e. a decrease, in real terms) in next year's budget as a result of the SRD extension. This is unacceptable in the context of the high cost of living with increased unemployment and poverty when grants were only marginally increased with the National budget for 2022 below the inflationary rate. We strongly object to the fact that the extension of the Social Relief of Distress Grant poses a risk to other social grant beneficiaries, preventing them from receiving an inflation-linked increase to their grants in 2023. It is imperative that all grants must be increased at the very least on par with inflation and that no grant must be below the food poverty line.

As the President rightly indicated in his State of the Nation Address in February 2022, the benefits of the Social Relief of Distress Grant cannot be underestimated. We are therefore seriously concerned that the Minister failed to speak about the challenges to accessing the grant. It is disappointing that the SRD has not reached many of those who need it the most. This has been due to administrative challenges, stringent eligibility criteria, outdated databases resulting in inaccurate rejections, delays with payments and delays with reconsiderations and appeals. It is important to clarify that the Minister's reference to R1.77 billion in unspent funds declared on social assistance due to a lower than anticipated uptake of the social relief of distress grant following the implementation of the lower income threshold and the bank verification of applicants' income; illustrates the issues of administration to access the grant which should have been addressed having due consideration for the fact that there is no work and millions of unemployed need this lifeline of the social relief of distress grant to survive.

The Treasury on the one hand spoke about reducing the state debt and on the other hand prolonged the R350 relief grant one year without proposing new tax measures to fund it. In our view, this looks more like a political statement than prudent fiscal policy. The political statement, should have been a statement of fiscal prudence as well as a signal that the taxes on high income earners must increase in order to finance social security for the many. The R350 grant extension should be financed by a tax increase. This will also prepare the political ground for a coming UBIG. The tax increase should be lodged on taxable incomes over R500,000.

Politicians must heed the call for a Universal Basic Income Grant

BJC demands the implementation of a decent Universal Basic Income Grant to give effect to the right of everyone to social security and to bring much-needed relief to millions of South Africans who are languishing in poverty and falling through the existing safety nets.

While there seems to be a lack of political will from the government to act on this, our hopes were temporarily raised when President Ramaphosa introduced the R350 Covid-19 Social Relief of Distress (SRD) grant and we thought this would pave a way for a continuously increasing grant assistance as government had already established a verified database through SRD.

It is disheartening to hear that the so-called independent experts are choosing to turn a blind eye to the realities faced by millions of poor and unemployed South Africans. We reject the notion that is being pushed by the economic advisory council that this country cannot afford a Basic Income Grant. Last year, the Department of Social Development in collaboration with the International Labour Organisation (ILO) and the UN Sustainable Development Goals (SDG) Joint Fund released a report which indicated that a basic income support grant was sustainable and our members have put forward a range of financing options for government to consider.

Education

While basic education has been allocated R3.7 billion more than anticipated in the 2022 February Budget, this is not sufficient to ensure the basic education budget keeps up with higher inflation. Basic education funding now grows by 6.1% year on year, 0.7% lower than inflation. With learner enrolment increasing at about 1.4% per year, spending per learner declines even more sharply this year and the next.

Subsequent to the Early Childhood Development (ECD) function shift in April 2022, the Department of Basic Education has taken over responsibility for ECD and has committed to making improvements to ECD services starting in 2023. Yet in 2023/24, the funding increase for basic education is merely 2.2%. We question how the quality of education and the improvements to ECD services can possibly take place when the budget is being cut?

Regarding School Infrastructure, the Education Infrastructure Grant (EIG) received an additional allocation of R116.8 million "for repairs to schools affected by natural disasters in KwaZulu-Natal and Eastern Cape." While additional funding is welcomed, in April this year the Department of Basic Education (DBE) stated that it would need R442 million to address the situation in KZN alone. Additionally, the DBE has stated that an additional R5 billion would need to be allocated to the school infrastructure to sufficiently address the overcrowding crisis crippling schools across the country.[8] There are also concerns that the targets under the school infrastructure grants are not being met, further delaying the provision of safe school infrastructure.

While spending on the National School Nutrition Programme (NSNP) grows consistently over the next three years, the increase does not consider the rising cost of feeding children nutritious meals, as food price inflation remains higher than ordinary inflation. The MTBPS recognises that food inflation this year at 8,5%, while StatsSA recorded a 12.5% increase in the most recent month on record, viz. September. If food prices rise at a similar rate over the next three years, the NSNP will not be adequately funded to carry the cost of meals to all nine million learners.

Basic Education is a basic human right which under South Africa's Constitution must immediately be realised. This includes providing safe and adequate classrooms, toilets, and

[8] Minister Motshekga's reply to a Parliamentary Question, available at: https://pmg.org.za/committee-question/19058/

school facilities, enough school furniture and teaching materials, as well as adequate water, sanitation and electricity.

Health

The right to dignity and equality are cornerstones on which our constitutional democracy is built. The response to the global pandemic has exposed the limits of the constitutionally enshrined right to healthcare. The fragmented health system response resulted in the deaths of over 150 000 people who succumbed toCovid-19 related complications without ever receiving a Covid-19 diagnosis and never seeing the inside of a health facility. In contrast to this, people with access to private medical insurance were able to access the diagnostics, therapeutics and vaccines to protect themselves and their families. As we emerge from the two year pandemic, the longer economic impact of the Covid-19 disruption will again be borne by the poor. Healthcare is a concurrent responsibility shared by national and provincial governments with the latter responsible for the delivery of health care services to the “uninsured population”. Projections in the 2022 National Budget tabled in February indicate cuts to the provincial equitable share allocations. If these are implemented it will be impossible to meet inflation linked wage increases for health workers and ensure adequate funding to the rest of the health sector. The MTEF must ensure adequate resources are available to the health sector to ensure the filling of health vacancies and funding of health care services. This will entail, at a minimum, CPI plus population growth increases to the provincial (and local) equitable shares and medical price inflation linked to public health funding.

Despite this the state has continued to prioritise the needs of the “highly mobile” middle classes with tax rebates on personal income, increases in medical scheme credits that indirectly subsidise private health provision. Covid-19 related health budget increases have also prioritised the highly inefficient hospital systems with the bulk of new healthcare capacity being concentrated within large hospitals.

As we emerge from this pandemic and prepare for the inevitability of the next one we need to refocus on improving the responsiveness of the primary health care system. South Africa has access to regular health information but this is seldom used to inform decision making or governance. The data tells us that the people who need care the most are the least likely to receive it. Investing in well trained community health workers at relatively low cost to support significant improvements in health utilisation and provide employment in a country where unemployment is a major contributor to ill health. The withdrawal of medical scheme credits could return at least 30 billion to the fiscus which would be invested in funding the community health worker investment case presented to the government in 2019.

Health, not just healthcare, is commercially determined. The rise in noncommunicable diseases, most notably diabetes, can be directly linked to diet transition and increased consumption of refined carbohydrates. Health taxes have been successful in reducing tobacco consumption and early evidence has shown that the introduction of the health promotion levy on sugar sweetened beverages has decreased consumption. Increasing the health promotion levy and expanding the levy to fruit juices will not just yield additional revenue but also decrease health care costs associated with the treatment of diabetes. It is important to note that the leading morbidities resulting in Covid-19 related mortality were diabetes and obesity. The progressive realisation of socio economic rights empowers the state to take reasonable measures. The budget is an opportunity to give life to these aspirations by prioritising the needs of the 84% who are fully reliant on the state.

The MTBPS has stated that Treasury will target its medium-term spending increases towards retaining health workers appointed during the COVID-19 pandemic. However, BJC members have noted that the 'Human Resources for Health' sub-programme for the current financial year has not been adjusted and that those increases will occur in next year's budget. This deferral is likely to exacerbate the chronic human resource shortages currently being experienced in healthcare facilities across the provinces.

It is unfathomable in this context of cutting spending to public healthcare, that the MTBPS supports the proposal to subsidise private healthcare by increasing medical aid credits.

Recommendations

- Withdraw medical scheme credits and withdraw bracket creep adjustments in the 2022 budget
- Increase excise duties on alcohol and tobacco products
- Increase and expand the health promotion levy
- Expand the district health conditional grant to improve the responsiveness of publicly funded primary healthcare

Climate change and the budget

The South African economy remains disproportionately energy intensive (although it is becoming less so). Per capita emissions remain high, and the country is the 12th largest contributor to global carbon emissions. This energy and emissions profile reflects the historical and continuing dominance of the country's "minerals-energy complex" which is supported by cheap electricity generated mostly from low-quality coal, while higher quality coal is exported.

To deal with climate change, the country needs to transition from its reliance on an export-led, extractivist growth model. Central to this would be the need to diversify the SA economy. Moreover, the country is dependent on Eskom for energy supply, which is generated from coal. Consequently, Eskom contributes significantly to the country's overall greenhouse gas emissions and big carbon footprint. Therefore, in addition to diversifying the SA economy away from the minerals-energy complex, it is critical that we transition from an energy mix dominated by coal to low-carbon energies such as solar PV and wind for example. In addressing the climate emergency it is equally important to combat mass unemployment. In this regard, the local manufacturing of renewable energy infrastructure is critical because this is where most of the jobs are in the energy-producing sector. This will require an import-substitution policy for South African renewable energy infrastructure producers to compete with the international market.

In addition, we must harness the resources to invest in improving public infrastructure and retrofitting all public buildings to be more ecologically sustainable and resilient to climate shocks. This must include measures to fix water leaks, installing decent sanitation at all schools

(4000 of which still use pit latrines), the increased roll-out of rainwater harvesting tanks, the replumbing of toilets to use harvested-water and supporting waste pickers.

These initiatives could create hundreds of thousands of climate jobs (jobs that contribute to bringing down emissions of greenhouse gases), and should therefore be seen as a priority in context of mass unemployment as we enter a period where extreme weather conditions will become more common and contagious diseases more prevalent, in South Africa and globally. To do so we need large levels of investment. This is unlikely to happen under the for-profit renewable energy model and the auction system. Already we see Bid window 5 facing constraints, "due to onerous local content requirements and pricing that is now inappropriate to global price escalations".

Not only does the for-profit model put the creation of jobs at risk, it will also accelerate the collapse of Eskom putting the country's energy sovereignty in even greater jeopardy. According to the IRP, "Eskom's existing generation plant will still dominate the South African electricity installed capacity for the foreseeable future. The current and future performance of these Eskom plants is critical for security of supply and heavily influences the capacity planned to be introduced under the IRP." A key objective of the IRP2019 is for Eskom to achieve an Energy Availability Factor (EAF) of 75%.

But on the basis of past experience, the performance of Eskom plants—which is critical for security of supply—is also affected by the economic situation of the utility. And if the additional wind and solar power generation operates within the current IPP system, Eskom will be obligated to purchase large volumes of variable wind and solar energy while at the same time having to upgrade the grid in order to manage the effects of a large increase in non-dispatchable (variable) power. Today refurbishments and maintenance are not happening at a level that can reach an EAF of 75%. Eskom is currently operating at below 65%. The mid-life refurbishments have not gone forward, and maintenance of Eskom's power stations continues to be neglected.

No one seriously challenges the idea that, for the next two decades or even longer, Eskom's coal-fired generation will need to co-exist with power generated from non-coal sources. So at what point does Eskom's "death spiral" hit bottom? Under the current policy, there is no bottom. If the REIPPPP is expanded as planned, by 2030 Eskom's market share and revenues will have shrunk still further, making it less economically viable. But Eskom will still be expected to produce 60% of the country's electricity. Therefore the current policy condemns Eskom to a zombie status, perpetuating a death spiral that cannot actually end in death. How can this not lead to both more load shedding and more neglect of the utility's physical and human infrastructure? The intensification of the "energy war" between Eskom and the IPPs will probably lead to system-wide problems that will eventually require state interventions. All of this can be avoided if the entire system remains public.

The role of the state in addressing the climate crisis and its impacts are critical. Not least to ensure that people's rights are protected through the worsening impacts of extreme weather events, and exacerbated droughts, food insecurity and overall inequality. Existing lines of inequality across race, gender and class will shape how impacts are carried. The current decision of fiscal reduction fails to protect people from impacts of the crisis, and undermines any development goals that have been achieved. Dangerously, the prioritisation of the private sector, endorsed by the government, in responding to the climate crisis can also be a symptom of a politically decided position of austerity. The National Treasury's draft technical paper on financing a sustainable economy does not include an adequate role for public finance, yet assumes the private sector can be incentivised to respond.

Public consultation continues to be indispensable in adequate budgeting for climate and social justice in a manner that shapes the allocation and execution of public budgets. Processes of transparency and accountability thus become essential if the current trajectory continues to focus on the private sector. Incoming climate finance has also begun to prioritise the role of the private sector with emphasis placed on market reforms which cannot be allowed in our national context that increases a debt burden and potentially worsens austerity.

Furthermore, our public development finance institutions have historically financed the minerals-energy complex mentioned above, and have not progressively shifted away. These institutions are often out of the public eye, and need to become more accountable to the public in terms of financing for sustainable and inclusive development. Instead of addressing market failures to stimulate more private sector involvement, a more progressive role needs to be taken to support local, green industrialisation. Instead, continued investment in new fossil fuels (coal or gas) adds an expensive strain to our public budget in terms of costly stranded assets. Furthermore, additional fossil fuel projects add to our national greenhouse gas emissions, and make directly impacted communities more vulnerable to water scarcity, health impacts and ruined land.

The public budget, and supporting planning processes, must be ambitious in reducing our overall GHGs by supporting equitable and just alternatives that are green and job-rich. The mainstreaming of climate justice considerations better allows for local level planning to ensure societies become increasingly resilient with lowered vulnerabilities to the worsening impacts of the crisis.

The need for tax reform to end the cycle of austerity in Budget 2023

In the 2023 budget, government needs to close the deficit through fairer taxation of high incomes and the wealthy, and allow funding for public services to increase at least in line with inflation. In line with the BJC's[9] FOA Submission on the 2023 MTEF, the Government has an obligation to mobilise the maximum available resources for the realisation of social and economic rights. In line with this obligation, the BJC calls on the government to review its plans for taxation and spending over the medium-term. Between 1996 - 2020, the tax-to-GDP ratio has averaged 24%. This is 41.6% lower than average annual revenue-GDP ratio for OECD countries. Economic modeller, Asghar Adelzadeh, says: "government's decision to avoid permanent tax increases in the overall tax burden has significantly benefited the country's well-off class at the expense of the majority."

[9] https://budgetjusticesa.org/media/bjc-foa-submission-on-the-2023-mtef/

Moreover, government must remove the policy cap on the tax-to-GDP ratio which should be understood as part of the austerity policy tools being implemented. (For example: the debt-to-gdp and government expenditure-to-gdp and inflation targeting of the Reserve Bank). BJC recommends that over the next few years policy should focus on a progressive increase in South Africa's overall level of taxation at a scale appropriate to support public service provision while providing the resources to protect the environment and build a more equal society.

BJC's tax proposals for Budget 2023

Do not increase the VAT rate

In successive budgets, we called on SARS and Treasury not to increase VAT. The increase in the VAT rate from 14 to 15% as of April 2018 represents a clearly retrogressive austerity measure, which, when combined with spending cuts, imposes a greater burden on the poor. VAT change increases the taxes paid by poor and low-income households, reducing their ability to afford foodstuffs and other essential goods and services, necessary for rights realisation, through lowering disposable incomes. In 2018, the IEJ (see Mitigating the impact of VAT increase by extending zero-rating) proposed a number of goods that could be zero rated. This needs to be looked at again, given that most South African households living on low incomes cannot get through the month on the level of income that comes into the home and cannot afford even the very basic goods and services they need.
According to PMBEJD's January 2022 Household Affordability Index the average household food basket it tracks now costs R4,051 a month. At R4,000, the basket is higher than the national minimum wages (R3 470 generally and R2 491 for domestic workers), and is out of reach of the 30.4 million people (55.5% of the population) who are living below the upper-bound poverty line of R1 268 per month.

Do not decrease corporate income tax

Since the 1980s the average global corporate income tax rate has declined by more than half - from 49 percent in 1985 to 24 percent in 2018 - in line with the global income corporate tax race to the bottom. This has occurred as governments around the world were increasingly required to increase incentives for private sector investment. Historically this has proven to have a number of adverse socio-economic impacts. In the first instance, contrary to the view that reductions in corporate income tax is a form of fiscal stimulus that would result in greater levels of spending and/or investment, international evidence from UNCTAD, has shown that productive investment has not increased despite declining levels in CIT. Moreover, as developing countries are more heavily reliant on raising revenues through corporate income taxes, given relatively small tax bases, cuts in corporate income tax impacts heavily on potential revenue. Related to this, in order to supplement lost revenue from corporate taxes, governments invariably raise indirect taxes, further reducing the progressivity of the tax framework and entrenching existing inequalities.[10]

Implement a resource rent tax

Wealth from South Africa's resources has not been adequately redistributed to the nation. Recommendations by the United Nations to developing countries noted that it is critical that the

[10] https://unctad.org/webflyer/trade-and-development-report-2020

“government obtains an adequate and appropriate share of the benefits from its resources—taking into account that extractives are assets owned by the country and once extracted, they are gone—while providing a return commensurate with the risks borne and functions carried out by the parties”.[11]

Analysis by Isaacs and Bowman showed that during the last commodity’s boom companies in the extractives sector (particularly in mining) made super profits between 2000-2008[12]. In concluding their research they supported the proposal of a resource rent tax (RTT) that had been advanced, and modelled, by the ANC’s 2012 discussion document Strategic Intervention in the Mining Sector (SIMS). An RTT would be activated during commodity booms which “means that profits earned above a fair rate of return on investment would be heavily taxed. This allows companies to comfortably remain profitable while a greater share of the benefit of the country’s mineral wealth is directed towards South Africa’s developmental challenges”.[13] An RTT is particularly relevant now, given that commodity producers have fared well during the COVID-19 crisis, hence the better than expected revenue, even for SARS.
The following proposals are made:

- Remodel the impact of an RTT at various rates, including at 15%.
- An introduction of an RTT at a threshold based on the outcomes of the research above.

Introduce a Social Security Tax / Solidarity Tax

The introduction of a Social Security Tax is one of the primary mechanisms that can be used to finance better social protection in the form of a Universal Basic Income Grant (UBIG). This is a tax on income, dedicated to financing the extension of social security. It is progressively levied on those earning income above R80 000 a year – at 2 to 3% of taxable personal income. The tax revenues collected should be ring-fenced to provide funding specifically for a UBIG. For a more accurate collection estimate, access to administrative tax data from SARS is required.
Institute for Economic Justice calculations show this is sufficient income to finance one third of a UBIG set at the Food Poverty Line of R585 for all adults 18-59 (R191 billion per annum with an 80% uptake). Certainly, the UBIG will not see 100% take up, especially not in the early years.

The following proposals are made:

- Conduct further research on the collection estimate, using administrative tax data from SARS and determine rates between 2 and 3%.
- National treasury and SARS to coordinate the ring fencing and use of the Social Security Tax.

The following is required to reform wealth taxes:

- Committing to develop a plan for the implementation of a permanent annual net wealth tax as soon as practicable. This should be levied within the international range of 0.5-2.5%, taking into account the extremely high concentration of wealth to ensure a

[11] United Nations. (2017). Handbook on Selected Issues for Taxation of the Extractive Industries. Retrieved from: https://www.un.org/esa/ffd/wp-content/uploads/2018/05/Extractives-Handbook_2017.pdf
[12] Bowman, A. & Isaacs, G. (2014). Demanding the impossible? Platinum mining profits and wage demands in context
[13]

meaningful outcome. Wealthy individuals must immediately be required to declare their assets and liabilities in full so that SARS can gather a more accurate picture of wealth in contemporary South Africa.

Further, in terms of income taxes on high-income earners , and high-net worth individuals:

- Increases to personal income tax on the two highest brackets and adjusting the remaining tax brackets below inflation. High-income earners have experienced significant growth in their income over the last two decades, due to “skills inequality” and are the most likely to have remained in employment and saved on monthly expenses during the lockdown period. The top 1% of income earners in South Africa averaged a compounded growth rate of 5.4% over the years 2003-2015, whilst the majority (at least 80% of income earners in South Africa) have experienced declining negative growth in income over the same period. Effective tax rates for the earners above R500,000 have declined by 5% between 2008 and 2018. In the immediate term, the government must take the opportunity of a moral high ground by progressively increasing taxes on high incomes (above R500 000), with the rate increasing at the various income levels.

- Higher income groups have also received higher deductions on their taxes. In 2018, those earning above R500,000 received tax deductions of 12% of their income. R30.5 billion could be raised by not granting deductions on retirement fund contributions to those earning above R1 million.

In relation to income derived from wealth:

- Revising the primary abatement for estates of R6 million, and clamping down on the use of trusts to shield individuals from paying the full estate duty tax. A comparative study of South Africa’s estate duties with other countries needs to be done in order to assess why it contributes (as a share of GDP) only a quarter of the OECD average and how rates could be increased.

- Capital gains tax should be restructured so that:
    - Longer holding periods and capital reinvestment are encouraged through rate reduction.
    - A surcharge is applied to taxpayers earning high levels of capital gains,
    - The inclusion rate is raised to 100%.
    - The inclusion of non-resident is simplified and widened.
    - The use of share buybacks to avoid paying capital gains is prohibited.
- Further, the capital gains rate of 16% - 33% is below the OECD and BRICS norm and could be raised over the medium term.

- The securities transaction tax (STT) should be raised. Despite South Africa’s capital market to GDP ratio being almost triple the OECD aggregate, revenue from SST (as a share of GDP) lags being the OECD average. A taxation on cancelled orders should be instituted to disincentive high frequency trading, and derivative taxation requires further research.

- Regarding taxation of immovable property and land there is room for:

- A property tax over and above municipal rates and for this to cross subsidise poor municipalities.
- A surcharge on the transfer duty for the acquisition of second homes.
- Non-residents pay higher transfer duties than residents, particularly, or exclusively, for residential property.
- A land tax, particularly of vacant/unused land be instituted. This has been successfully implemented elsewhere and has been used to fund land redistribution. This submission has not sufficiently interrogated this issue to make detailed recommendations but this matter requires attention.

Creating a public registry of beneficial ownership

We welcome the decision by Treasury to "focus on consolidating wealth data for taxpayers through third-party information". However, another very important step towards tax transparency is the need to create a public registry where all property titles, of both real and financial assets, would be listed. The objective is to force the beneficial owners to disclose their identity in such a registry as soon as they buy an asset or property in South Africa. This means they wouldn't be able to hide behind a trust, an offshore company or any other kind of legal structure; the ultimate owner's name would have to appear.

This can be implemented fairly easily by enhancing the role of already existing institutions or databases such as the Companies Intellectual Property Commission (CIPC), and will in addition, ease the automatic exchange of information with foreign authorities while putting pressure on such foreign bodies to disclose the information they have on the foreign assets of South African taxpayers. Taken together this will mean an increase in tax compliance and a re-establishment of the South African tax base.

Illicit financial flows and base erosion and profit shifting

It is extremely difficult to come to one concise estimate of illicit financial flows out of South Africa due to their illegal nature. However, a number of estimates have been produced recently that help us analyse the losses for South Africa. Some of our estimates appear in Tax and Wage Evasion, A South African Guide compiled by the Alternative Information and Development Centre. Here are a few telling figures.

According to the African Union high level panel on illicit financial flows (Mbeki Panel), 4% of the South African GDP was lost every year on average between 1970 and 2008. This represents over the period US81.8bn (R1145 billion). In today's terms, this trend of 4% of GDP would mean R216.5 billion for the 2019/20 budget year. A 2019 statement from the Financial Intelligence Centre (FIC) indicated that South Africa loses between US$10 billion and US$ 25 billion annually in illicit financial flows. At today's exchange rate (R15 per US$), this amounts to between R150 billion and R375 billion this amounts to between R165 billion and R400 billion.

In terms of tax losses, it is difficult to evaluate the cost of illicit financial flows due to the different types of taxes which could have been levied on these monies. According to the OECD, on a global level, countries lose between 4% and 10% of their Corporate Income Tax revenues. For South Africa this would mean between R9.2 and R23 billion lost revenue.

However, this doesn't account for tax evasion practised by individuals and tax avoidance schemes used by multinational corporations to 'legally' bypass South African tax laws. It also doesn't take into account the ripple effect these losses have on the economy in general under what the AIDC call wage evasion (See Tax and Wage Evasion - A South African Guide). In other words, illicit financial flows have a massive impact in eroding the South African tax base and perpetuating high levels of income inequality through the avoidance of paying decent wages. This in turn has led the South African government to reverse the progressivity of the South African tax system by increasing indirect taxation in 2018, and to a growing pile of public debt which future generations will have to deal with.

The fact that the government recognises the massive impact that illicit financial flows, base erosion and profit shifting has in relation to the erosion of the tax base is a step forward. However, the February 2020 budget indicated that the Treasury endeavours to reduce corporate income tax rates to mitigate against the incentive for multinational corporations to shift profits to low-tax (or zero-tax) jurisdictions. This will continue to drive the global corporate tax race to the bottom and make the South African tax framework increasingly regressive. Alternative measures to combat IFF and BEPS would be for South Africa to increase capacity for SARS including the restoration of the large business centre and the IFFs unit, to ensure effective enforcement of the general anti-avoidance rule. Further, the strengthening of legislation through the introduction of a general anti-tax avoidance act would enable statutory bodies to take action against individuals or corporations found to be involved in IFFs.

It is also essential to move towards a system of enhanced tax transparency. This will help to re-establish trust and confidence in our tax system, as well as assist in mitigating against the risks of corruption, and preventing any complacency from tax authorities. These will also help to ensure greater oversight over MNC's tax avoidance schemes. All the following options to impose tax transparency rest on one fundamental assumption: in the face of the threat of corruption, the tax authority's internal oversight mechanisms won't be enough. Therefore, this tax information should be made publicly available, allowing for independent organisations and journalists to have the possibility to check, creating another mechanism for accountability.

Tax revenue collection capacity

Under tax collection is probably related to multiple factors including (but not limited to):

- Under-capacity with more than 968 vacancies of which 600 to 800 are "critical";
- Lack of confidence in the revenue collector; and
- Growth, and consumption being revised downwards.

To remedy this, the government intends to make up the shortfall through reductions to baseline spending. This is the wrong approach. Government should bolster taxes through a fiscal and social stimulus, and increased taxes on the rich including high net worth individuals and corporate income taxes. A major positive in line with restoring SARS capacity is the commitment by the finance minister to increase spending on SARS by R1 billion. This is more than a 10% increase and should go a long way in increasing SARS capacity.

Public procurement reform and enhancing the efficiency and effectiveness of expenditure

A country's public procurement system is critical to its functioning. It plays a central role in actualising government's socio-economic policies into goods and services for the people. In South Africa government is the largest procurer of goods and services in the country spending roughly R800 billion per year[14], a significant portion of the overall budget, through the public procurement system. The efficiency and effectiveness of the system does not only have an impact on the realisation of constitutional rights but on countries' fiscal health and is a critical indicator of government's functioning. Although the public procurement system and supply chain management seem like merely administrative and bureaucratic apparatuses, they have a profound effect on a country and are central in building a functioning and equal society in which constitutionally protected rights are realised and promoted.

Section 217(1) of South Africa's Constitution requires that the government set up and operate a procurement system that is fair, equitable, transparent, competitive, and cost effective. However, South Africa's procurement system is currently in crisis, riddled with mismanagement, fruitless and wasteful expenditure, corruption, and a culture of impunity. Within a constrained fiscal environment this has severe implications for social spending, as limited resources get diverted away from key sectors.

The threat of greylisting, following the recent FATF assessment is a further consequence of the collapse of the procurement system, which could have dire economic consequences for the country. Corruption was highlighted as a key risk for money laundering and terrorist financing. Experts have called for a state of emergency to drive necessary reforms to safeguard public funds, noting that previous recommendations and proposals, some dating back to 1997 have not been able to prevent corruption, or improve efficiency of public procurement.[15]

The Budget Justice Coalition welcomes the announcement that the Public Procurement Bill will be tabled in March 2023. This Bill is intended to consolidate and streamline procurement processes as a means to create transparency, uniformity and accountability. However the BJC has a number of concerns regarding the proposed version of the public procurement bill. These are detailed in our joint submission on the draft bill with Imali Yethu.[16] The themes of concerns are as follows:

- **The Draft Bill falls short of providing sufficient transparency in the procurement process**. Examples include the lack of immediate access to vital procurement information which instead must be obtained through PAIA including the contract concluded with a successful bidder, as well as the discretion of the Public Procurement Regulator to keep data from procurement process intervention secret.

[14] The State Capture Report, Part 1 Available at: www.gov.za/sites/default/files/gcis_document/202201/judicial-commission-inquiry-state-capture-reportpart-1.pdf

[15]https://www.dailymaverick.co.za/article/2022-09-15-state-of-emergency-required-to-drive-real-public-procurement-reform-say-experts/

[16] Budget Justice Coalition and Imali Yethu, Submission on the Draft Public Procurement Bill available: https://budgetjusticesa.org/assets/downloads/SubmissiontoTreasuryonProcurementBill_June2020.pdf

- **The Draft Bill, although attempting to tackle corruption and mismanagement, does not provide sufficient mechanisms for consequence management and accountability.** This is created by a lack of transparency in the procurement process under the new bill, as well as a prolonged and vague review process, does not sufficiently strengthen our impotent barring systems, and no clarity on powers and functions of the oversight body (Public Procurement Regulator) that are distinct from what is already existing.
- **The Bill does not adequately address gender parity in procurement processes.**
- **The Bill does not adequately address concerns around front companies and lack of transparent beneficial ownership.**

Our Recommendations:

Provide feedback on the consideration of comments received on the Public Procurement Bill, prior to proposed adoption in March 2023, to prevent further delay and ensure that the Bill is adopted timeously.. The lack of transparency in the finalisation of the Bill is cause for concern, given the current state of the procurement system, and the threat that continued abuse of the system poses to service delivery, human rights and state owned entities.

Ensure that the recommendations emerging from the Zondo Commission are implemented without delay, including adequate resourcing of key institutions such as SIU, FIC, SARS and NPA, and that due consideration is made to recommendations relating to the establishment of an independent public procurement anti-corruption agency and coordinated public procurement legislation.

Prioritise transparency in the procurement system, including the adoption of a beneficial ownership registry to prevent undue influence in the awarding of tenders. In addition, all organs of state, including local government must be mandated to submit procurement plans, tender notices, awards, lists of bidders and details of contracts awarded, in efforts to ensure greater accountability and transparency in procurement processes.

Pilot social audits, supported by adequate resources, in dysfunctional departments and municipalities to support the AGSA and to enable timeous identification of poor contract management, and misuse of public funds. This is a critical component of the social accountability ecosystem and would improve public participation in the public resource management cycle, and provide opportunities for employment and capacity building in under-resourced communities.

Adopt a price index, or reference pricing system for frequently procured goods and services to prevent overcharging on common items. This could also prevent the sourcing of underpriced and poor quality items that also result in wasteful expenditure. This system could allow for an acceptable price range that does not impede the PPPFA.

The role and responsibility of accounting officers should be reinforced, and internal processes need to be strengthened to improve performance, and enforce consequence management to ensure that public officials are held accountable for their actions, and make decisions in the public interest.

Proposals by Chapter Nine Institutions for review and amendments to existing (and pending) legislation in efforts to ensure that women are able to meaningfully contribute to and participate in procurement and economic processes should be considered and implemented. [17]

The BJC urges the Committee to ensure that National Treasury utilises the full extent of its powers to create a public procurement system that works for all living in South Africa.

Further detailed recommendations are outlined in our joint submission on the draft bill with Imali Yethu.[18]

Human Rights Impact Assessments

We reiterate the call we have been making to National Treasury and to Parliament since 2018 to reverse spending cuts to socio-economic rights and to focus the budget on ensuring the attainment of Constitutional rights for all in South Africa. We call on the government to undertake human rights impact assessments (HRIA) of fiscal policy and of individual budget decisions where human rights are impacted, which the government has committed to in the past but is still yet to implement.

Nonetheless, in a time of great hardship for most people in South Africa, more than 1 in 2 people are living below the upper-bound poverty line and more than 40% face unemployment based on the expanded definition. It is lamentable that the government continues to favour making lofty promises of budget surpluses to foreign investors while placing the burden of these debt reduction targets squarely on the backs of the most vulnerable.

In the 2023 budget, government needs to close the deficit through fairer taxation of high incomes and the wealthy, and allow funding for public services to increase at least in line with inflation. The austerity programme set out in the 2021 and 2022 Budget's is anti-poor and tramples upon people's hard-won rights.

[17] Commission for Gender Equality, A Promise Without Commitment: Overview of State Compliance with President's 40% Procurement Allocation available: https://cge.org.za/wp-content/uploads/2022/08/A-Promise-Without-Commitment-Report_Web-Version-1-procurement.pdf

[18] Budget Justice Coalition and Imali Yethu, Submission on the Draft Public Procurement Bill available: https://budgetjusticesa.org/assets/downloads/SubmissiontoTreasuryonProcurementBill_June2020.pdf