SUBMISSIONS TO THE SELECT AND STANDING COMMITTEES ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL [B 2—2023]

Prepared by SECTION27 (8 March 2023)

For more information, please contact:

- Matshidiso Lencoasa | lencoasa@section27.org.za
- Daniel McLaren | mclaren@section27.org.za

Introduction

As the country finds itself in deeply challenging circumstances where two concurrent states of national disaster have been declared, new stories of endemic corruption within the state are emerging daily and economic growth grinds to a halt, SECTION27 welcomes the opportunity to make submissions on the 2023/24 Division of Revenue Bill (DoRB) to the Standing and Select Committees on Appropriations. As a public interest law centre working on advancing socio-economic rights in the country, our submission seeks to advance the power of the DoRB to protect the right to basic education (contained in Section 29 of the Constitution) and the right to access health care services (Section 27 of the Constitution) in these challenging times and in the long term.

On 13 February, President Cyril Ramaphosa declared a National State of Disaster in response to the widespread flooding in seven of the country's nine provinces. These extreme weather events are predicted to increase in frequency over time. As such, our recommendations seek to protect these rights in the context of a worsening climate crisis.

Although the Finance Minister, Enoch Godongwana has reflected that "eradicating poverty, inequality and unemployment is as urgent now, if not more than it was at the dawn of our democracy almost 30 years ago", we feel that allocations to programmes that are meant to achieve this do not reflect a sense of urgency, particularly in an economic context that results in an increasing number of people relying on public services. The health care budget proposed for 2023/24 has not increased at all compared to the 2022/23 budget, ignoring the rising number of uninsured people and the increasing cost of living that has impacted the sector. Although basic education is allocated the largest share of the budget, funding also decreases in real terms. Some programmes may not have the financial resources to protect the right to education for the most vulnerable learners.

To remedy this, we recommend that Parliament insists that if cuts to the provincial equitable share and conditional grants must be made, that they must be based on transparent and participatory human rights impact assessments which demonstrate that the reductions will not increase inequality and undermine people's rights to access quality basic education and healthcare services.

Moreover, we recognise National Treasury's frustration towards underperforming public programmes. Our understanding is that many of the programmes for which we request increased funding allocations end up returning the funds. In the response to finance committees, the department indicated that social spending departments underspent by R17-billion last year. This concern of underspending, coupled with fruitless and wasteful expenditure, is a concern that SECTION27 shares as this obstructs the attainment of these Constitutional rights of people in the provinces. Thus, we support the Treasury's intention and work towards resolving this through strengthening partnerships to build capacity, and we call on Treasury to continue to invest in capacity building to resolve this underspending in the provinces. Budget cuts owing to underperformance without intervention to resolve this only threaten the realisation of the Constitutional rights of the intended beneficiaries.

In addition to these written submissions, SECTION27 requests permission to make oral presentations before Parliament on 14 March 2023.

Gender-Responsive Budgeting

Last year, SECTION27 made submissions to the Appropriations committee critiquing the 2022/23 Medium Term Budget Policy Statement and Division of Revenue Amendment Bill for missing the mark on gender equality. The policy statement did not allocate funding in a gender-responsive manner, nor did the Division of Revenue Amendment Bill make progress in allocating funding in a gender-responsive manner.

Thus, we are pleased to see the progress reported in the Budget Review for the 2023/24 year on gender-responsive budgeting in the form of the completion of the development of Gender Responsive Budgeting guidelines, and the intention to workshop these this coming financial year. We request that the National Treasury facilitates a public workshop on these guidelines during the 2023/24 financial year, so that expertise and experience from people working on the ground can be shared with the Treasury.

The Division of Revenue Bill 2023 continues to reflect on some grant outputs with gender as a consideration (as has been done in the 2022 Bill).

However, a truly gender-responsive budget and subsequent allocations to the provinces would redress the feminisation of poverty in the country. In traditional areas, 74,8% of women-led households fall below the upper-bound poverty line and this gender gap exists at the lower-bound and the food poverty line.

Therefore, allocations to the provincial equitable share that are not aligned with CPI inflation and the demand for the services which provinces provide, force provinces to either make savings or reduce the value of public services and social support being provided. Many women fill the gap left by the state by taking on informal, precarious employment. Women disproportionately bear the burden of cuts to the funding towards health care and social welfare in the provinces.

The Provincial Equitable Share (PES) received a 1,2% nominal increase from last year's allocation of R560,8-billion in 2022/23 to R567,5-billion. Although this is R24.4 billion higher than the projected allocation of R543,1 billion in the 2022 Division of Revenue Amendment Bill of R543,1-billion, this is below the CPI inflation rate forecasted to be 4,9% for the 2023/24 fiscal year. Research suggests that the impact of this erosion in the value of the PES may be more pronounced in women-headed households and especially in provinces with a higher population living in rural communities.

Conditional grants are also an opportunity to redress gender inequity and some conditional grant allocations will no doubt alleviate the burden placed on the most marginalised women in the country. For example, investment in early childhood development (ECD) through the early childhood development grant, which is proposed to be increased by 25,2% over the medium term. 95% of people employed in this sector are women and the increased enrolment of children under six at ECD centres has been found to be one of the most effective ways of creating new jobs in the "care economy", while equipping children to reach their full potential. Quality ECD provision can therefore contribute substantially to advancing gender equity in the country. Our submission further explores how increases to the National School Nutrition Programme grant have similar gains.

However, there are some conditional grants where spending cuts will add to the burdens of the most marginalised communities and the women in those communities. In a country where gender and racial disparities rooted in structural and contextual inequalities are important factors in the prevalence of the HIV/AIDS epidemic, we find it concerning that the HIV and AIDS (life skills education) grant only increased by 2,9% over the medium term. This is especially concerning as the grant experienced a nominal cut of 1,9% from 2019/20 to 2023/24. The DoRB recognises that this programme aims to provide comprehensive sexuality education and access to sexual and reproductive health services to learners with "a particular focus on orphaned children and girls" and that vulnerability to HIV in the country plays out along gender and racial lines. Eroding investment in this programme means the most vulnerable people are even less supported in overcoming the ongoing HIV/AIDS epidemic in the country.

The learners with profound intellectual disabilities grant only increased by 4,3% over the year, slightly below CPI of 4,9%. Real term cuts to grants like this that are meant to support marginalised learners end up entrenching the hardships that these learners face. A budget process that assesses systemic inequalities through the lens of macro-fiscal policy is crucial in a country with such high levels of inequality. This can result in a budget that doesn't entrench these inequalities but also further reflects how people of different gender, race, sexual orientation, education, income, age and other identity factors, experience the country.

The consideration of gender equity and the budget is especially pertinent in a climate change context in which inequities are compounded. While the suffering caused by the increasing frequency of extreme weather events impacts all South Africans, once again, women carry the heaviest burden owing to gendered social norms and inequalities. Women tend to hold positions burdened by environmental change, like water collection and smallholder farming and immediately feel the impacts of drought and disaster. Furthermore, women make up 60 - 80% of the agricultural labour force in our country, and with the increasing occurrence of droughts caused by climate change, failed harvests threaten women's ability to feed and provide for their families. Women also were more affected than men by nutritional deficiencies like malnutrition and anaemia due to food insecurity. Moreover, pregnant women were found to be more likely to experience miscarriages and stillbirths with rising temperatures and food insecurity.

In this context, we continue to call for a more gender-responsive budget and allocations to the provinces. A gendered budget narrative in the Budget Review for the country as part of the annual budget with an analysis of social spending areas like social grants, health, and education through gender outcomes; a review on economic indicators such as gender pay gap; labour force participation and earned income and meaningful reflection of investment in combating gender-based violence and the progress should be pre-requisites. If there are cuts to be made to social spending areas, the Budget and Division of Revenue Bill should reflect more robustly on how provinces will protect women and by extension marginalised communities from further shouldering this burden, and how these allocations will not perpetuate the inequalities that hold our nation back.

Provincial Equitable Share

The provincial equitable share (PES) - which funds the provinces' core functions including basic education and health care - increased from R560,8-billion in 2022/23 to R567,5-billion reflecting a 1,2% increase this year. Although this is higher than what was forecasted in last year's Division of Revenue Amendment Bill of R543,1-billion, this is below the inflation rate forecasted to 4,9% for the year. Furthermore, the DoRB proposes a medium term increase of 3,09%, below the inflation rate of 4,8% over this period.

In our submission on the Division of Revenue Amendment Bill 2022, we critiqued the downward spending trend of the PES and the nominal cut to the PES of 0,8% as a form of blatant austerity in funding to the provinces, noting that it would impact the quality of provincial service delivery. We are pleased that this nominal cut has been reversed in the 2023 DoRB. It reflects some intention to protect social sectors in a context of weakening economic growth. However, we continue to call for allocations to the provinces to align with CPI, population growth and increased number of people relying on public services.

We recommend that the PES increase at least in line with CPI inflation and the growing number of public service users so that its value is not eroded.

Conditional Grants

Overall, allocations on conditional grants to the provinces increased from last year's R115,9-billion to R123,7-billion this year, a 6,7% increase which is above the 4,9% CPI for the period. Over the medium term, these allocations increase by 4,3% while the CPI is expected to be 4,8% over the same period. Although these increases are somewhat aligned with inflation, which is welcomed, we are concerned that they do not rise with an increasing user base.

This submission will explore the conditional grants in greater detail but we do welcome above inflation increases to the Education Infrastructure Grant (increase of 11% this financial year) and National School Nutrition Programme Grant (increase of 9,1%) while critique cuts to the HIV and

AIDS (Life Skills Education) Grant 0,3% (nominal) and Learners with Profound Intellectual Disabilities Grant (2,3% real term cut) as the most marginalised learners who most rely on these programmes and interventions are further disenfranchised by this.

We recommend that conditional grants to provinces increase at least in line with CPI inflation and the growing number of public service users so that their real value is not eroded.

Personnel funding

Background

Employment in public education and health care has decreased since 2012 and workers in these sectors are under enormous pressure

The Public Economy Project (PEP) at the Southern Centre for Inequality Studies of the University of the Witwatersrand has undertaken an in-depth look at the trends and issues in basic education and health care personnel funding in its 2022 report *Public services, government employment and the budget*.[1] We utilise the data and analysis from this report extensively in our submission.

The PEP report finds that the number of people employed in public basic education per learner and in public health care per health care user fell between 2012 and 2019. There were approximately 18 750 fewer education personnel employed in 2021 compared to 2012, and approximately 20 300 fewer workers employed in the public health care system over the same period.[2] This reduction in headcounts has increased the burdens on already overstretched education and health care workers.

While there has been a reduction in *public employment* of education and health care workers per learner / public health care user, employment in *private* education and health care services has increased substantially. Between 2009 and 2019, employment in private education increased by 80% and employment in private health care increased by 57%. According to the PEP,

> These observations point to the possibility that attempts to contain government spending on core public services may have led to an increase in direct household spending on the same service,

[1] Available at: www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/research-entities/scis/images/PEP%20Public%20services%20and%20employment%20report_WP39.pdf.

[2] Ibid at 14 and own calculations.

> albeit delivered through private systems of provision. If so, the main result of fiscal consolidation could be to shift the composition of consumption spending from government to households. It is not clear why such a shift would be positive from a macroeconomic point of view. An almost certain consequence, however, is a widening of inequality as affluent households finance their own consumption, while publicly financed consumption of the poor is compressed.[3]

As SECTION27, we call on government to consider whether these trends are compatible with the rights to basic education and health care read in conjunction with Section 9 of the Constitution, which requires the state to achieve substantive equality, meaning "the full and equal enjoyment of all rights and freedoms".

Vacancies in public schools and health care facilities have increased due to hiring freezes, resignations and the offer of early retirement packages

Vacancies in the public health sector

In 2022, Minister of Health Joe Phaahla raised concerns that a shortage of health care workers was threatening the quality and sustainability of health systems in South Africa, Africa and worldwide.[4] Research by the Public Economy Project has found that while there was a considerable rise in the number of people employed in public health care between 2002 and 2012, this trend has since been reversed, even taking into account a recent uptick in employment as a result of the Covid-19 pandemic.

The number of people working in public health care[5] in South Africa has decreased since 2012[6]

- In 2002, there were 548 employees in the public health sector per 100 000 public health care users (uninsured population)
- By 2012 this had increased substantially to 722 employees per 100 000 public health care users
- But the number of employees dropped to 654 per 100 000 public health users by 2019, before the Covid-19 pandemic caused a slight increase to 669 employees per public health user in 2021.
- There were therefore 53 less people employed in public health care per 100 000 public health users in 2021 compared with 2012.
- This equates to about 20 300 less health care workers employed in the public health care

[3] Ibid at 21.

[4] Shortage of Healthcare Workers Threatening SA's Health System available at: www.iol.co.za/mercury/news/shortage-of-healthcare-workers-threatening-sas-health-system-ab02f296-8b8d-4857-8b5a-871e701ef955

[5] Total employment of provincial health departments.

[6] Public Economy Project, Southern Centre for Inequality Studies, University of the Witwatersrand, 2022 at p14. Available at: www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/research-entities/scis/images/PEP%20Public%20services%20and%20employment%20report_WP39.pdf.

system in 2021 compared to 2012[7]

By 2018, it was estimated that there were 37 000 public health care posts which were unfilled, mainly due to budget constraints.[8] At the level of public hospitals, more recent research indicates a shortage of 10 000 nurses and 1 300 doctors.[9]

In a context of rising reliance on public health facilities, real term cuts to funding health care workers may mean fewer nurses and community practitioners for a wider base of users. According to the South African Nursing Council, the supply of qualified nursing personnel in all categories has decreased by almost 40% since 2013. A study conducted by the National Department of Health and the Hospital Association of South Africa quantified the country's shortage of nurses at between 26 000 and 62 000 personnel. Nurses on the ground have highlighted these concerns, describing themselves as overworked and underpaid, resulting in "unmotivated" staff who end up "delivering poor services". They have also expressed concern that many registered nurses are reaching retirement age but are not being replaced. Another nurse reported "without massive incentives, like a huge increase in salaries, no one is prepared to take on the largely thankless task of working long, unsocial hours, caring for… sometimes violent patients, while dealing with difficult, uncaring family members who don't understand the realities of the medical professions."

In last year's MTBPS, it was expressed that between 2015/16 and the 2022/23, there has been a marginal annual growth in average headcount of nursing staff of 1,4%. However, over the same period, the ratio of nursing staff to the uninsured population has decreased (0,3% average annual decline). This means that the nursing workforce is being placed under an increased burden to provide for an ever-increasing uninsured population. This does not bode well for the quality of healthcare services, and will in turn adversely affect users' right to health and potentially increase the risk of medical negligence incidents.

This high level of vacancies is incompatible with the National Department of Health's (NDoH) stated aim in its 2030 Human Resources for Health Strategy to substantially increase employment in public health care in order to realise universal, quality health care coverage. The NDoH's *2030 Human Resources for Health Strategy* published in March 2020 estimates that "improving inter-provincial equity in the public sector by 2025 will require an additional 97 000 health workers, with CHWs [Community Health Workers] comprising around one third." It further finds that "Expanding public sector PHC [primary health care] utilisation to the benefits package defined in national policy is estimated to require an additional 88 000 PHC workers by 2025."[10]

---

[7] Based on an uninsured population of 43.3 million persons in 2012 and 49.8 million in 2021.
[8] https://www.medicalbrief.co.za/37000-public-health-sector-posts-remain-unfilled.
[9] www.iol.co.za/news/politics/public-hospitals-have-shortage-of-more-than-10-000-nurses-and-1300-doctors-474f9729-2363-480a-b54c-72c1509760b4
[10] At 19. Available at: www.spotlightnsp.co.za/wp-content/uploads/2020/08/2030-HRH-strategy-19-3-2020.pdf.

Clearly, large additional investments, and some recalibration of the public health delivery model (including especially a shift from tertiary based care to primary health care) will be needed to employ and deploy this large number of additional workers.

Lack of qualified nurses and doctors is part of the problem.

Minister of Health Joe Phaala has said that "the total number of nurses who were confirmed as having met the requirements of completing their degrees in December 2021 — that made them eligible for community service for January 2022 — are 3,196".[11] Since there are approximately 10 000 nurse vacancies, there is clearly a shortage of qualified nurses in South Africa.

This suggests that more investment in nursing degrees and bursaries is needed to fill the gap. In the short term, nursing and medical doctors should be added to the critical skills immigration list so that gaps can be closed in a cost-efficient manner while new nurses are qualified and trained.

In relation to nurses, *Health researcher Hester Klopper concludes that "*there is, therefore, a multi-layered challenge to address: a critical shortage of nursing staff in the healthcare system, a low number of nurses with degree qualifications, too few nurses with advanced degrees such as intensive care specialists and too few nursing academics for training and research."[12]

Vacancies in the basic education sector

In a written reply to a question in Parliament, Minister of Basic Education Angie Motshekga said that there were 24 000 unfilled teacher posts during the 2021 school year.[13]

The number of people working in public schools[14] in South Africa has decreased since 2012[15]

- In 2002, there were **35** education personnel for every 1000 learners.
- By 2012 this had increased to **41** education personnel for every 1000 learners
- But by 2021 the number of education personnel per 1000 learners had dropped to **37**
- This equates to about 18 750 less education personnel employed in 2021 compared to 2012[16]

---

[11] Shortage of Healthcare Workers Threatening SA's Health System available at: www.iol.co.za/mercury/news/shortage-of-healthcare-workers-threatening-sas-health-system-ab02f296-8b8d-4857-8b5a-871e701ef955

[12] www.dailymaverick.co.za/article/2022-05-11-sa-has-a-critical-shortage-of-qualified-nurses-the-backbone-of-healthcare.

[13] https://businesstech.co.za/news/government/481485/south-africa-has-a-shortage-of-over-24000-teachers

[14] Total employment of provincial education departments.

[15] Public Economy Project, Southern Centre for Inequality Studies, University of the Witwatersrand, 2022 at p14.

[16] Based on enrolment of 11.9 million learners in 2012 and 12.7 million learners in 2021.

The declining teacher - learner ratio is well known to National Treasury, which described in the 2021 Budget Review how.

> Low compensation growth of 0.8 per cent over the MTEF period, combined with early retirements, will reduce the number of available teachers. This, coupled with a rising number of learners, implies larger class sizes, especially in no-fee schools, which is expected to negatively affect learning outcomes.[17]

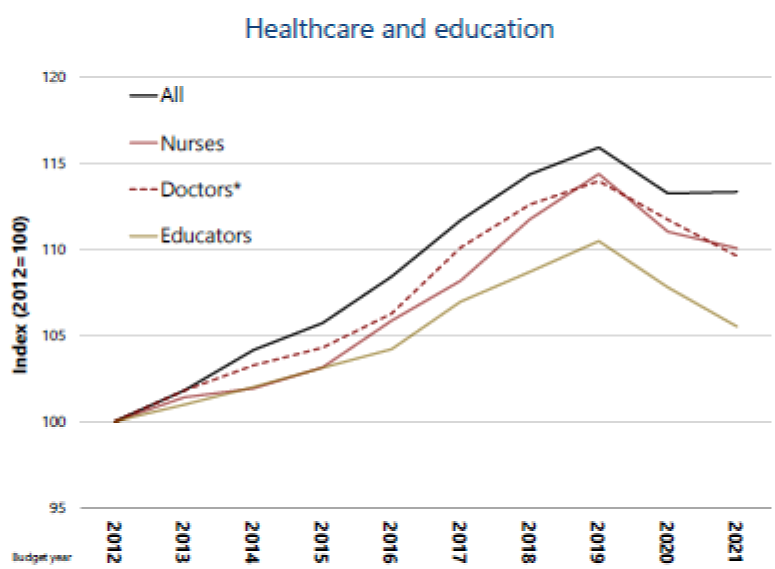
We find this admission by government, while forthright, to be deplorable, representing as it does a self-imposed retrogression in the quality of basic education available to learners in South Africa.

Teachers and health care workers have seen their wages cut since 2019

While additional funds are certainly necessary to afford provincial health departments the opportunity to increase employment in public health care in line with the 2030 Human Resources for Health Strategy, the existing budget is also compressed in terms of the pay package that is available to existing employees. The 2022 PEP report finds that while the average pay of health care workers did increase between 2012 and 2019, this trend has reversed since then. Beginning in 2019, the average pay of basic education and health care workers has decreased, as the following graph demonstrates:

.

Figure 15: Index of real average pay for occupation specific dispensations



Source: Public Economy Project, 2022 at 24.

[17] National Treasury 2021 Budget Review at 59.

Declining pay for basic education and health workers further complicates the budget picture for basic education and health care funding.

The fact is that, as things stand, the funding provided to the basic education and health care sectors is simply insufficient to employ the necessary number of people at the current salary levels which are needed to improve the quality of basic education and public health care available.

Comment on the Personnel funding impacts of the 2023 Budget and Division of Revenue Bill

In our submission on the 2022 Division of Revenue Amendment Bill,[18] we called on the government to develop a balanced and sustainable political position on the public sector wage bill, which will allow for a marked reduction in the large number of vacancies that exist in the basic education and public health care sectors.

This has not been achieved.

The 2023 budget proposes a mere <u>1.5% nominal increase to the public sector wage bill in 2023/2</u>4 compared with the previous financial year, <u>and a 3.3% increase over the medium term</u>. **This will put further pressure on headcounts and wages of basic education and health care workers.**

At the time of writing, several public sector unions are either on strike or planning strike action, with none having declared their agreement with the government's plans.[19] While we are appalled by the actions of some health care workers putting the lives and health of patients at risk during the strike action, the fact of the strike and the many similar actions that have gone before it calls into question the sustainability of the government's wage offer and approach to compensation of employees expenditure more broadly.

While the Budget Review speaks to an increase in funding in the 2023 budget to "address shortfalls in compensation budgets for provincial education and health departments resulting from previous budget reductions",[20] no specific numbers are provided in the additional funds allocated or the number of additional education and health care staff that will be employed, if any. The Budget Review describes how an additional R31.1 billion is allocated to provinces compensation of employees expenditure to provide for the carry through cost of the 2022/23 public service wage increase. This was an unavoidable adjustment, <u>but it does nothing to deal with the decline in overall headcounts</u>.

Below CPI inflation increases to the Provincial Equitable Share described above will place enormous and further pressure on provincial budgets, including for education and health care. In

---

[18] Available at: https://section27.org.za/wp-content/uploads/2022/11/SUBMISSION-ON-THE-DIVISION-OF-REVENUE-AMENDMENT-BILL-7-November-2022.pdf.

[19] https://ewn.co.za/2023/03/08/nehawu-says-strike-action-to-spread-across-the-country.

[20] National Treasury 2023 Budget Review at 56.

relation to health care specifically, there is a proposed nominal cut to the overall compensation for health care employees budget of 0,5% from last year's R164,3-billion to R163,6-billion, and once accounting for inflation, this budget is cut by 4,8% this year. Over the medium term, a 2,2% nominal increase is proposed, in a context of a 4,8% projected inflation rate over this period. Vote 18 of the 2023/24 Budget proposes an average growth rate in the number and cost of personnel posts filled/planned for on funded establishment of -6.3% over the medium term (in nominal terms). Participatory human rights impact assessments are crucial in situations like this as the question that arises is, how do we protect the right to access to health care when the number of users are growing but the funding allocated is shrinking.

As a result, we do not think the plans put forward in the 2023 Budget Review and the 2023 DoRB will address shortfalls in public sector educators and health care professionals in the country. Indeed, the decline in the PES allocation will likely result in a further reduction in the number of public education and health care professionals over the medium term.

Conclusion and recommendations

The contraction in the real value of the provincial equitable share in 2023/24 and over the medium term will result in further pressure on basic education and health care funding broadly, and specifically in relation to personnel, as personnel in these sectors are largely paid from funds allocated from the PES.

The failure of government and public sector unions to agree on a balanced and sustainable approach to the public sector wage bill and the ongoing austerity budgeting by government will either cement the reduction in headcounts seen in these sectors which has been documented since 2012, or make the situation worse. This will likely produce the following negative impacts:

- A decline in the quality and availability of basic education and health care services available to the public, such as longer waiting times for emergency treatment; for out of hospital appointments and for in hospital elective surgeries;
- Further increases to the burdens placed on already overstretched teachers, education support staff and health care professionals and administrators. This creates the possibility of more mistakes by overstretched staff resulting in avoidable incidents and a rising medico-legal claims bill for health departments.
- Worsening employment conditions and stagnant or declining pay for those employed in public education and health care.
- Increased inequality. Those households with the means to opt out of public education and/or health care will continue to do so. Low-fee private education and health care options will continue to mushroom, despite the questionable quality of many of these.[21] Many households will be spending funds from an already strained budget in order to make this shift to private education/health care, thereby reducing their consumption in

[21] The 2022 Public Economy Project Report finds that employment in private health care has increased by 57% and employment in private education has increased by 80% between 2009 and 2019.

other areas. Those without sufficient funds to access private services will be forced to remain in the chronically under-resourced public systems.

These highly likely impacts of cuts to the PES are not discussed or planned for in the government's budget documents. Thus no measures are proposed to protect learner's rights to basic education and everyone's right of access to health care services from the impact of another three years of pressure on the public sector wage bill.

We call for a balanced and sustainable agreement between government and public sector unions on the public sector wage bill, which will allow for a marked reduction in the large number of vacancies that exist in the basic education and public health care sectors, and the improvement of working conditions.

In the absence of such an agreement, there is little-to-no hope of seeing a reduction in the number of vacancies in the public sector in the short term, or an improvement of outcomes.

We fully agree with the recommendations of the Public Economy Project in its 2022 Report which states that:

1. Government should negotiate a longer-term agreement with its employees that balances the need for decent pay, sufficient employment and measures that improve the effectiveness of public services and enhance productivity.
2. This should form part of a programme to improve public provision and restructure public services.
3. Consideration should also be given to reform of the institutions of collective bargaining in the public sector, so that annual negotiations become more focused on the challenges faced by specific service-delivery sectors.[22]

Health Care Expenditure

While our government was lauded for its swift response to the COVID-19 pandemic, health care services were severely disrupted, resulting in backlogs across the provinces. Moreover, with our last lockdown (adjusted Level-1) ending on the 4th April 2022, less than a year ago, we are shocked that the 2023/24 health care expenditure and allocations to the provinces do not reflect the urgency to equip the nation's health facilities to recover from the devastation this pandemic caused.

---

[22] Page 4. Available at: www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/research-entities/scis/images/PEP%20Public%20services%20and%20employment%20report_WP39.pdf.

Worse, the country shoulders two concurrent states of disaster: an energy supply crisis and extreme flooding in seven of nine provinces. This has only stifled economic recovery, resulting in a rising number of South Africans relying on the public health care system.

In this context, it is worrying that healthcare investment is eroding; the health budget did not receive increases at all meaning its real value is only shrinking. Consumer Price Index (CPI) inflation is projected at 4,9% for the 2023/24 financial year. However, consolidated spending on health was allocated R259-billion in 2022/23 and will remain at this level in 2023/24; a real reduction on health care spending of 4,9%. There have been no increases to reflect the increasing uninsured population.

While we recognise that the health care system is plagued with underspending driven by, among other factors, poor spending on direct and indirect health infrastructure grants and delays in appointing general practitioners (GPs) in pilot NHI Districts, we are of the view that reducing the quantum of spend will threaten the quality of health services provided. It is in this context that the capacity of the provincial health departments to provide health care services should be strengthened.

Health Facility Revitalisation Grant

Before elaborating on this conditional grant and the 2023 context, it is worth recognising that the Appropriations committee relayed our recommendation to allocate funding to this grant to respond to the destruction of health facilities by the floods in KwaZulu Natal and Eastern Cape last year. National Treasury has indicated that they have reverted this to the Department of Health. We are interested in the developments of this considering that the Department of Basic Education applied for infrastructure support from National Treasury to fix schools destroyed by the floods whereas the Department of Health had not. Last year, these floods destroyed 85 and 12 health facilities, in KwaZulu-Natal (KZN) and the Eastern Cape respectively. Both health departments received no additional funds from Treasury to repair the damage, and in the case of the department of health KZN, an estimated R200 million was re-prioritised from other health priorities. The failure to invest in health infrastructure that is resilient enough to withstand severe weather events due to climate change will mean that the country will have to continue to rely on disaster relief or the re-prioritising of dedicated funds to cater for loss and damage. This is costly, unsustainable and does little to mitigate the predicated damaging onslaught of the climate crisis on human health, infrastructure and systems.

The Health Facility Revitalisation Grant, which serves to construct, maintain, and rehabilitate these facilities to better facilitate the delivery of health services, saw a nominal increase in funding of 2,7% in the new budget. Considering the rising costs of living – CPI inflation rate projected at 4,9% for 2023/24 – healthcare facilities have less funding than they did last year to deliver health services but for more people. This is more concerning in a context that even the Minister of Health Joe Phaahla noted current national infrastructure backlog of R7,9-billion: R1,5-billion in the Eastern Cape followed by KwaZulu-Natal (R1,4-billion), North West (R823-million), Western Cape

(R797-million), Limpopo (R781-million), Gauteng (R758-million), Free State (R733-million), Northern Cape (R427-million) and Mpumalanga (R316-million).

Moreover, in the 2023/24 Budget and DoRB, National Treasury has not allocated any additional funding towards keeping health facilities operating during load shedding. Instead, provinces must submit business plans to be allocated a share of the R7,1 billion of Health Facility Revitalisation grant, and outline infrastructure projects which would ensure uninterrupted energy supply. However, the funds of grant for were already earmarked to address the rehabilitation and maintenance of 298 public health facilities, characterised by the Department of Public Works and Infrastructure as being in “poor condition” and at “risk of failure”. Moreover, the Minister of Health has quantified that the costs of infrastructure maintenance and investment in public hospitals is close to R200 billion.

Over the next three years, the funding for health infrastructure increases at 4.3% while the inflation rate over the same period is projected to be 5.5% by National Treasury, indicating no real intention to address these issues over this period. We are concerned that the lack of investment in health infrastructure will not only continue to threaten the delivery of health services today, but in the long run jeopardises the country’s move towards health reform to achieve universal access to quality healthcare services for all.

We call for additional funds to be allocated to the Health Facility Revitalisation grant to adequately equip health care facilities in the provinces to mitigate the electricity crisis without having to reprioritise funds from an already shrinking budget. This call is especially directed at the Department of Health who has a responsibility to pursue funding to support the protection of the right to access health care for all in the country. We further call on capacity building and improved quality of spend so that this financial investment does not go to vain and actually enhances the right to access health care at a time where the country needs it.

District Health Programmes Grant: Oncology

In our submission on the Division of Revenue Amendment Bill last year, we called for immediate plans and budgets to be developed to fix problems in cancer care to resolve bottlenecks in cancer care and relieve the suffering of patients reliant on time-sensitive oncology treatments. Although some of backlogs pre-date the pandemic, COVID-19 necessitated an emergency response by the provinces, restricting the ability to clear the oncology backlog. Although last year’s National Budget recognised this and promised to allocate funding to the provinces in the 2023/24 budget to respond to the oncology backlogs, we felt that pushing the funding to the next financial year will be too late for some of the patients who have been on the waiting list to receive radiation oncology services for three years.

We welcome the plan to roll out oncology services in Mpumalanga and Limpopo to reduce referrals to Gauteng as an advancement towards making health care services more accessible in the country.

SECTION27 has done work in addressing the oncology backlog in Gauteng specifically. We have worked extensively on the ground with the Cancer Alliance to propose solutions to address these backlogs in the province. In November 2021, civil society organisations, Cancer Alliance, Treatment Action Campaign and SECTION27 brought to the attention of the Gauteng Department of Health specific problems relating to radiation oncology at Charlotte Maxeke. In March 2022, Cancer Alliance, at its own cost, and with the approval of Charlotte Maxeke Johannesburg Academic Hospital, commissioned the services of an independent consultant to locate and peruse the files of patients needing radiation oncology services at the hospital and to prepare a waiting list of all those patients. At the end of this exercise, Cancer Alliance had determined that there were, at the time, approximately 3000 patients awaiting radiation oncology treatment, including patients suffering from prostate, breast, cervical and colon cancer. Their findings also determined that these patients had been waiting for their treatment for over a year. In efforts to fight these backlogs, we (along with the Cancer Alliance) have worked with the Gauteng provincial treasury by representing the needs of cancer patients to the Gauteng Department of Health and more recently, provisional treasury.

Thus, we are pleased that the Gauteng Treasury has announced that it has set aside funding to deal with surgical backlogs. Among those backlogs is a backlog of patients who require radiation oncology services.

National Health Insurance Grant: Mental Health

The National Health Insurance (NHI) direct grant continues to fund mental health services for the country and is not a standalone component. In our submission last year, we welcomed the move of the mental health services from the district health programmes grant for communicable and non-communicable disease. The rationale behind the move was that provinces had shown readiness to take on the delivery of these services and do the preparatory work for the NHI. However, we were concerned whether measures would be put in place to protect the funds over the medium term. Disappointingly, the funds have not been protected. Per the Division of Revenue Bill 2023, the allocation towards mental health services increased by 3,8% from last year's R158-million to R164-million. Contracting health practitioners received increased funding from R277-million to R284-million marking a nominal increase of 2,5%. These increases are below this year's CPI and do not reflect the urgency to address a crisis where only 75% of people living with mental health illnesses are unable to access treatment.

We recommend that Parliament direct the Treasury to ensure that the mental health services component of the NHI direct grant, at the very least, keeps up with the costs of inflation, in order to address the gaping treatment gap and the increasing demands of mental health services on the healthcare system.

Goods and Services

In our submissions to the DoRB on the MTBPS, we highlighted persisting stockouts as surveyed by the Stop Stockouts Project (SSP), and their impact on public health for all but especially on women and girls. These reported stockouts of contraceptives and pregnancy tests, and their impact persists in 2023.

We are thus concerned that goods and services receive a nominal funding cut of 0,3% this year from last year's R75,4-billion to this year's R75,1-billion. Over the medium term, this improves with an increase of 4,9% to R78,8-billion (2024/25) and a further proposed increase of 5,7% to R83,3-billion (2025/26). SECTION27 calls on Treasury to explain the proposed budget cut this year and how stockouts of medicines will be alleviated with reduced finance to achieve that.

SSP has also reported stockouts of tuberculosis medication. This is particularly concerning as South Africa has a TB epidemic which is fuelled by the HIV/AIDS epidemic. Our partners at Ritshidze also report stockouts of HIV/AIDS medicines. We seek clarity regarding this allocation, among other interventions, will resolve these stockouts. An increase that reflects an investment in public health will have great financial return on investment for the country.

District Health Programmes Grant: HIV and TB

The COVID-19 pandemic's significant impact on health is pronounced in our response to HIV and TB resulting in delayed progress towards the achievement of the target of 95% of people diagnosed with HIV being on ART (set by UNAIDS).

As such, we commend the 2023/24 Budget's focuses over the MTEF on preventing and treating communicable and non-communicable diseases by, among other things, addressing the accumulated backlogs in core health services which include antiretroviral treatment and TB screening and treatment which resulted from disruptions occasioned by the COVID-19 pandemic. Furthermore, we welcome Treasury's adherence to the commitment that was made to address backlogs in the MTBPS 2022.

In the 2023/24 Budget, Treasury has correctly identified that the response to the high burden of communicable and non-communicable disease requires 'dedicated and targeted prevention and treatment programmes.' Insofar as the response to HIV is concerned, its burden is often carried by key and vulnerable populations who require specialised interventions to be able to access health care.

However, we are saddened to see Budget 2023/24 and the DoRB propose a 0,4% nominal cut towards HIV/AIDS and TB funding, from last year's R24,1-billion to R23,9-billion. There are proposed increases of 4,5% for both 2024/25 and 2025/26. This programme is one that has received above-inflation increases of 7% last year and 10,7% the year before. We request clarity on how the provinces should provide services to achieve these targets without increased investment.

To illustrate this, the 2022/23 year allocated the *district health programmes grant: Comprehensive HIV and AIDS grant* R24,1-billion and the target for clients on ART stood at 5,7 million. From the 202324 Budget, it appears that that target was not met as the estimated performance for that year stands at only 5,5 million. Despite this, the 2023 Budget then proceeds to set a higher target of 6 million patients on ART for the 2023/24 year but allocates a lower amount of R23,9-billion for 2023/24. In this regard, the provinces are required to provide more HIV-related health care services with a lower allocation, even when the higher allocation of the previous year failed to achieve the target. Accordingly, the financial means being allocated towards the achievement of the target do not appear to be capable of giving effect to the ends, which are the increased number of people on ART.

Sex workers, adolescent girls and young women, trans people, and gay, bisexual and other men who have sex with men are disproportionately represented in South Africa's HIV statistics. In February 2023 Ritshidze released a report that sets out some of the key health care service challenges experienced by persons in some key populations. It found that a significant proportion of persons from key populations are being refused access to public health care services because they are in key populations. To address barriers of this nature, it is critical for Treasury to allocate financial resources to attend to them effectively.

There are a number of important developments on the response to HIV. One is that the next NSP on HIV, STIs and TB 2023-2028 is being launched this month, which will contain some of the prevention and treatment programmes that Treasury refers to. Another is that we are in the midst of a pending legislative process towards the decriminalisation of adult sex work, which may likely see the uptake in health care services through the Criminal Law (Sexual Offences and Related Matters) Amendment Bill of 2022.

The refocus presents a clear opportunity for Treasury (and the national and provincial health departments) to put their money where their mouth is when it comes to its stated commitment to introduce gender responsive budgeting. A comprehensive GRB guideline will not only influence the amount of funds allocated to programmes, but it will also improve the quality of spend by driving how allocations are spent.

Basic Education Expenditure

Overall, conditional grants towards basic education fare better than those of health. The overall funding for the sector increases from R302 billion in 2022/23 to R309 billion in 2023/24. Sadly, this 2,5% nominal increase equates to a real terms reduction in basic education funding of 2,8% once CPI inflation of 4,9% is factored in. On a per learner basis, this equates to a reduction of funding from R22 552 per learner in 2022/23 to R21 630 per learner in 2023/24 (constant 2022/23 Rands). As in health, funding for basic education will continue to be squeezed into the medium term, with a reduction of funding per learner in 2024/25 to R20 800. Some conditional grants like the Education Infrastructure Grant and the National School Nutrition Programme receive above inflation increases while funding towards personnel falls short.

Education Infrastructure Grant (EIG)

School infrastructure spending through this grant has shown a trend of above inflation investment over the years, outside of a COVID-19 cut of 10,5% which was subsequently restored to 24,2% the following year (2021/22). This positive investment in education infrastructure continues this year, the EIG, which contributes funding for the construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in the provinces, increased by 11% in 2023/24 to R13,8 billion, well above the 4,9% CPI. Over the medium term, this investment dwindles to 5%, slightly above the CPI of 4,8% projected for this period. Furthermore, allocations to the provinces all receive nominal increases, which is another welcomed development.

The large investments into education infrastructure is welcomed in a context of a state of disaster caused by excessive flooding. It is imperative that South Africa's education system is well-resourced to ensure that it can address schools that are still affected by the legacy of apartheid, as well as be climate resilient. SECTION27 works with schools in Limpopo, some of which are still built from mud bricks, that have been affected by extreme weather events, and the conditions of infrastructure at these schools interfere with teaching and learning. Continued extreme weather events only makes the infrastructure at these schools even more dangerous and unconducive to effective learning.

Underspending of this grant is an issue that plagues some provinces. The Department of Basic Education in the Eastern Cape and Mpumalanga forfeited more than R400-millions of this grant due to underspending. These funds will be reallocated to the Western Cape and Gauteng. Mpumalanga provincial Department of Basic Education reflected this as a deep disappointment considering the huge backlog as well as the need to improve school infrastructure within the province. For the Eastern Cape, this funding could have eradicated mud schools and pit latrines, especially in a province where 3 000 out of 5200 schools are without adequate sanitation and over 1 000 schools still using pit latrine toilets requiring urgent intervention.

School Infrastructure Backlog Grant

SECTION27 welcomes the allocation of R2,1 billion to the School Infrastructure Backlogs Grant (SIBG), which funds the Accelerated School Infrastructure Initiative (ASIDI), and will be used to address school infrastructure backlogs and ensure that schools align with the Regulations Relating to Minimum Uniform Norms and Standards for Public School Infrastructure. This grant was meant to be incorporated into the EIG by the end of the 2022/2023 financial year, which is when the DBE would have, over the medium-term, built 30 new schools, provided water to 50 schools and provided safe sanitation to 450 schools. However, the DBE noted in a recent presentation before the Portfolio Committee on Basic Education that only 8 new schools were built, sanitation was only provided to 128 schools, and that water was only provided to 18 schools by the end of 2023 financial year. It is therefore assumed that the allocation of R2,1 billion for the 2023/24 financial year will now be used by the DBE to attend to those projects not yet completed by the end of the 2022/23 financial year. The DBE indicates that this funding will be used to build 9 new schools, provide sanitation to 350 schools and supply water to 1 school. While these projects are welcomed, it is concerning that the DBE is not able to meet its initial targets, and potentially over-commits to provide sanitation to 350 schools in 2023/24 alone.

National School Nutrition Programme (NSNP)

The National School Nutrition Programme (NSNP) sees a proposed increase of 9,1% this year. This is well above the CPI that the Budget 2023 recorded at 7%, which we welcome, as food price inflation remains higher than ordinary inflation.

However, while the Budget 2023 predicts food inflation this year at 7%, StatsSA recorded a 12,4% increase in the most recent month on record. We caution that 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. It is important that we highlight that the government has an obligation to immediately realise children's right to food and that this right is fulfilled by the NSNP. Under-budgeting for the fulfilment of the program contradicts governments obligations and endangers children's ability to enjoy their constitutionally protected right to food.

Workbooks and Learning and Teaching Support Material (LTSM) (Goods and Services?)

The Workbooks and LTSM allocation decrease from R6,43-billion in 2022/23 to R5,86-billion 2023/2024 financial year. This represents a massive cut of 8,95% in nominal terms. While it is set to increase again in 2024/25 and 2025/26, the projected average annual growth over the MTEF is only 2.3%, well below inflation projected at 4,8% this period.

In September 2022, during a meeting of the Portfolio Committee on Basic Education, the Director General of the DBE informed the committee that there were areas across the country that experienced shortages of LTSM. Recognising the importance of LTSM in basic education, the Portfolio Committee went on to recommend that the DBE should ensure that all shortages of LTSM are urgently addressed before the end of the 2022 academic year. This account of schools experiencing LTSM shortages is in-line with reports that SECTION27 is receiving. During 2022, SECTION27 received complaints and requests for assistance on the issue of insufficient LTSM from school principals, teachers and members of School Governing Bodies. We are concerned that the budget cuts to this integral component of basic education will result in more schools and learners being forced to make do with insufficient LTSM such as textbooks, workbooks and stationery amongst other materials.

The COVID19 pandemic highlighted the importance of textbooks and workbooks. During the hard lockdown when schools were closed and learners were asked to learn from home, and at later stages where the system of rotational learning was implemented, the importance of each learner being in possession of their own workbooks and textbooks was underscored. Interventions such as online, radio and television lessons did not have much success given the digital divide and general inequality in the country. Given the reality of increasing occurrences of extreme weather events such as floods which prohibit access to schools, much like the COVID19 pandemic, ensuring that schools have the requisite LTSM is increasingly important.

Violence in schools and GBV

South Africa is a country that has grappled with a long history of violence and is considered one of the most violent and dangerous places on earth according to the 2018 Global Peace Index. Sadly, this phenomenon permeates into schools, particularly those in some of the most impoverished communities. Over the past few years, there has been an alarming rise in death tolls and violent attacks on learners and teachers. Moreover, the South African Democratic Teachers' Union (SADTU) has expressed concern over the prevalence of sexual assault and harassment of pupils by teachers this year. SECTION27 has also received complaints of sexual violence.

We perceive fiscal policy, including the Division of Revenue Bill as a powerful tool in redressing social ills. As such, we call on the budget and the DoRB to address governmental initiatives to curb this violence in schools. We call for greater budget allocation and quality of spend to for psychosocial assistance to survivors, investigation into matters and to capacitate educators and relevant officials on their rights and obligations pertaining to sexual violence.

Conclusion

SECTION27 recognises the Division of Revenue Bill as an opportunity for the state to rectify and redress cuts to healthcare and education that threaten the provinces' ability to provide and protect these Constitutional Rights and realise the vision of the NDP in time. Overall, we receive comfort that the Appropriations committee extends civil society recommendations to Treasury that bolster the realisation of these rights.

We reiterate our call for human rights impact assessments to be undertaken to inform and precede any proposed budget cuts, even if these cuts are a result of real-terms decreases. This is to enable the government to better understand the impact of budget cuts to the quality of provision of public services to the provinces in the context of two states of disaster. We further call on Parliament to continue to amplify the call to the public sector to address gender inequality through gender budgeting. One helpful way of achieving this is for National Treasury to hold a public workshop on these guidelines during the 2023/24 financial year, so that expertise and experience from people working on the ground can be shared with the Treasury.

We have recognised National Treasury's aversion to fund programmes that underperform and their response to this by strengthening partnerships to build capacity. We welcome this and call on National Treasury to continue to invest in capacity building to resolve underspending in the provinces. Budget cuts owing to underperformance without intervention to resolve this only result in a threat to the realisation of the Constitutional rights of the intended beneficiaries.

In 2018, the United Nations Committee on Economic, Social and Cultural Rights (CESCR) recommended that South Africa increase the level of funding in social security, health and education, and review its fiscal policy and re-examine its growth model to move towards a more inclusive development pathway.