

COSATU Submission:

**2023/ 2024 Budget:
Appropriation Bill**

19 May 2023



COSATU

Submitted to:

**Standing & Select Committees: Finance
National Assembly &
National Council of Provinces
Parliament**

Republic of South Africa

1. Introduction

The Congress of South African Trade Unions (COSATU) notes the 2023/24 Budget 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 and Appropriation 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 Appropriation Bill 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 repeated underspending of billions of Rands in a climate of scarce resources.

3. 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 causes 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.

4. Pension Relief for Financially Struggling Workers

COSATU welcomes progress made in drafting the Revenue Laws Amendment Bill enabling financially struggling workers early access to their pension funds. This Bill

needs to be expedited by Treasury and Parliament to ensure that its implementation date of 1 March 2024 is not jeopardised. Workers cannot afford any more delays.

COSATU is pleased 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.

It is critical that the outstanding issues in the Bill are resolved, including workers who have lost their jobs or are forced to resign for family reasons beyond their control are allowed to retain full access to their pensions, minus tax. This matter should not be delayed for a future amendment of the law.

We want these issues resolved so that the Bill can be adopted in 2023 and this scheme can come into effect by March 2024.

5. Revenue

COSATU applauds the excellent work done by the workers at SARS who have continued to set SARS on the path to recovery and have managed to exceed revenue collections by R93 billion.

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 an additional R93 billion in 2023 and a hopeful 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.

Tax relief for low-income earners through bracket adjustments are welcome but similar relief for high income earners was not necessary in this fiscal climate. The pause in increasing the Health Promotion Levy will provide space for the sugar industry battling and its jobs to cope with a flood of imports and other crises.

6. Corruption

It is puzzling that the Budget and the Appropriation Bill 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.

7. Social Relief Dispensation Grant (SRD)

The SRD Grant of R350 has provided a lifeline for 8 million unemployed persons. But is unacceptable that it has not been adjusted for inflation since it came into inception in 2020. This needs to be fixed. The administrative hurdles inhibiting other unemployed persons from accessing it need to be fixed and its participants linked to skills development and employment programmes where possible.

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 SDR 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 and the Department of Social Development have 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.

8. 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.

9. Eskom

COSATU welcomes the progressive commitment to relieve Eskom of R254 billion or two thirds of its unsustainable debt burden. This will enable it to shift its resources to ramp up high impact targeted maintenance and invest in new generation. Government needs to share the conditions set for this debt relief.

The current loadshedding regime is killing the economy and is unsustainable.

These conditions should not include a fire sale of Eskom's assets. Eskom needs additional support from Treasury to reduce wasteful expenditure and the law enforcement institutions to tackle the endemic corruption and criminality crippling it and its infrastructure. The economy needs government to expedite interventions to reduce and end loadshedding over the next 6 months if the economy is to be able to grow and unemployment fall.

10. Fuel Price Regime

The relief of R4 billion by not increasing the fuel taxes will provide some comfort to commuters, SMMEs and the economy.

It is critical that the Department of Transport retable the RAF and RABS Bills at Parliament so that the Road Accident Fund can be moved from being a financial burden to the state to a source of support to road accident victims and to ensure the RAF's ballooning liabilities (R400 billion) are brought under control.

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 28% of the fuel price that goes towards taxes and work with the Department of Transport to address the problems at the Road Accident Fund.

11. State Owned Enterprises and Entities

The allocation of R1 billion to settle SAA's debts, R2.4 billion for the Post Office, R5 billion for the Land Bank in addition to the already budgeted R30 billion for Transnet, SANRAL and DENEL is welcome.

COSATU is however deeply worried by the lack of turn around plans for our embattled SOEs, in particular DENEL which has still not submitted its annual reports and the Post Office whose turnaround plan is based upon retrenching over 3 900 employees and slashing the remaining employees' wages by 40%.

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.

12. Transnet and Metro Rail

Drastic interventions are needed to secure and rebuild our passenger and freight railway network which are under siege from rampant cable theft and criminality. Transnet and Metro Rail are key to mining, manufacturing, and agricultural jobs as well as to transporting workers and commuters to their destinations safely in our cities.

The additional allocations to repair our railway network are welcome, in particular the R32.5 billion for 146 carriages for the Metro Rail lines over the MTEF.

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.

13. 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.

14. Departments

COSATU welcomes the 6.1% increase in funding for NSFAS, 7.7% increase in funding for agriculture and land reform, and the 11.4% increase in funding for roads. Additional funding to fill critical vacancies at the National Prosecuting Authority and the Revenue Service will be a boost in the fight against corruption and tax evasion.

We are however deeply offended by the below inflation increases and thus cuts in real terms for Basic Education (3.1%), Health (2.7%), Industrial financing and Exports (2.4%), SAPS (3.7%), Courts and Correctional Services (2.9%), and Home Affairs (-0.8%). This reckless austerity approach to key public services will further weaken the capacity of the state to provide the quality public services that society and the economy depend upon.

The projected below inflation increases in expenditure to key frontline service departments, in particular Basic Education, Health, SAPS, Justice, 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.

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.

15. 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.

16. 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.

17. 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 in the Appropriation Bill.

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.

A handwritten signature in black ink, appearing to be 'N. M. M.', written over a horizontal line.



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