COSATU Submission:

2022 Division of Revenue Amendment Bill (Medium Term Budget Policy Statement – MTBPS)

07 November 2022

COSATU

Submitted to:

Standing and Select Committees: Appropriations

National Assembly and National Council of Provinces Parliament

Republic of South Africa

1. Introduction

The Congress of South African Trade Unions (COSATU) is deeply concerned by the lukewarm Medium Term Budget Policy Statement (MTBPS) and the accompanying Division of Revenue Amendment (DORA) Bill tabled by the Finance Minister, Enoch Godongwana in Parliament.

Considering that the South African economy has been stagnant for over a decade and the country is experiencing periodical riots because of desperation and hopelessness; this budget was not bold enough.

COSATU was hoping for a bold MTBPS and a DORA Bill that would protect workers from inflation, rebuild the state, decisively tackle corruption, provide relief to the unemployed and put measures to stimulate the economy.

We acknowledge that there are positive interventions in the policy statement but on a macro level, this statement still fails to address the biggest challenge of economic stagnation.

2. Debt Level

It is economic stagnation that has led to the seven-fold increase in the public debt over the past decade and we reiterate our position that the most sustainable way to ensure the debt levels are brought under control is to grow the economy.

Suffocating the economy through budget cuts and scapegoating public servants has not worked. The government needs to focus on addressing the fundamental causes of the fiscal crisis, namely a stagnant economy, rampant corruption, massive unemployment, loadshedding and limping SOES, and not outsource the bill for corruption and incompetence to workers.

COSATU welcomes the additional allocations of R37 billion to help key frontline service departments, State Owned Enterprises and social security. We are however worried about an underspending of R5.8 billion in a climate of scarce resources.

3. Public Service Wage Bill

The government needs to resolve the current impasse with workers to avert any disruption of public services because this economy cannot afford a strike, and no one wants a strike.

The Federation is cautioning government against negotiating in Parliament when the conciliation process at the Public Service Co-ordinating Bargaining Council (PSCBC) is penciled for Monday, 31st October 2022. We reiterate our position that an amicable solution should be found to avert the strike that will impact service delivery and undermine the economy.

A public service strike will cause a major and extended labour unrest and a crisis of service delivery. The lack of sincerity and denialism about the political and economic costs of the government's austerity strategy is astonishing.

We are deeply worried by the rapid decline in the public service head count and the devastating impact this is having on public services. The nation's police-to-citizen ratio, nurse-to-patient ratio and teacher-to-student ratio are amongst the worst in the world.

Whilst the MTBPS speaks to reversing the alarming decline in the public service headcount with a 0.2%, and in particular to hiring teachers, nurses, doctors and police officers, it provides no details, numbers or timeframes.

Particular alarm must be placed in the rapidly shrinking South African Police Service which has plummeted from a peak of 208 000 in 2010 to 172 000 in 2022. Government has committed to hiring 12 000 new SAPS members; however this is too little when compared to an expected 10 000 retirements, resignations and deaths in the same time period.

4. Infrastructure

The Federation is concerned that despite the doubling of the expected infrastructure investments over the Medium-Term Expenditure Framework (MTEF) to over R112 billion including the allocation of R33 billion for transport and water, the country remains far behind on infrastructure roll out programmes.

5. Provincial and Local Government

It is worrying that Provincial Governments, responsible for key expenditure departments, are on average at 40% of their expenditure halfway through the financial year. Fiscal dumping in the final quarter of the financial year is not the way to manage scarce fiscal resources in an economy badly in need of stimuli.

The Auditor-General has flagged the rapid decline in the functioning of municipalities, however, the MTBPS and the DORA Bill provide no details on what exactly is being done to halt this slide.

Over the past decade the number of financially distressed municipalities has risen from 10% to over 90%. Yet there are no concrete plans on what is being done to halt this rapid deterioration.

The MTBPS and the DORA Bill provide for R40 billion to assist local government, this is welcome. Yet there is no indication as to what this additional funding is for, which municipalities will receive it and how will it recapacitate local government.

The number of municipalities failing to pay workers on time as legally required is increasing at alarming levels. Currently it is reported that the following municipalities are behind in payments owed to their employees:

Salaries in Arrears:

- Free State:
    - Kopanong (3 months salaries arrears)
    - Mohokare
    - Masolonyane

Non-payment of staturory deductions, e.g. UIF, medical or pensions:

- Eastern Cape:
  - Beyers Naude
  - Makana
  - King Sabata Dalindyebo
  - OR Tambo
  - Amahlathi
- Free State:
  - Kopanong
  - Mohokare
  - Masolonyane
  - Mafube
- Northern Cape:
  - Kaheis
  - Ka! Garieb
  - Thembelihle (more than 1 year in arrears)
  - Renosterbrg
- North West:
  - Ditsobotla
  - Kgetleng River
  - Mamosa
  - Mahikeng (6 months in arrears)
  - Tswaing (1 years, including pensions, in arrears)
  - Naledi

Parliament needs to hold these offending municipalites accountable. The silent leadership of COGTA needs to be held accountable as well. The non-payment to medical aids, pension funds, tax authorities of monies deducted from workers is a criminal offence. Those guilty must be arrested and charged for fraud.

The non-payment of salaries is equally tantamount to theft of monies owed to workers and those responsible must be brought to book. Workers should not be the victims of corruption, state capture, mismanagement and under funding.

6. Main Division of Revenue Adjustments

COSATU welcomes the adjustments of revenue to accommodate the massive damage caused by floods in 2022 in large parts of KwaZulu-Natal and the Eastern Cape as well as other floods experienced in the North West and the Western Cape previously.

COSATU welcomes the following key division of revenue adjustments provided to cover the damages caused by the flooding:

- Nationally:
  - R97 million provincial disaster fund.
  - R248 million local government disaster fund.
  - R350 million emergency housing.
  - R3.3 billion municipal disaster recovery.

    - R92 million informal upgrades.
- KZN:
    - R49 million emergency shelter.
    - R95 million and 145 million 2022/23 and R326 million 2023/24 school infrastructure repairs.
    - R589 million and R490 million 2022/23 and R293 million 2023/24 road repairs.
    - R92 million flood relocation eThekwini municipality.
- KZN and Eastern Cape:
    - R3 billion municipal infrastructure rehabilitation.
- Eastern Cape:
    - R21 million and R22 million school infrastructure repairs.
    - R320 million road repairs.
- Eastern Cape and Limpopo:
    - R389 million bridge repairs.
- North West:
    - R111 million road repairs.
- Free State:
    - R320 million road repairs.
- Western Cape:
    - R290 million ringfenced for 2021 flood damages.

Whilst welcoming the relief revenue adjustments provided for by the DORA Bill to affected provinces and municipalities, COSATU is concerned by continuous reports of monies not reaching provinces and municipalities timeously or filtering down to persons, families and communities affected by the floods.

Government has not been effective in communicating what relief was provided, how and to whom and how to access it. In the era of state capture and corruption this feeds into a culture of distrust. This is worsened by the easy dissemination of fake news over social media.

7. Departments

The projected below inflation increases in expenditure to key frontline service departments, in particular Basic Education, Health, SAPS, Justice, Agriculture, and Employment and Labour; framework is alarming and will continue to cripple government's ability to provide quality public services that workers and the economy depend upon.

Government needs to reverse the below inflation increases provided for social grant recipients over the MTEF. We should not be cutting the grants in real terms for the most destitute.

It is disappointing that halfway through the fiscal year, some key departments are woefully behind in meeting their annual targets. These include Basic Education, Human Settlements, Water and Sanitation, Transport, Mineral Resources and Energy, Small Business Development, Higher Education and Training, Justice and Correctional Services. The President needs to deal with sluggish Ministers and their apathetic managers.

Some of the most worrying indicators on the state of departments halfway through the financial year include:

- Basic Education only having met 149 of its 450 sanitation and 19 of its 50 water infrastructure targets.
- Higher Education and Training far behind its student TVET student enrollment targets.
- National Prosecuting Authority having only met the following of its targets:
    - R85 million completed asset forfeiture cases out of a target of R550 million.
    - R131 million asset freezes out of a target of R1.8 billion.
    - R15 million asset recoveries out of a target of R1.4 billion.
    - 4 000 backlog cases completed out of a target of 62 000.
- CCMA has received no additional funding despite having to cope with record numbers of lodged cases by workers as retrenchments, docked wages and other grievances escalate.
- Human Settlements struggling with:
    - Only 11 000 of its 60 000 houses delivered.
    - 8 000 of its 130 000 title deeds handed over.
    - 7 000 of 60 000 informal settlements sites serviced.
- Mineral Resources and Energy:
    - Only 43 000 out the targeted 200 000 electrified.
    - No new power lines added.
- Small Business Development with only 19 out of a targeted 250 SMMEs linked to export opportunities.
- Transport with only between15% and 25% of its road maintenance and upgrading targets met.
- Water and Sanitation having only done 2 out of its intended 25 dam safety inspections.

8. Presidential Employment Stimulus and Public Employment Programmes

The failure to commit to an increase in the funding for the Presidential Employment Stimulus is a letdown to the millions of unemployed young people. This also applies to the National Treasury's failure to intervene with the banks to resolve the impediments that have led to less than 2% of the Bounce Back Scheme funds allocated to SMMEs.

COSATU demands government lead the way in absorbing the young people who are unemployed by compulsorily pushing all departments, SOEs and Agencies nationally and provincially to submit internship plans, and each must have a quota per year, at minimum wage level.

The corporate tax reductions given to the private sector should also come with the same condition that they also submit annual internship plans at minimum wage level.

9. Industrialisation

COSATU believes that much more must be done to address the crises of mass unemployment, poverty and increasing inequality. Much more must be done in transforming the colonial structure of the South African economy and forging an industrialisation led growth path.

It is disappointing that there is no explicit commitment to increase the funding to industrial sector masterplans that are supposed to be the backbone of the industrialisation strategy. In fact, the Department of Trade, Industry and

We expect government to undertake more decisive interventions to stem the unfolding de-industrialisation and job losses from cheap imports. Furthermore, COSATU calls on Treasury and the Reserve Bank to explore partial imposition of capital controls to stem the tide of capital flight.

10. Pension Relief for Financially Struggling Workers

COSATU is hopeful with the progress with regards to allowing highly indebted workers, public and private, to have limited access to their pension funds when in need. A Bill providing for this is now before Parliament and some of its final details need to be finalised between COSATU, Treasury and Parliament.

We want these issues resolved so that the Bill can be adopted in 2023 and this scheme can come into effect by October 2023.

11. Revenue

We salute the commendable work done by the employees of the South African Revenue Service who have managed to generate an additional R83 billion in revenue for the state and a hoped additional R94 billion in 2023 and R99 billion in 2024.

It is a travesty that even these high performing workers need to take to the streets for them to get some recognition and a decent wage increase.

More resources should be allocated to SARS to support their efforts to fight tax avoidance and conduct lifestyle audits of politicians, senior managers in the state and the private sector.

12. Corruption

It is puzzling that the MTBPS and the DORA Bill are not prioritising the fight against corruption. The country's law enforcement agencies are not fully equipped to fight white collar crime and cybercrime. Police stations also do not have enough working tools to fix the crime situation that has left many people feeling insecure and leading to others taking law into their own hands. The Federation also expected a plan to fund a whistleblower protection programme. South Africa will not win the fight against crime if the whistleblowers are not protected and incentivised.

13. Social Relief Dispensation Grant (SRD)

We are pleased that the government has agreed to the Federation's demand for the extension of the SRD Grant that has provided relief to about 10 million people.

The SRD Grant needs to be retained beyond 2024 and increased to the food poverty line of R624 and at the very least it needs to be adjusted for the significant inflationary erosion it has experience since 2020.

We are worried though that the National Treasury failed to pay attention to the SRD's administrative challenges including the underspending. This is important if this programme is to be used as a foundation for a Basic Income Grant.

Its recipients need to be paid their funds electronically and no longer made to stand in endless queues. They need to be included where possible in skills training and employment placement programmes.

14. Eskom

The Federation supports the position that the fiscus needs to take over between R150 billion and R300 billion of Eskom's debt burden. This will allow the power utility to shift its resources to steadily increase its maintenance program and invest in new generation capacity. The current loadshedding regime is killing the economy and is unsustainable.

15. Fuel Price Regime

The National Cabinet made a commitment in 2018 and in to explore ways of dealing with record fuel price levels that are bleeding commuters and the economy. It is disheartening that there is nothing in the policy statement that addresses this important issue.

The National Treasury needs to reduce the 32% of the fuel price that goes towards taxes and work with the Department of Transport to address the problems at the Road Accident Fund.

This needs to be accompanied by the Department of Transport being instructed by Cabinet to resubmit the Road Accident Fund and Road Accident Benefits Scheme Bills to Parliament by February to ensure the RAF's ballooning liabilities (R400 billion) are brought under control. Metrorail needs to be assisted to reopen all commuter lines.

16. DENEL

The allocation of R3.6 billion to DENEL is appreciated, especially for those workers who have gone through years of not getting their salaries.

Government needs to provide assurances that the money owed to the workers at DENEL will now be paid. It is a mark of great shame that these workers were left for more than 18 months without their salaries and that unions were forced to take DENEL to court repeatedly.

Government needs to share the envisaged turnaround plan to restore DENEL to its once world renowned status. This needs to include saving its employees' jobs.

17. Gauteng E-Tolls

The allocation of R23.7 billion to reduce the Gauteng E-Tolls debt is welcome and a final solution is now needed to correct this policy mistake for good. It is hoped that government has heard from struggling commuters who cannot afford to continuously bail out the state.

18. Transnet and Metro Rail

We note and welcome the allocation of an additional R5.8 billion to repair Transnet infrastructure and locomotives but more needs to be done by law enforcement to protect our railway infrastructure.

The failure to provide similar support to Metro Rail where many lines have still not been returned to service two years after the 2020 lockdown is extremely disappointing.

19. Conclusion

The Federation implores government to return to Parliament in February with a bold, decisive, and sweeping budget that will deal with this unfolding capitalist system's multiple crises.

Thank you.

Matthew Parks
Parliamentary Coordinator

Cell: 082 785 0687
Email: matthew@cosatu.org.za

6th Floor, Constitution House,
124 Adderley Street
Cape Town 8000, South Africa