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| **COSATU Submission:**  **2023/ 2024 Budget:**  **Division of Revenue Bill**  **22 March 2023** |
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1. **Introduction**

The Congress of South African Trade Unions (COSATU) notes the 2023/24 Budget and Division of Revenue Bill tabled at Parliament by the Minister of Finance, Mr. Enoch Godongwana.  Whilst there are some positive budgetary allocations contained within it, COSATU is deeply concerned that it continues along the same neo-liberal trajectory of seeking to balance the books by pickpocketing nurses, teachers and other hard working public servants.

It does not provide hope of a decisive set of bold interventions that will jolt the economy from a projected growth of 0.9% in 2023, 1.5% in 2024 and 1.8%.  It is self-delusional to believe that a timid budget will spur the economy to grow and slash unemployment.

The Congress of South African Trade Unions (COSATU) is deeply concerned by the lukewarm Budget 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 Budget 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.

1. **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 repeated underspending of billions of Rands in a climate of scarce resources.

1. **Public Service Wage Bill**

The returns on hiring additional SARS employees and the capacity of SARS show the value and need to invest in a well capacitated developmental state.

Key to rebuilding a capacitated developmental state, is for government to rebuild its relationship with public servants.  Nurses are exhausted covering vacant posts, doctors are burned out working 48-hour shifts, police officers are expected to compete against well-resourced syndicates whilst not being able to afford home loans, public servants like all other workers are drowning in debt.

The projected increase in the wage bill of 3.3% over the Medium-Term Expenditure Framework MTEF) is tantamount to outsourcing the bill for corruption and the mismanagement of the state to public servants.  It is beyond shocking that the same budget allocates a 4.5% increase in salaries for members of Cabinet and Parliament.

Government needs to engage on the public service wage bill with organised labour at the PSCBC in good faith and come with a wage package that will protect the rapidly eroding wages of public servants from inflation.  We cannot afford to continue to lose skilled public servants to the private sector and overseas.

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 engagements need to take place at the Public Service Co-ordinating Bargaining Council (PSCBC). 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 Budget 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 hired an additional 10 000 SAPS members in 2022, this was a welcome long overdue step forward. COSATU welcomed the President’s commitment to employ an additional 10 000 SAPS members in 2023, but was disappointed that this was then slashed to 5 000 two weeks later in the Budget. These are too little when compared to an expected 10 000 retirements, resignations and deaths in the same time period.

1. **Provincial and Local Government**

The additional funding for local government is welcome, but the lack of decisive interventions in the 90% of municipalities experiencing financial distress by COGTA and SALGA is scandalous and needs to be fixed.  Local government is in real trouble with many rural municipalities no longer able to provide basic services and up to 20 municipalities in the Northern and Eastern Cape, North West and Free State routinely failing to pay their employees.

The Auditor-General has flagged the rapid decline in the functioning of municipalities; however, the Budget provides 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 Budget provides for an increase in funding 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.

It is worrying that Provincial Governments, responsible for key expenditure departments, routinely engage in 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 silent leadership of COGTA and SALGA needs to be held accountable.

**Eastern Cape:**

* MTEF cuts to Beyers Naude, Blue Crane Route, Makana, Maquma, Raymond Mhlaba, Emalahleni, Enoch Mgijima, Chris Hani District, Elundini, Matatiele & Umzimvubu.
* MTEF below CPI allocations to Ndlambe, Intsika Yethu, AB Xuma, Sakhisizwe, Ngquza Hills, Port St Johns, Mhlontlo, Ntabankulu & Winnie Madikizela-Mandela.
* Positive increases for Inxuba Yethema, Joe Gqabi District, King Dalindyebo & OR Tambo District.
* Municipalities failing to pay workers timeously: Beyers Naude, Makana, King Dalindyebo, OR Tambo & Amahlathi.

**Free State:**

* MTEF cuts to Xhariep District, Tswelopele & Mafube, .
* MTEF below CPI increases for Letsemeng & Kopanong.
* Positive increases for Masilonyana, Matjhabeng, Ngwathe & Metsimaholo.
* Municipalities failing to pay workers timeously: Mohokare, Kopanong, Masilonyana, Tokologo, Maluti a Phofung, Mafube & Letsemeng.

**Gauteng:**

* MTEF cuts to Midvaal & West Rand District.
* Positive increases for Joburg, Tshwane, Emfuleni, Mogale City, Merafong City & West Rand City.
* Municipalities failing to pay workers timeously: Emfuleni.

**KZN:**

* MTEF cuts to uMzumbe, uMuziwabantu, Ray Nkonyeni, Udu District, Mpofana, Mkhambathini, iNkosi Langalibelele, eMadlangeni, AbaQulusi, Zululand District, uMhlabuyalingana, Jozini, uMfolozi, Mthonjaneni, Kokstad, uBuhlebezwe, uMzimkhulu
* MTEF below CPI increases for Richmond, Okahlamba, uMsinga, Dannhauser, uPhongolo, uMhlathuze, Ndwedwe, iLembe District, Dlamini-Zuma,
* Positive increases for iMpendle, uThukela District, Nquthu, uMzinyathi District, Amajuba District, eDumbe, Ulundi, uMkhanyude District & Harry Gwala District.

**Limpopo:**

* MTEF cuts to Maruleng, Blouberg, Molemole.
* MTEF below CPI increases for Giyani, Letaba, Ba-Phalaborwa, Thulamela, Lepele Nkumpi, Capricorn District.
* Positive increases for Tzaneen, Mopani District, Vhembe District, Polokwane, Thabazimbi, Lephalale, Mogalakwena, Modimolle-Mookgophong, Fetakgoma-Tubatse & Sekhukhune District.
* Municipalities failing to pay workers timeously: Fetakgomo-Tubatse, Aganang/ Polokwane & Modimolle-Mookgophong.

**Mpumalanga:**

* MTEF cuts to Dipaleseng, Steve Tshwete, Thembisile Hani, .
* MTEF below CPI increases for Chief Luthuli, Lekwa.
* Positive increases for Msukaligwa, Mkhondo, Pixley ka Seme, Govan Mbeki, Victor Khanye, Emalahleni, JS Moroka, Thaba Chweu, Mbombela, Nkomazi & Bushbuckridge.
* Municipalities failing to pay workers timeously: none.

**Northern Cape:**

* MTEF cuts to Kamiesberg, Hantam, Karoo Hoogland, Ubuntu, Emthanjeni, Siyathemba, Magareng, Phokwane & Ga-Segonyana.
* MTEF below CPI increases for Namakwa District, Renosterberg, ZF Mgcawu District & Dikgatlong.
* Positive increases for Richtersveld, Nama Khoi, Tsantsabane, Sol Plaatje & Joe Morolong.
* Municipalities failing to pay workers timeously: Magareng, Renosterberg, Kama Kheis, Thembelihle & !Kai !Garieb.

**North West:**

* MTEF cuts to Ratlou, Tswaing, Greater Taung & Kagisano-Molopo.
* Positive increases for Moretele, Madibeng, Rustenburg, Kgetlengrivier, Mahikeng, Ditsobotla, Ramotshere Moiloa, Modiri Molema District, Naledi, Ruth Mompati District, Matlosana & JB Marks.
* Municipalities failing to pay workers timeously: Ditsobotla, Kgetlengrivier, Mamosa, Mahikeng, Tswaing, & Naledi.

**Western Cape:**

* MTEF cuts to Cederberg, Hessequa, George, Laingsburg & Prince Albert.
* MTEF below CPI increases for Bergrivier & Cape Agulhas.
* Positive increases for Cape Town, Swartland, Drakenstein, Kannaland & Beaufort West.
* Municipalities failing to pay workers timeously: none.

1. **Corruption**

It is puzzling that the Budget is 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.

1. **Presidential Employment Stimulus and Public Employment Programmes**

The Presidential Employment Stimulus has provided work opportunities for 500 000 young people.  It needs to be expanded to accommodate 2 million active participants by October’s MTBPS.

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. The proposed shifting of the BBS to supporting the rollout of solar panels is welcome. However, this support must be expanded to low-income households too, including through the revival of government’s RDP household solar panel scheme which has remained stagnant for the past 5 years.

COSATU demands that government must 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.

1. **Infrastructure**

The allocation of R225 billion over this financial year and R903 billion over the MTEF for the infrastructure programme for rail, roads, housing, student residence, sanitation, water, energy and ports will provide a badly needed jolt to the economy.  The allocation within this of R351 billion for transport and logistics and R132 billion for water is particularly critical.  Government needs to ensure these funds are spent and not pilfered by corrupt elements.

The Federation is concerned that despite the tripling of the expected infrastructure investments over the Medium-Term Expenditure Framework (MTEF) the country remains far behind on infrastructure roll-out programmes.

1. **Departmental Grants**

**Basic Education:**

* MTEF cuts to infrastructure.
* Infrastructure Backlog allocations only to E. Cape, KZN & Limpopo with 15% unallocated.
* Positive increases for Early Childhood Development.
* MTEF cuts to Presidential Employment Initiative from R6.1 billion to R6.4bn to R0.

**Treasury:**

* + MTEF cuts to Neighbourhood Development Grant (Presidential Employment Initiative) to R0 in 2024.

**Transport:**

* + Positive increases for roads & public transport.

**Human Settlements:**

* + MTEF below CPI increases for housing grants & informal settlements upgrades
  + Positive increases for urban settlements development.

**Water and Sanitation:**

* + Positive increases for Regional Bulk Infrastructure Grant.

**Mineral Resources & Energy:**

* + MTEF below CPI increases for Energy Efficiency & Demand Side Management.
  + CPI linked increases for Integrated National Electrification Programme.

1. **Conclusion**

Now that the Budget has been tabled, it will be key that the President and Parliament hold the various Ministers and Departments accountable for the implementation of their respective commitments.

We cannot afford to see billions rolled over, targets missed, monies lost to corruption and wasteful expenditure and commitments forgotten.  Elections will take place in 15 months.

Voters will be watching government over the next few months as they prepare to hand in their judgements in the ballot box.

Thank you.

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| cid:image005.jpg@01CC26CB.2C4815C0 | Matthew Parks  Parliamentary Coordinator  Cell: 082 785 0687  Email: [matthew@cosatu.org.za](mailto:matthew@cosatu.org.za)  6th Floor, Constitution House,  124 Adderley Street  Cape Town 8000, South Africa |