BUDGET JUSTICE COALITION SUBMISSION TO THE SUBMISSION TO STANDING COMMITTEE ON APPROPRIATIONS ON THE ADJUSTMENTS APPROPRIATIONS BILL 2023

22 November 2023

About the BJC

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

The organisations who make up the BJC are Alternative Information and Development Centre (AIDC), the Children's Institute at UCT (CI), Corruption Watch (CW), Equal Education (EE), Equal Education Law Centre (EELC), the Institute for Economic Justice (IEJ), Legal Resources Centre (LRC), Oxfam SA, Pietermaritzburg Economic Justice and Dignity Group (PMEJD), the Public Service Accountability Monitor (PSAM), the Rural Health Advocacy Project (RHAP), SECTION27, Ilifa Labantwana, Treatment Action Campaign, Centre for Child Law, 350.org, Open Secrets, Social Policy Institute, Youth Capital, Public Affairs Research Institute, Amandla.mobi, Black Sash, as well as friends of the coalition.

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1. Introduction

The Budget Justice Coalition (BJC) welcomes the opportunity to make submissions on the 2023/24 Adjustments Appropriations Bill.

As a coalition of more than 20 civil society organisations in the pursuit of budget policies that advance the socio-economic rights of our people, we write to the Committee on Appropriations on measures that would alleviate suffering in marginalised communities in a manner that responds to our context of low growth rates. Budget policy is a powerful tool for socio-economic advancements and lifting people out of poverty. Unfortunately, our view is that the 2023/24 Adjustments Appropriation and Medium-Term Budget Policy Statement (MTBPS) propose adjustments to social spending areas that need to redress our rising levels of inequality adequately, worsening poverty and the deterioration of the capacity to provide quality public services. Recognising the increasing cost of living is crucial, exacerbating suffering in many parts of the country.

In this climate, budget considerations must be made without jeopardising access to economic opportunities and social services are maintained. Notably, unemployment continues to haunt our nation. In this submission, we call on Parliament to consider human rights implications that nominal budget cuts present and advance more equitable interventions to protect the right to basic education, access to health care, nutrition and other Constitutionally guaranteed rights for all in our country. We believe that human rights impact assessments, gender-responsive budgeting, alternative revenue-raising mechanisms and procurement reform will be impactful and actionable interventions to protect the most underserved communities from shouldering our harsh economic outlook.

The BJC requests an opportunity to make an oral submission in Parliament during the public hearings scheduled for 1 December 2023.

Our submission is outlined as follows:

1. Introduction
2. In-year spending freeze and Wage Agreement
3. Gender Responsive Budgeting
4. Basic Education Adjustments
5. Health funding Adjustments
6. Social Services Adjustments
7. Procurement Reform
8. Youth Unemployment
9. Recommendations

2. In-year spending freeze to accommodate debt servicing costs and wage agreement.

The 2023/24 Adjustments Appropriations Bill proposes large and significant reductions to planned expenditures in the current year's budget. According to the National Treasury, this is to correct for "unforeseeable financial and economic events" during the financial year. A significant oversight in the February 2023/24 budget was the treatment of the commodity windfall, which supported strong revenue performance in 2022/23 as a permanent (structural) improvement in revenue streams.

Additionally, the 2023/24 Budget surprisingly did not make provision for an increase in wages, with the government expecting departments to absorb any wage increase from existing baseline budgets. Following the March 2023 wage agreement, our government reiterated the need for departments to absorb the outcome of the wage agreement from existing baselines. The 2023 MTBPS characterised the outcome of the March 2023 wage agreement as an "unforeseeable economic and financial event". This characterisation raises questions, given the predictability of wage negotiations. The 2023/24 MTBPS subsequently proposes significant adjustments in their scale and impact on government priorities and policies to allow for the wage agreement unbudgeted for in the 2023/24 Budget.

The proposed adjustments are substantial, affecting various programs within and across different departments. This represents a material shift in the government's resource allocation strategy and indicates a reorientation of policy priorities. At the sub-programme level, these adjustments amount to a large R72 billion, underscoring the extent of the fiscal realignment. The modifications required to allow for the wage agreement go beyond the typical in-year adjustments; they necessitate what amounts to an entirely new budget. To meet the spending targets set for 2023, the government will likely have to enforce an effective freeze on spending for the remainder of the fiscal year.

At the national level, significant cuts have been made in various areas, including capital, goods and services, and transfers, to accommodate the financial demands of the wage agreement. These cuts have far-reaching implications, potentially affecting the delivery of public services and the government's capital investment projects.

At the provincial level, the impact is equally pronounced. Conditional grants that are typically allocated for capital spending are facing substantial reductions. These cuts are being made to redirect funds towards addressing wage pressures through the equitable share. This redistribution of resources has significant implications for provincial budgets and their ability to finance capital projects, which are essential for long-term economic development and service delivery.

3. Gender Responsive Budgeting

Our previous submission back in 2020 regarding the gendered implications of the Appropriations Bill was rooted in investing in Gender-Based Violence (GBV) response and prevention. Since then, while some steps have been taken to fight the scourge of GBV, this form of violence still plagues our society, with Deputy President Paul Mashatile stating as recently as November 2023 that it had reached a "tipping point". To redress this issue, we recommend wielding the power of fiscal policy to overcome this phenomenon through Gender-Responsive Budgeting. Bolstering our public system can be a powerful way to could be a powerful intervention to liberate womxn who are compelled to stay in abusive relationships out of financial insecurity.

As we know, our country is plagued by the triple challenge of poverty, inequality and unemployment. However, what is less reported on is how the impact of each of these challenges is gendered. The phenomenon of the feminisation of poverty manifests as womxn-led households being 40% poorer than ones led by men, and this gender imbalance is more pronounced when one considers that "48% of the womxn-led households support extended family members compared to 23% of their male counterparts".

Regarding unemployment, young Black womxn are most vulnerable to unemployment; last year (2022), 47% of South African womxn were recorded as economically inactive compared with 35.6% of men. Much of the work available to womxn is also precarious, and they are underpaid and work under challenging conditions. For womxn in South Africa, the unemployment rate is at 35.7%, with black womxn being the most vulnerable in our economy, with an unemployment rate of 39.8% in the second quarter of the year[1]. This submission comes at a time when the economic outlook and employment prospects for the youth are rapidly dwindling, with youth unemployment at 58.0% for youth aged 15-24 years and 38.3% for youth between the ages of 25-34 years[2]. This is worsened by our unequal gender norms that place the burden on unpaid care work on womxn. As such, cuts to healthcare and education programmes result in womxn filling this gap through unpaid care work. Thus, the proposed budget cuts in the MTBPS and the Adjustments Appropriations Bill have gendered impacts.

We call for Parliament to advance a Gender-Responsive Budget. Such budgeting would reflect on the effects of fiscal policy interventions in entrenching gender and racial inequality in South Africa and prioritise tackling underspending and corruption as a means to do so. We call on Parliament to compel the National Treasury to provide updates regarding its commitment to leading an interdepartmental steering committee and working with stakeholders to develop a roadmap and tools to facilitate gender-responsive budgeting (GRB) in the February 2023/24 Budget and to recommend public

[1] Statistics South Africa Quarterly Labour Force Survey Quarter 2:, 2023 available at: https://www.statssa.gov.za/publications/P0211/Presentation%20QLFS%20Q2%202023.pdf .
[2] Statistics South Africa Quarterly Labour Force Survey Quarter 3: 2023 available at: https://www.statssa.gov.za/publications/P0211/Presentation%20QLFS%20Q3%202023.pdf.

workshopping of GRB guidelines so that we can all shape a genuinely gender-responsive budget.

We further reiterate our recommendation for GBV response financing to be released to services in communities that womxn are most likely to be able to access. The quality of statistics and data available about Gender-Based Violence also urgently needs to be improved because funding decisions need to be made based on reliable official statistics.

We call on further clarity regarding the Cabinet-approved reduction of R42.5 million to the Department of Women, Children and People with Disabilities. This nominal cut has targeted the Mainstreaming Women's Rights and Advocacy, Monitoring, Evaluation, Research and Coordination and Mainstreaming Youth and Persons with Disabilities Rights and Advocacy. We would like further clarity on what interventions the government will enact to ensure that our country achieves its gender equality goals in the face of a reduction in investment in this cause.

4. Basic Education Adjustments

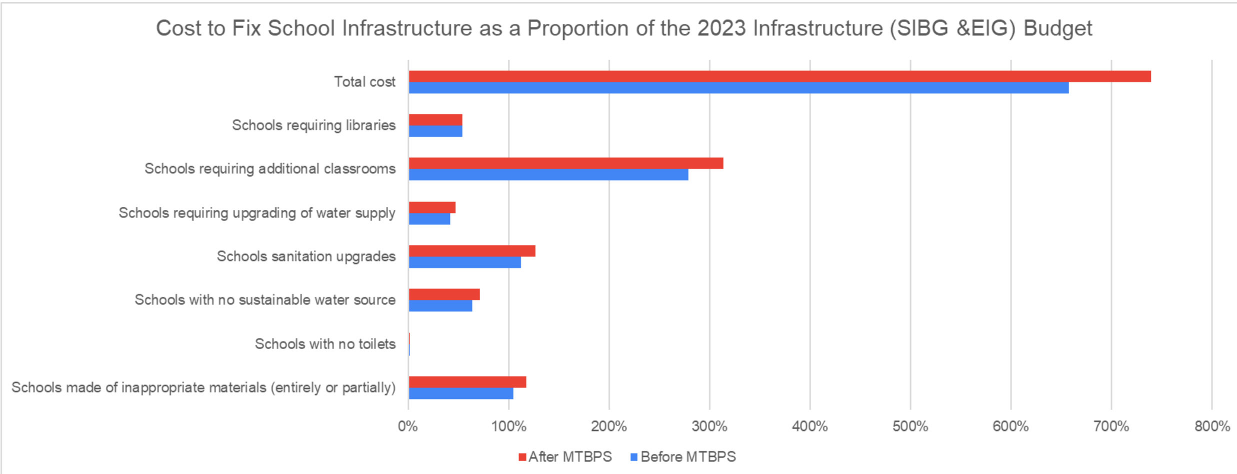
The BJC is concerned about the nominal increase proposed of R10 billion (3.1%) to Basic Education funding, which amounts to a 1.4% reduction of the overall budget in real terms. Even though education remains one of the government's most significant spending items, the overall share of national spending that education takes up has been slowly dwindling since 2016 - it has not kept up with inflation and, most importantly, growing learner enrolment. The sector is plagued by low learning outcomes, overcrowding, insufficient teachers and failing or absent infrastructure. The consolidated budget growth is below inflation over the MTEF, and even if the entire budget were spent with no irregular, wasteful, or fruitless expenditure, the amount of money given to the sector would still be negligent compared to what is needed to address the many challenges.

Despite additional money allocated to wages, the National Treasury notes that provincial education departments are still constrained in hiring additional teachers, which may worsen overcrowding and reduce learning outcomes. The Treasury says, "*To mitigate this, the sector will . . . manage infrastructure projects more tightly*". Simultaneously, the Treasury has reduced the already inadequate school infrastructure budget (combined SIBG and EIG) by R1.7 billion. The table below shows the Department of Basic Education's estimated costs of meeting essential legally binding minimum standards for school infrastructure as a proportion of the total adjusted school infrastructure budget for the 2023/24 financial year.[3] The cost of building additional classrooms to end the yearly school admissions crises and overcrowding is 314% of the total yearly budget.

[3] Department of Basic Education (13 April 2023), 'Infrastructure Report to Interested Bodies and Unions'. Available here.

Estimated Costs to Meet Legally Binding Minimum Standards for School Infrastructure as a Proportion of the 2023/24 Adjusted Allocation to the Infrastructure Budget[4]		
Issue	**Estimated cost to address**	**Percentage of total adjusted school infrastructure budget (2023/24 MTBPS = 14.2 billion)**
Schools made of inappropriate materials (entirely or partially)	R16 707 992 169	118%
Schools with no toilets	R235 448 747	1.7%
Schools with no sustainable water source	R10 176 117 056	72%
Schools sanitation upgrades	R17 953 386 864	127%
School water supply upgrades	R6 674 438 950	47%
Schools requiring additional classrooms	R44 498 765 853	314%
Schools requiring libraries	R8 646 000 000	61%
Total cost	**R104 892 149 639**	**739%**

[4] Ibid.



In a country where many school children attend school in classrooms built of inappropriate materials and worsened by the increasing frequency of extreme weather events, this cut will only reduce resources available to respond to this.

The National Treasury has justified this reduction on the basis that there is usually underspending and irregular expenditure when it comes to school infrastructure projects. Bad spending practices in infrastructure delivery can largely be attributed to public procurement processes. The development of the Public Procurement Bill, aimed at strengthening these systems, has been slow and fraught with controversy due to its non-alignment with the Zondo Commission recommendations. The government, including the National Treasury, has a duty to provide proper oversight and ensure transparent, cost-effective and accountable public procurement. Reducing the budget is needed to solve this issue. Instead, it punishes the most vulnerable learners, who rely almost solely on government funding, for the State's failure to provide proper oversight and ensure transparent, cost-effective and accountable public procurement.

National School Nutrition Programme (NSNP)

The cost of living crisis has resulted in reports of children starving to death in parts of the country, increasing social vulnerability and likely food insecurity. Particularly in the Eastern Cape, child malnutrition has been dubbed a disaster, and the breakdown in the NSNP is only worsening this. For many learners in the country, these school meals are the only full nutritious meals they receive daily. The number of children dependent on this programme has reportedly increased following the COVID-19 pandemic and the weakening economic climate that has exacerbated unemployment and haemorrhaged household incomes.

In this context, we are relieved that the NSNP has not experienced the budget cuts other education and social spending programmes have. However, we reiterate our recommendation that the NSNP be linked to food inflation rather than CPI, as food inflation rates are historically higher and, as such, erode the value of this intervention. In addition, we would like to support The South Africa Human Rights Commission (SAHRC)'s recommendations to extend the NSNP to ECD centres and to provide meals over weekends and holidays as these form the only source of nutritional meals for many learners in the country. This will require additional funding, coordination, and oversight, which will have great returns in overcoming food insecurity in the nation. As recommended by the SAHRC, coordination between the Department of Basic Education and the Department of Social Development (DSD), particularly in light of unspent funds by the DSD in some provinces, would be a potential avenue for extending the NSNP to weekends and holidays as well as ECD centres.

We also note that substantial distribution failures and under-resourcing have already left indigent learners in parts of the country hungry. This year, thousands of learners in KZN were hungry for weeks as a service provider failed to deliver food to over 5,000 schools in the province. Reports of a similar crisis in the Eastern Cape were received by the SAHRC, which were attributed to delays in allocating funds, causing learners not to receive meals for nearly a month. In this context, it is clear that we need robust monitoring of the NSNP, effective consequence management for corrupt and inefficient implementing agents, and improved provincial and school capacity to deliver quality, nutritious meals for all learners. Thus, monitoring efforts need to improve the quality of spend for this programme, and it is vital that an MTBPS centres realisation of human rights and complies with the constitutional obligation to give paramount importance to the best interests of children in every matter concerning them when making budget decisions.

Education Infrastructure Grant (EIG)

We are concerned about the downward adjustments proposed towards the EIG as it leaves many schools without the means to address poor school sanitation and infrastructure. The Department of Basic Education reported that 728 schools nationwide, predominantly in the Eastern Cape, still use only pit toilets.

These budget cuts must be seen in the context of extreme weather events, which only increase in occurrence. Already vulnerable and neglected schools in underserved communities are only more susceptible to further damage, making the infrastructure at these schools even more dangerous and unconducive to effective teaching and learning. In September 2023, the Western Cape Department of Education reported that 249 schools had been affected by a severe storm which struck the province. Over 150 schools reported infrastructure damage caused by the storm, ranging from minor to severe. In this context, the reduction in the allocation to the EIG is primarily concerning because most provinces rely entirely on the EIG for constructing, upgrading, repairing and rehabilitating public school infrastructure.

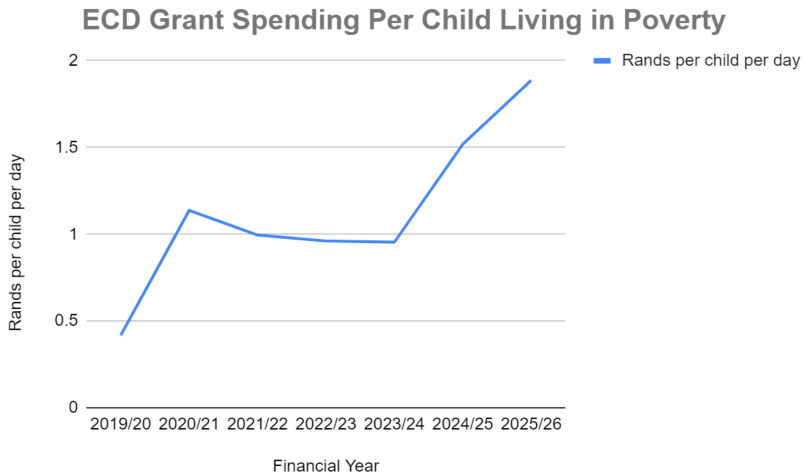
While we recognise that more than the quantum of spend alone will be needed to address infrastructure concerns in the provinces, reducing the quantum of spend of the EIG affects the quality of spend as less funding is available to eradicate unsafe infrastructure.

Early Childhood Development (ECD)

The 2021 PIRLS results showed that 81% of Grade 4 learners in South Africa cannot read for meaning.[5] Despite this crisis, 70% of public schools do not have libraries and one-third of those are not stocked with books.[6] Early learning, key to developing literacy and numeracy, has also not been prioritised.

While funding for the Early Childhood Development (ECD) sector has shown some signs of improvement, it is still vastly inadequate to cater to just under 7 million children of ECD-going age.[7] This already meagre budget has been reduced by R58.1 million (4.7%). The Department of Basic Education reports that 4.7 million of these children live in poverty and are eligible for a subsidy.[8] Learners who benefit from State ECD subsidies – only 25% of children who need it - only receive R17 per day. Even if the South African government used the full ECD Conditional Grant to subsidise all 4.7 million eligible children, each child would only receive R0.95 per day in 2023 and only R1.52 in 2024.

[5] PIRLS 2021, Available here.
[6] Equal Education PAIA Request August 2023. Available here.
[7] Department of Basic Education (June 2023) *Comprehensive Progress Report on ECD Function Shift.* Available here.
[8] Ibid.



The per child per day subsidy, meant to support access to ECD services for learners from low-income families, has not increased in nominal terms since 2019, at R17 per child per day for ECD centres and R6 for non-centre-based programmes. This means that in real terms, considering inflation, this already wholly inadequate subsidy has actually decreased. Aside from covering the costs of staff, rent and equipment, this subsidy also covers food for learners – only 50% of this subsidy can be allocated to food, which amounts to R8.50 per day. The inadequacy of this subsidy is further highlighted when considering that many learners in Early Learning Programmes (ELPs) attend centres from 7 am to 6 pm and that this R8.50 subsidy is expected to cover the cost of food for learners for the entire day. Erosion of its real value at a time when food inflation is as high as 13% will likely translate into reduced nutritional support for children under five years of age - the group most in need of adequate nutrition to prevent malnutrition and stunting.

5. Health funding Adjustments

The BJC is concerned about the erosion of the value of investment in health care by inflation. The 2% nominal increase in health care from 2023/24's proposed R259.2 billion to the MTBPS R264.5 billion may appear positive for resourcing health care access. However, the MTBPS recognises that the value of this investment will likely be eroded by inflation, revised at 5.6% (for the 2023/24 fiscal year), coupled with the increasing demand for public health services. In particular, essential health care programmes have received notable cuts, including HIV/AIDS funding (4% cut from the main budget's R23.9 billion to R22.9 billion for the 2023/24 financial year translating into R1 billion cut) and Health infrastructure (5% nominal cut from R8.6 billion to R8.1 billion - a R441 million cut). Although funding has been made available to cover the public wage bill, in a context of cost containment measures that encourages hiring freezes, our understaffed health care system will face difficulties redressing staff shortages.

We are particularly concerned about the proposed cut of R1 Billion to HIV/AIDS funding, a 4% cut from the Main Budget's R23.9 billion to R22.9 billion for the 2023/24 financial year. A budget cut this pronounced may regress our progress to ensure that 6 million people are on ART by the end of this financial year. We are further concerned that this goes against a priority action in the National Strategic Plan for HIV, TB and STIs for 2023-2023 (NSP), which states that baseline allocations for HIV, TB and STIs must be protected. If they are altered in the MTEF, this must be "...supported by economic evidence and analysis, including costing studies, investment cases, budget impact assessments and budget reprioritisation exercises"[9].

We are pleased to hear that the cost of ART and Bedaquiline for the country has reduced, which would allow us to experience savings financially on the treatment of HIV and drug-resistant Tuberculosis (TB). However, we support SECTION27's recommendation that rather than returning these funds to National Treasury, these savings need to be redirected towards strengthening our health system's ability to scale up ART coverage and the treatment of TB to allow more people with HIV to live fuller lives and overcome this epidemic[10]. The investment could be made in robust health information systems, improved treatment literacy and providing comprehensive support to people on ART to bolster ART retention. Researchers from the University of Witwatersrand have proposed extending support to target medication-related issues, psychosocial support and socioeconomic support as a powerful intervention to strengthen ART retention.

South Africa has committed to the 95-95-95 targets to diagnose 95% of all HIV-positive individuals, provide antiretroviral therapy (ART) for 95% of those diagnosed and achieve viral suppression for 95% of those treated by 2025. While countries like Botswana, Eswatini, Rwanda, Tanzania and Zimbabwe have already achieved these targets, our country needs to do more to ensure we are on track to achieving these. Research indicates that progress towards the first UNAIDS target, 95% of HIV-positive individuals diagnosed by 2025, is good, with "most provinces at around 93%". Moreover, most provinces are progressing toward achieving the third target: 95% of ART patients are virally suppressed. Unfortunately, we are struggling to provide ART to 95% of people diagnosed at 75%, with the poorest performance being Limpopo at 62%.

[9] National Strategic Plan for HIV, TB and STIs for 2023-2023 page 94 available at: https://knowledgehub.health.gov.za/system/files/elibdownloads/2023-04/NSP-HIV-TB-STIs-2023-2028-MARCH20_23-PRINT2.pdf .

[10] SECTION27 submission on the Division of Revenue Bill, 2023 available at: https://static.pmg.org.za/231117Section27_Submission_on_Division_of_Revenue_AMENDMENT_Bill.pdf .

Investment in HIV/AIDS also has implications for our country's progress towards overcoming gender inequities. Unequal gender norms have resulted in a disproportionate risk and prevalence of HIV/AIDS that is gendered. Budget policy decisions must foreground gender equality. There is sufficient research to support financing responses to HIV/AIDS is a powerful intervention in alleviating gender inequality in the country, with a report by Impact Economist finding that if our country meets the targets for fully financing the HIV response in South Africa, womxn aged 15-19 would account for almost 15% of the reduction in new HIV infections by 2030, despite making up less than 5% of the total population. The report reiterates that increased HIV investments today would contribute to more expansive and sustained economic gains, ultimately freeing up financial resources to address other critical health priorities. In the interest of gender equity, the economy and access to quality health care services, our country needs to bolster investment in HIV/AIDS. Budget cuts cannot be at the expense of achieving this critical goal.

Not only do budget cuts constrain the ability of the health system to provide quality healthcare, but they also reduce capacity to bolster spending quality. SECTION27 has advocated for overcoming the chronic underspending in our country that threatens the realisation of health rights for all. For the 2022/23 fiscal year, the Gauteng health department underspent R1.6 billion of its district health services budget, which includes HIV/AIDS treatment services. Additionally, access to pre-exposure prophylaxis (medications preventing HIV) is meant to be expanded as a measure to prevent new HIV infections, particularly in vulnerable populations, which will likely require substantial additional investment. Any savings achieved by the lower cost of HIV/AIDS medications should be redirected towards investment in capacity building, as well as the other initiatives to address the HIV epidemic in South Africa (as outlined in the NSP), to ensure that funds allocated towards this fight translate into improved access to health services.

6. Social Development Adjustments

The National Development Plan 2030 aims to 'create *an effective social welfare system that delivers better results for vulnerable groups*…' The BJC argues that this cannot be efficiently achieved without incorporating a universal basic income grant in the long term. The extension of the Covid-19 Social Relief of Distress Grant (SRD Grant) until March 2025 is a short-term solution to the increasing social security needs of marginalised persons living in South Africa.

The MTBPS provides additional allocations to provinces to cover the cost of salary increases in terms of the public sector wage settlement. However, the allocations are only for some sectors, such as health and education, but there are no additional allocations for social development. This is despite the fact that the wage agreement, taken at a national level, has to be implemented by the provinces. It is unacceptable that provinces will be forced to meet the salary agreements made at a national level without sufficient funding to do so and that this will undoubtedly require cuts in other social spending areas. In 2023, the provincial departments will have to honour their service contracts to NPOs, which provide a large bulk of the welfare services.

7. Procurement Reform

The tabling of the Public Procurement Bill is a much-welcomed development from the February 2023 Budget. Although the Bill has been somewhat lauded as a panacea for the currently fragmented legislative system, the BJC and Imali Yethu provided solutions to gaps within the current Bill in our joint submission[11]. Both coalitions argue that to have conducive reform that is anti-corruption and curbs state capture, transparency, accountability, and oversight challenges must be resolved. Recommendations include:

- The provision of access to basic procurement information that enables procurement monitoring by the public must be included in the Bill. The Procurement Bill must address this by ensuring adequate access to information and open data, along with active and timely responses to requests for information.
- A clear division of responsibilities must be established within any legislative framework. As it stands, the Bill before Parliament centralises power to the Public Procurement Office and the Minister of Finance, which poses significant risks as evidenced by State Owned Enterprises[12].
- The current version of the Bill raises concerns regarding the prospect of fostering an organisational culture shift away from the prevailing approach, characterised by excessive bureaucracy that, in turn, undermines efficient service delivery.

The BJC thus supports the strengthening of the Bill through the implementation of mechanisms as outlined in our submission and by various procurement experts. We note that this would be effective for anti-corruption, transparency and accountability in procurement.

[11] Budget Justice Coalition 2023 “Joint Submission to Parliament on the Draft Public Procurement Bill” available at: https://static.pmg.org.za/230913_BJCSubmission_on_Procurement_Bill.pdf.
[12] K Zeeman 2023, “Pravin Gordhan accused of interfering in SOEs” available at: https://www.citizen.co.za/news/south-africa/pravin-gordhan-interfering/ .

8. Youth unemployment and public employment programmes

According to the World Bank, South Africa currently has the world's highest unemployment rate. During the third quarter of 2023, there were 11.7 million unemployed people, with an overall unemployment rate of 41%. Zooming on youth, 8.7 million young South Africans were not in education, employment or training (NEET).

Evidence from the past three decades shows that the economy grows and creates jobs when the government invests in its people and infrastructure. There was a period from 2003 to 2008 when the government, under the Growth, Employment and Redistribution (Gear) policy, significantly increased spending on its people and infrastructure. The economy grew by 4.5% a year and created 3.1 million jobs, half of which were for young people, and the unemployment rate fell to 28.7% from 40.6%. However, since the global financial crisis of 2008, the government has slowed spending on its people and infrastructure. From the fourth quarter of 2008 to the third quarter of 2023, the labour force increased by 7.8 million people. But the economy only created 2 million jobs. The number of unemployed people soared by 5.8 million people to 11.7 million. Our current situation is widening the gap, and urgent solutions must be found to tackle the macro drivers of unemployment.

The macro drivers of the unemployment crisis are clear on the supply and demand side.

- On the supply side, the annual number of new entrants into the labour force or the labour force growth rate drives unemployment. Working on a pre-pandemic growth rate of 2.4%, almost 800 000 people will enter the labour market each year until 2035.
- On the demand side, the GDP growth rate and the employment multiplier determine the employment growth rate. The employment multiplier is an observed historical relationship between GDP and employment. This submission uses an employment multiplier of 0.9 based on an analysis over the past two decades that strips out two periods of fundamental dislocation in the labour market after the global financial crisis of 2008 and the 2020 global pandemic.

Confronting the unemployment crisis means making use of three integrated levers. Firstly, there must be **GDP and employment growth rates** that are high enough to create enough jobs for all the new entrants into the labour market and gradually reduce the number of previously unemployed people. Secondly, **industrial policies** seek to change the production structure according to the broad division of sectors – agriculture and services – and within these sectors. Such policies can increase the employment multiplier and accelerate the pace of job creation by targeting labour-intensive sectors that can absorb the unemployed. However, in this submission, we focus on its third aspect, **that public employment programmes can create the residual number of jobs that cannot**

be created through GDP growth and industrial policies. This aligns with the government's strategy of leveraging public employment programmes for employment creation. Unfortunately, the February 2023/24 Budget and this MTBPS will not confront the crisis.

The 2023/24 Budget allocated R42.9 billion towards job creation and enterprise development programmes, over the MTEF period. This comprised R20.6 billion in 2023-2024, R11.1 billion in 2024-2025 and R11.2 billion in 2025-2026. The sharp decline in the last two years resulted from the decision not to provide further funding for the Presidential Employment Stimulus (PES). The R20.6 billion spending in the first year included R16.8 billion for the country's three public employment programmes (PEPs) – the PES (R9.4 billion), the Community Work Programme (R4.3 billion) and the Expanded Public Works Programme (R3.1 billion). These programmes prioritised young people differently; youth accounted for 83% of PES beneficiaries, 55% of EPWP beneficiaries and less than 20% of CWP beneficiaries. These programmes created about 1.8 million work opportunities and 900 full-time equivalent jobs. The 2023/24 MTBPS extended the PES, but only for 2024-2025, and there is no further budget allocation. The Treasury said, "The MTBPS proposes that the government coordinate its employment support approach. In this regard, significant portions of the EPWP and the CWP will be repurposed into the presidential employment initiative". However, it is unclear what funds will be directed to the PES at this stage.

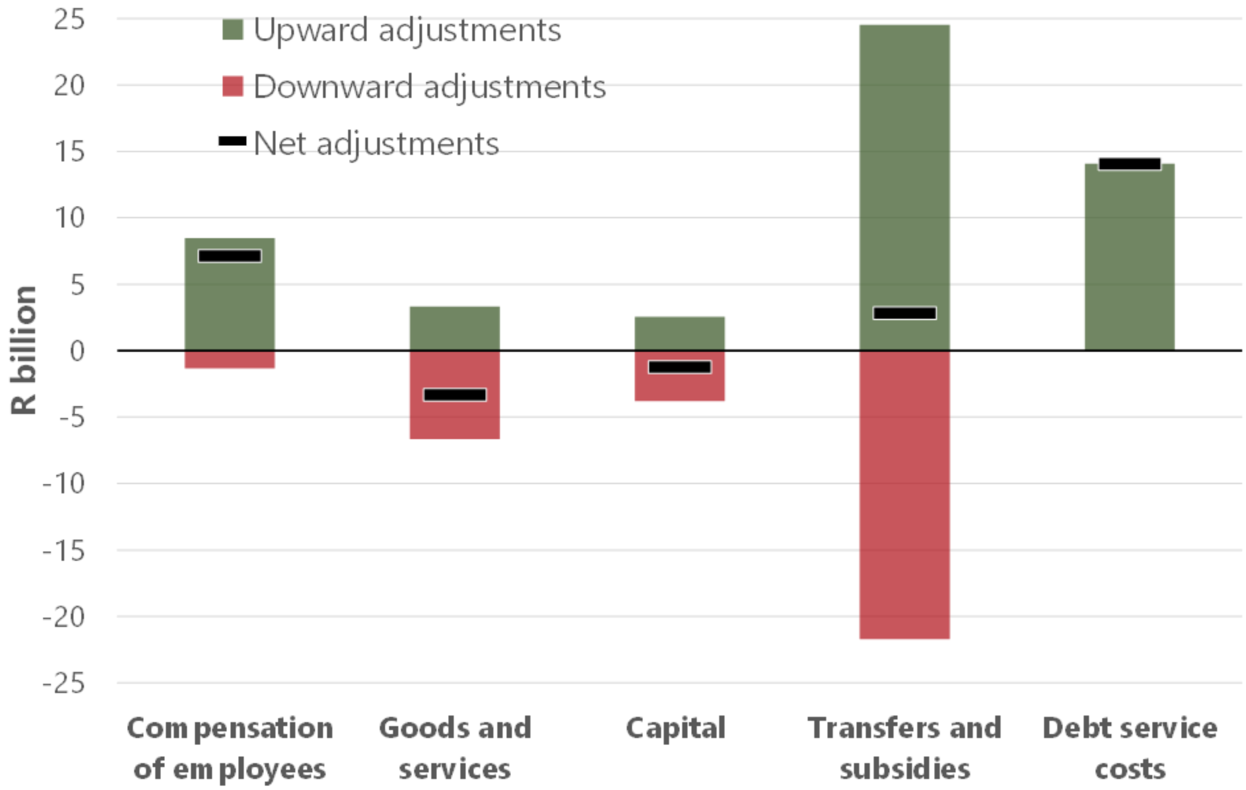
However, given the magnitude of the unemployment crisis and its ripple effect on the entire economy, cutting spending on other PEPs to pay for the extension of the PES is not recommended. On the contrary, the government must substantially increase its overall spending on PEPs and include an amount for thorough monitoring and evaluation to measure the impact. Moreover, the budget for the PES must be long-term and ring-fenced for at least three years; the certainty of the time frame for the funding is essential to build the relevant skills component and transition support for young people participating in the programme.

9. Recommendations

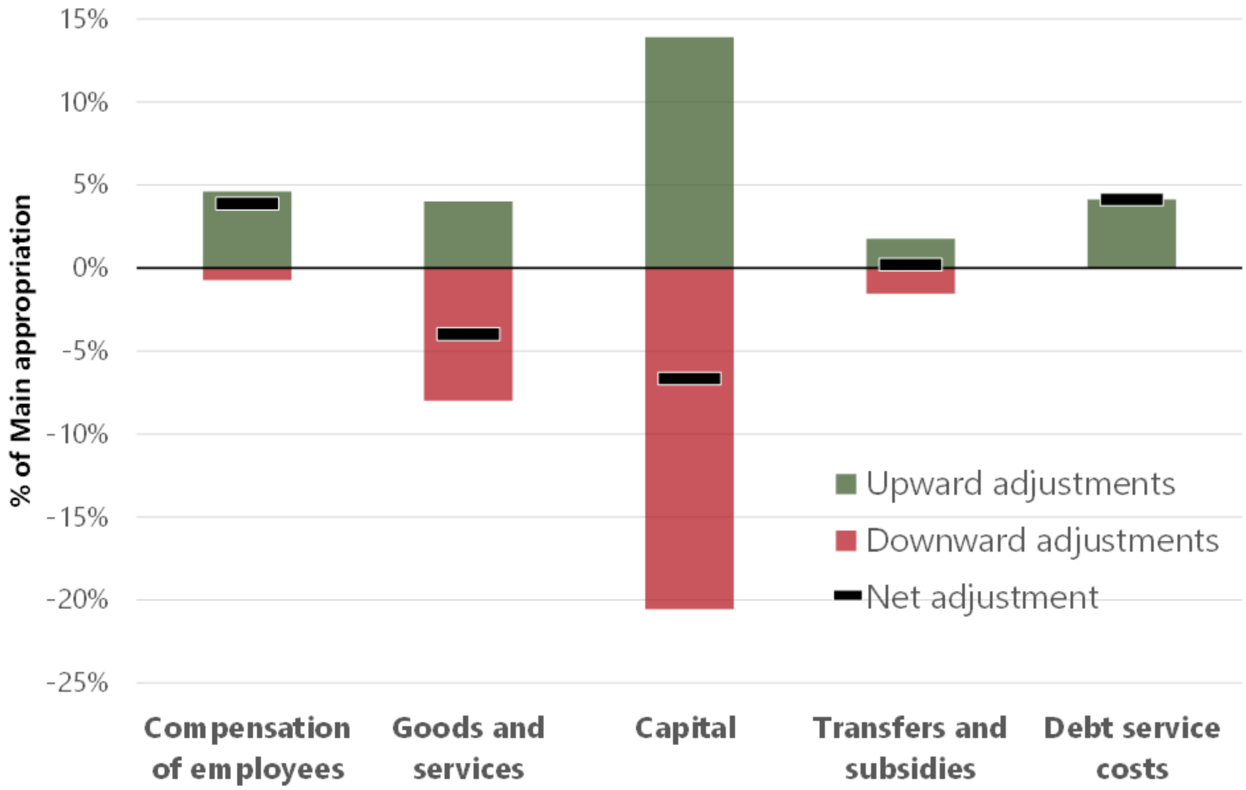
- **Gender Responsive Budgeting** (GRB) must be implemented with various inputs from stakeholders, including civil society organisations. Clarity must be provided on the guidelines provided to Departments on the implementation of GRB, and where possible, gender experts and civil society organisations must be provided with an opportunity to contribute to these guidelines ahead of the 2024/25 budget.

- Inculcation of Participatory **Human Rights Impact Assessment (HRIA)** in budget policymaking ensures that any revenue-raising mechanisms do not increase inequality and undermine people's rights to access quality basic education and healthcare services.
- Continuous budget cuts to **Education and ECD programmes** fail to protect and prioritise the development and well-being of children. This further threatens their fundamental human right to access education. Regardless of the underspending and/or irregular spending, we encourage investment in quality provision of basic education services and transparency, cost-effective and accountable public procurement.
- **Health care** cuts to programmes such as HIV/ AIDS, TB and health care infrastructure should be addressed urgently. In the weak economic climate, demand for public health services is rising, and the public health system needs to be well-resourced to respond to this, particularly in preparation for the NHI. Over the past decade, health care funding has seen real-term cuts, with the main budget for 2023 cutting funding by 4.9% in real terms. While we recognise that the health care system is plagued with underspending, we believe that reducing the quantum of spend will threaten the quality of health services provided.
- **Social Assistance Grants** like the Social Relief of Distress Grant (SRD) must be expanded and its value increased to the Food Poverty Line of R760. Moreover, the SRD must be considered in the MTEF while working with stakeholders for pathways towards a UBIG and pursuing additional sources of finance and tax revenue for UBIG. In addition, current challenges hindering access to the grant must be resolved. These include but are not limited to unlawful questions in the online application form, the exclusionary online-only application process, flawed bank and database verification processes, an irrational and retrogressive income threshold and widespread and systemic non-payment of approved beneficiaries.
- **Procurement Reform** through the National Treasury's full consideration of public proposals to strengthen the checks and balances within the current draft Public Procurement Bill framework and in the subsequent Regulations once they are made. Current gaps identified in the Bill relating to the centralisation of powers, ineffective oversight mechanisms should be rectified before the Bill becomes an Act.

Annexure 1.1. Summary Overview of Proposed in-year adjustments by economic classification.[13]



[13] Analysis from the Public Economy Project.


15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
% of Main appropriation
Upward adjustments
Downward adjustments
Net adjustment
Compensation of employees
Goods and services
Capital
Transfers and subsidies
Debt service costs

Annexure 1.2 Summary of in-year adjustments to National Transfers[14]

[14] Analysis from the Public Economy Project.

R million

Downward adjustments	**-15,522**
National Student Financial Aid Scheme	-2,003
Social relief of distress	-1,735
PRASA: Signalling	-1,700
PRASA Metrorail (refurbishment of coaches)	-1,610
SANRAL: Non-toll network	-638
Umgeni Water Board	-570
SEFA: Township and Rural Entrepreneurship Fund	-524
Restitution grants	-466
Various institutions: Special economic zones	-450
Post-retirement medical scheme	-426
South African Social Security Agency	-400
University subsidies	-393
Other transfers	-4,608
Upward adjustments	**10,362**
PRASA: Other capital programmes	3,500
South African Revenue Service: Operations	1,000
SANRAL: Gauteng freeway improvement project	638
Special defence account	603
Small Enterprise Development Agency	543
Services sector development incentives	400
Employee social benefits	399
Magalies Water Board	368
Vaal Central Water Board	356
South Africa National Parks	350
Manufacturing development incentives	314
Represented Political Parties' Fund	300
Other transfers	1,590
TOTAL ADJUSTMENT	**-5,160**

1.3. In-year adjustments to provincial and local grants.[15]

	R million
Downward adjustments	**-6,243**
Human settlements development grant	-1,689
Education infrastructure grant	-1,595
District health programmes grant: HIV/AIDS component	-1,000
Provincial roads maintenance grant: Maintenance	-567
Informal settlements upgrading partnership grant	-477
Health facility revitalisation grant	-440
Comprehensive agricultural support programme: Infrastructure	-106
Early childhood development grant	-58
Maths, science and technology grant	-50
Community library services grant capital	-48
Other grants	-214
Upward adjustments	**17,575**
Provincial equitable share	17,558
Provincial roads maintenance grant: Refurbishment	17
Total adjustment	**11,332**

[15] Analysis from the Public Economy Project.

	R million
Downward adjustments	**-4,909**
Local Government Equitable Share	-1,358
Municipal Infrastructure Grant	-1,203
Public transport network grant	-600
Urban settlements development grant	-553
Informal settlements upgrading partnership grant	-306
Water Services Infrastructure Grant	-244
Regional Bulk Infrastructure Grant	-237
Integrated national electrification programme grant	-180
Neighbourhood development partnership grant	-129
Other grants (downard adjustments)	-99
Upward adjustments	**1,556**
Municipal disaster grants	1,556
TOTAL ADJUSTMENT	**-1,797**