BUDGET JUSTICE COALITION SUBMISSION TO THE SUBMISSION TO STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE BILL 2024 [B4—2024]

08 March 2024

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 per the Constitution.

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

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Introduction

The Budget Justice Coalition (BJC) appreciates the opportunity to contribute to the discourse surrounding the 2024 Division of Revenue Bill. Our submission is informed by a range of civil society organisations that are members of the Coalition. We remain committed to engaging in a meaningful discussion that can positively influence the equitable distribution of financial resources.

This submission follows our recent submission to the Standing and Select Committees on Finance in Parliament, where we reflected on the adverse impact of the fiscal consolidation marked by budget cuts and the lack of consideration of the lived experience and human rights of people in our country. To rectify this, we continue to call for participatory human rights impact assessments of spending allocations to public services so that if cuts (whether real or nominal) are made, there is sufficient reflection on how access to these services will be protected for all, particularly the most marginalised communities in the country. We further call for urgent implementation of gender-responsive budgeting to protect marginalised womxn from disproportionately shouldering these socio-economic challenges worsened by austere budgeting.

Furthermore, we continue to call for a budget process that promotes access to public services for all and foregrounds human rights. We believe that MPs have a larger role to play in holding the executive to account for these decisions.

BJC kindly requests the opportunity to present an oral submission to Parliament on the 14th of March 2024, as this will allow for a more comprehensive and nuanced discussion of the issues at hand.

As the BJC, we believe that fiscal policy has the power to advance equality and socio-economic rights in South Africa. Through policymaking and budgeting that is intentional in its reflection of the unequal way we experience this country; we can support the most vulnerable in South Africa. The social spending areas identified in this submission, in particular, speak to the plight of women, specifically black women who continue to be the most marginalised and experience the highest burden of care.

Provincial Equitable Share (PES)

The Provincial Equitable Share (PES) funds the provinces’ core public service delivery: basic education, health care and social protection as examples. While an adequate allocation towards the PES is crucial in enabling provinces and municipalities to provide the services and the functions allocated to them; the Division of Revenue Bill 2024/25 proposes a below-inflation increase of 2.6% from last year's R585-billion in 2023/24 to R600.5-billion. With a 4.7% CPI-inflation rate forecasted for the 2024/25 period, this translates to a 6.9% real cut which constrains the resources available to perform these core functions effectively. This continues a trend of disinvestment in public service allocations where inflation erodes the value of these investments - a form of blatant austerity which would likely impact the quality of provincial service delivery. As such, we continue to call for allocations to the provinces to align with CPI, population growth and the increased number of people relying on public services.

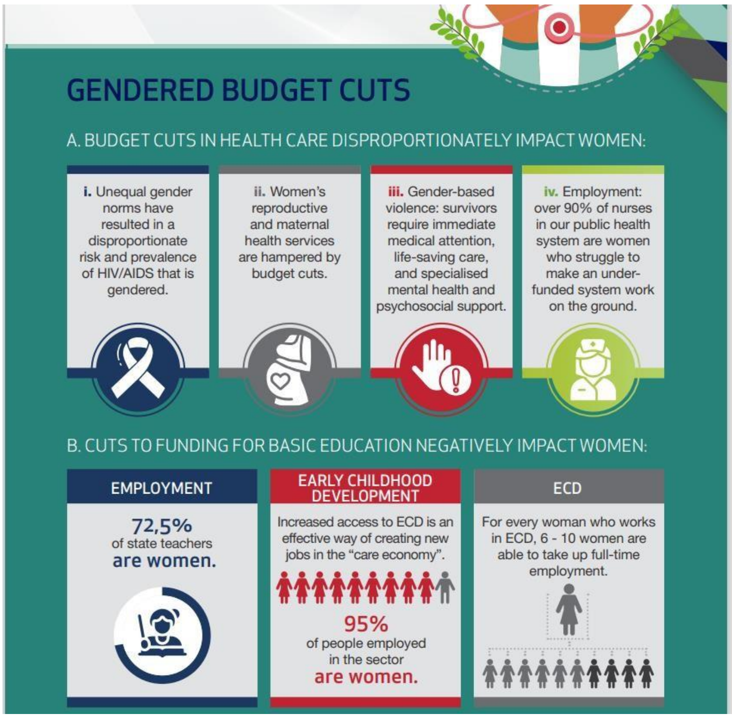
The burden of masking these austere measures is carried disproportionately by marginalised womxn in this country, overlooking gender in the decision to allocate real budget cuts to the PES. The erosion in the value of the PES may be more pronounced in womxn-headed households and especially in provinces with a higher population living in rural communities which may worsen gender inequality in these provinces.

The National Treasury has been reviewing the health and education formulas of the PES for many years now and we critique the lack of public consultation. The reviewed formulas have yet to be fully implemented, posing a serious risk to the equitable implementation of vital social services.

Despite claiming to be "equitable", the poverty (redress) component only makes up 3% of the PES. There is also no accounting for the increased costs of social provisioning in rural areas that face historical backlogs and have infrastructure and populations that are much more widely spread. For example, schools in rural areas are spread much further apart, with smaller populations relying more on scholar transport. The operational expenses for smaller schools are higher due to fixed costs, irrespective of student numbers. The PES formula overlooks these factors, assuming uniform schooling costs for every child. Consequently, provinces do not receive sufficient funding, resulting in the unjust rationalisation of schools. This forces provinces to allocate significant funds to scholar transport or necessitates learners to travel long distances to reach schools. The PES formula also lacks adjustments based on the number of learners enrolled in no-fee paying schools.

Gender Responsive Budgeting (GRB)

In our submissions to both the finance and appropriations committees last year, we welcomed the progress reported in the Budget Review on gender-responsive budgeting in the form of the completion of the development of GRB guidelines, and the intention to workshop these this coming financial year. We looked forward to the 2024/25 Budget for the first iteration of a gender-responsive budget in the country as a major step in wielding fiscal policy to redress gender inequity in the country.



As such, we are disappointed to see the repeated postponement of enacting a gender-responsive budget to the medium-term budget later this year. In our factsheet (as noted above) published last year, we illustrated the gendered impact of aggressive fiscal consolidation measures, particularly budget cuts. In our country, womxn-led households are 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". Furthermore, young, black womxn have been reported as "the face of unemployment" in the country: in 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 in difficult conditions. Our country's triple challenge of unemployment, poverty and inequality is gendered. As such, any policy decisions that entrench these may worsen gender inequity in the country.

Allocations to the provinces without consideration of how womxn disproportionately shoulder the impacts of harsh budget cuts to social spending will likely only entrench or exacerbate gender inequity in the country. A genuinely gender-responsive budget would have shielded the most marginalised womxn in the country from the already unevenly gendered unemployment, poverty and inequality reality. In this context, we call for greater urgency to table a gender-responsive budget. We look forward to the MTBPS's gender review and other advances that enhance the gender responsiveness of budget policy.

We continue to call for urgent implementation of GRB through analysis of social spending areas like social grants, health, social development and education through gender outcomes, a review of economic indicators such as the gender pay gap, labour force participation and earned income and a meaningful reflection of investment in combating gender-based violence and the progress. We look forward to progress updates on this and will participate in public consultations as these occur.

Personnel Funding/ Public Sector Wage Bill

It is pertinent to reiterate our position on efforts to "contain" the public sector wage bill. We do not see a "ballooning" public sector wage bill. Rather, compensation spending has fallen in real terms for the last four years. The fiscal framework presents a **locked-in** underfunding of the public sector wage bill regardless of future wage agreements. If the wage bill growth aligns with inflation from 2024, headcounts will need to fall, permanently reducing the number of government employees. It is unclear given population growth, ever-worsening poverty and inequality how the Minister intends to deliver services in the future when key departments are already facing staffing shortages.

This will disproportionately impact lower-income earners, Black womxn and children who disproportionately rely on essential public services. Furthermore, womxn are overly represented in public sector jobs (approximately 62%) and such a measure limits their ability to secure paid decent employment, further impoverishing them.[1]

Conditional Grants

Overall, allocations on conditional grants to the provinces increased from last year's R121.3 billion to R129 billion this 2024/25 year, a 6.3% increase which is above the 4.7% CPI for the period. We welcome above inflation increases to conditional grants as they

[1] Department of Public Service and Administration 2021/ 22 Annual Report on Employment Equity in The Public Service available at: https://www.dpsa.gov.za/dpsa2g/documents/ee/2023/Annual%20Report%20on%20Employment%20Equity%20in%20the%20Public%20Service%202021%202022.pdf .

fund essential programmes like school nutrition, infrastructure and HIV/AIDS treatment and education meaning that provinces are better equipped to realise the rights to education and access to health care for all.

This submission will explore the conditional grants in greater detail in the education and health sections but overall, we welcome reversals of cost containment measures towards the Education Infrastructure Grant (EIG) and the HIV and AIDS (Life Skills Education). However, for the EIG, the investment is still below the 2023/24 allocation before the cost containment measures. We also welcome inflation-linked increases to the National School Nutrition Programme Grant and District Health Programmes Grant while critiquing nominal cuts to the Health Infrastructure and School Infrastructure Backlog Grant and real cuts to the Learners with profound intellectual disabilities grant. Budget cuts to underperforming programmes without actual investment to fight underspending means that the marginalised learners who most rely on these programmes and interventions will be further disenfranchised.

Similar to the PES, adequately funding education and health care conditional grants is an opportunity to advance a gender-responsive budget, thereby redressing gender inequity and lessening the burden of socio-economic challenges the most marginalised womxn in the country face. For example, HIV/AIDS has a disproportionate risk and prevalence in girls and womxn in South Africa. Reversing the cost containment budget cut from last year and allocating an additional increase of 16.8% to the HIV/AIDS Life Skills Education this year could empower girl learners with the knowledge to navigate a society where gender and racial disparities rooted in structural and contextual inequalities are important factors in the prevalence of the HIV/AIDS epidemic.

However, some funding to conditional grants will likely entrench gender inequity in our society. The 2.5% increase to the learners with profound intellectual disabilities grant is below the 4.7% CPI eroding the investment to support marginalised learners. As we stated in our submission last year, real cuts to this grant only entrench 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. We call for a budget that reflects on how people of different gender, race, sexual orientation, education, income, age and other identity factors, experience the budget. We call for a budget that foregrounds human rights.

If there are real cuts to be made to social spending areas, the Budget and Division of Revenue Bill should reflect more robustly on how provinces will protect womxn and other marginalised groups from reduced investment in programmes meant to support them, and how these allocations will not perpetuate the inequalities that hold our nation back.

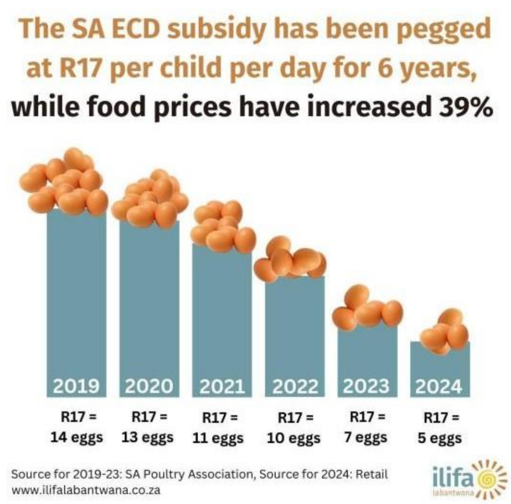
Education Conditional Grants

The National Treasury continues to propose budgets that disinvest in basic education. Consolidated spending allocated to basic education increased nominally to R324.5 billion, but this amounts to a real decrease when factoring in inflation and increased learner enrolment. This will hamper progress towards equitable access to quality basic education as enshrined by law and further entrench inequality both within and beyond the education system.

Early Childhood Development (ECD) Grant

Early childhood development (ECD) refers to the period from conception to 5 years of age. For all children to thrive, there must be equitable access to five components of ECD: care and early learning, nutrition, social protection, maternal and child health, and support for caregivers. Investments in these services are necessary to reduce child poverty, improve school readiness, tackle gender inequality and provide a cost-effective route to job creation in township and rural economies, enabling long-term human capital formation and economic growth.

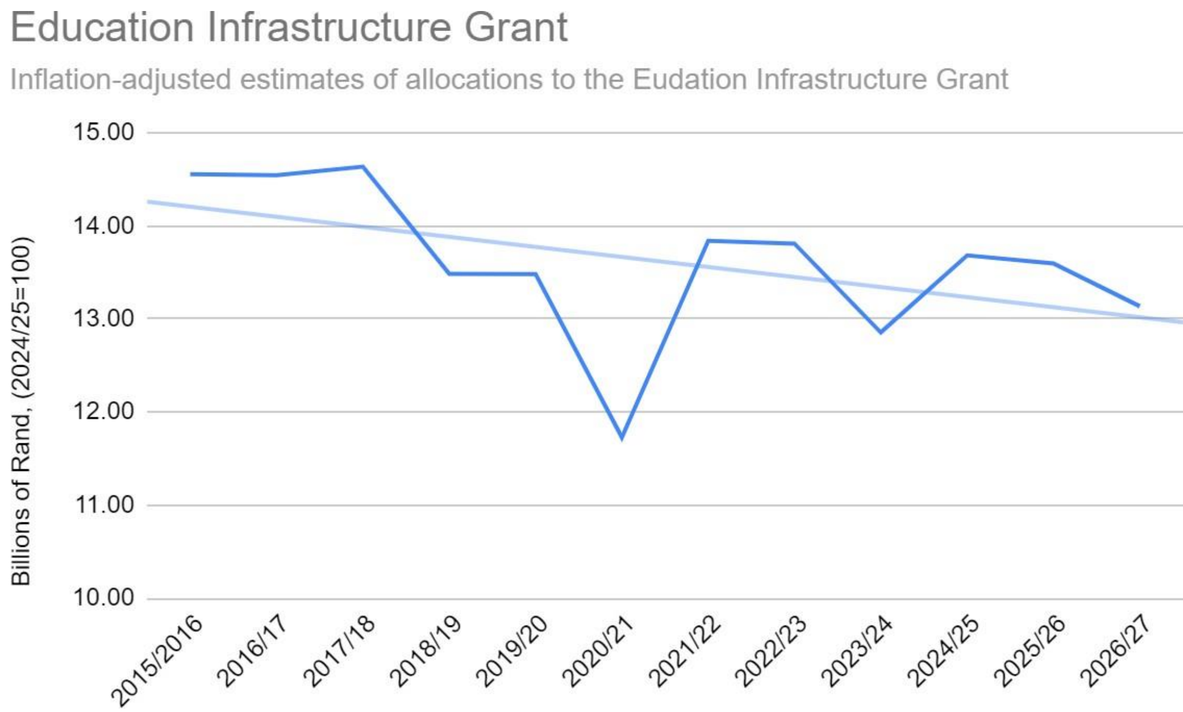
The 2024 budget increases overall funding for ECD subsidies as well as support to ECD programmes to meet infrastructure and other requirements of formal registration, to facilitate increased access to ECD. However, these positive steps are tempered by a freezing of the ECD subsidy value at R17 per child per day **for the sixth consecutive year**. This will place approximately 11 500 ECD programmes that rely on subsidies as their main source of income under further pressure, as food, electricity and other costs continue to increase. Currently set at R17 for ECD centres and R6 for non-centre-based programs, the value of this subsidy has been reduced by 25% in real terms since 2019.



Aside from covering the costs of staff, rent and equipment, this subsidy also covers food for learners—of the R17 subsidy, only R6.80 may be used for nutritional support. This means that R6.80 is supposed to cover the cost of food for, very often, an entire day. For learners lucky enough to benefit from State ECD subsidies—less than half of eligible children—meals provided by ECD institutions can sometimes be their main and most stable source of nutrition. Considering that 27% of children under 5 are stunted, this lack of adequate nutritional support is extremely concerning. We therefore welcome the R197 million allocation to DBE for an early nutrition pilot. We hope that provinces are intimately involved in the planning, design, execution and evaluation of these pilots in conjunction with the ECD sector itself.

While about 650 000 children currently benefit from subsidised access to ECD programmes, there are at least 1 million children attending approximately 50 000 unregistered township and rural ECD programmes who require the subsidy but do not qualify due to ECD centre registration requirements. The government has committed to supporting unregistered centres to meet registration requirements, and specifically minimum infrastructure standards, yet the 2023/24 Division of Revenue Amendment Bill cut R58 million from the infrastructure component of the ECD conditional grant. While the 2024/25 budget has reversed this cut and increased the allocation to R157 million, given the historic neglect of the ECD sector and the at least 50 000 informal ECD operators, it is clear that more support will need to be provided over the medium-term. Effective expenditure of the R157 million funding provided to the infrastructure and registration support will depend on improved planning and implementation by provincial education departments. This can be enabled by supportive oversight from the National Treasury and the Department of Basic Education, as well as by enhancing engagements with the ECD sector.

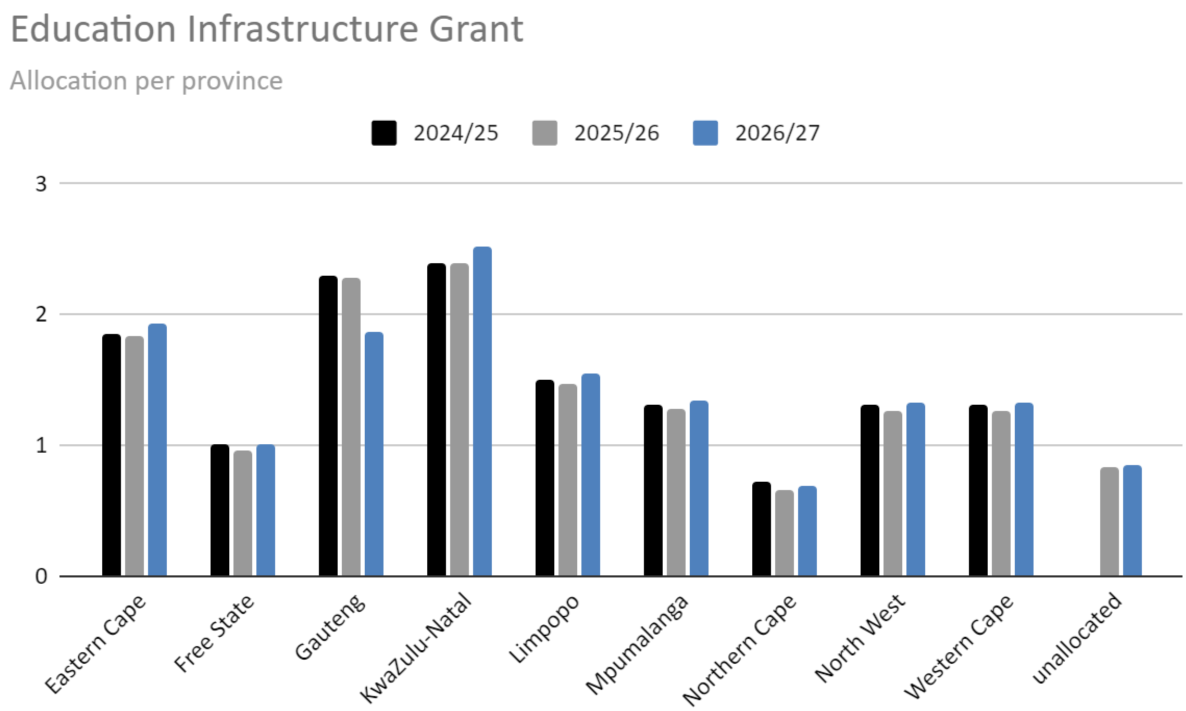
Education Infrastructure Grant (EIG)



It is imperative to address the pressing issue of the Education Infrastructure Grant (EIG) funding, as the current allocation appears inadequate to empower provincial education departments in meeting their responsibilities to provide and maintain safe and appropriate infrastructure at public schools. After adjusting for inflation, the value of the EIG has been reducing at a considerable rate, despite the poor and dilapidated state of public-school infrastructure across the country.

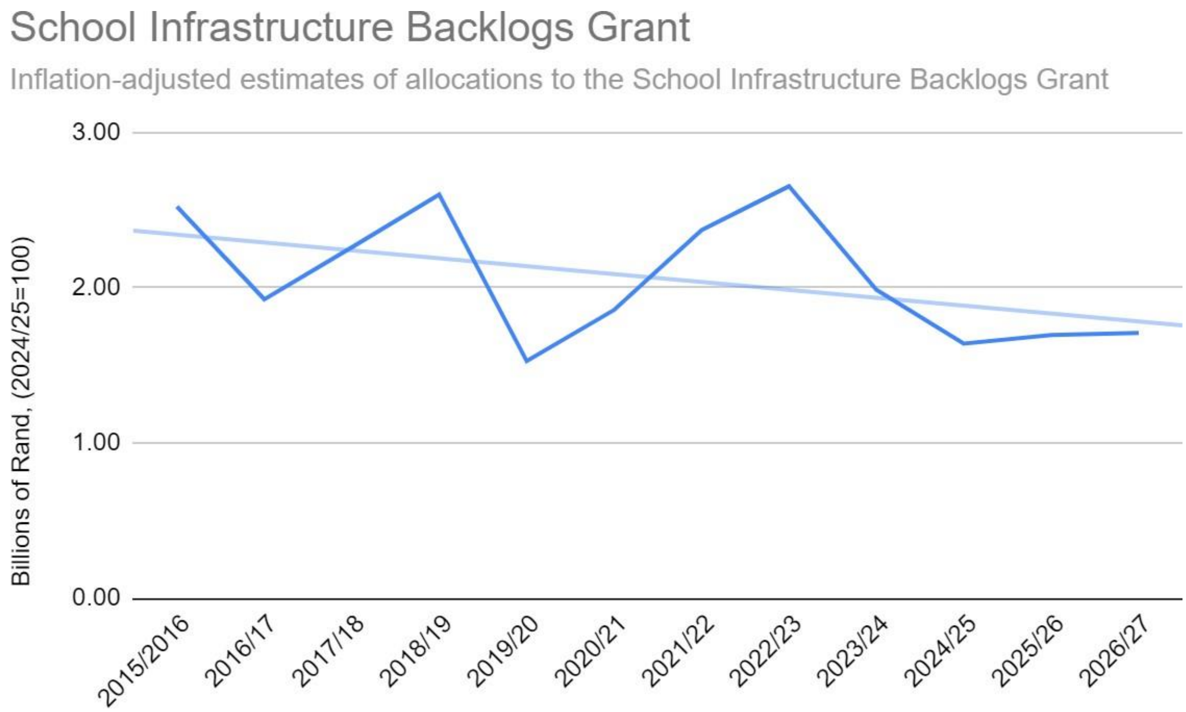
Given current infrastructure backlogs, the net reduction of R573 million to the EIG baseline over the MTEF is not justifiable. To ensure the sustained development and improvement of educational facilities, it is crucial to advocate for increased funding to the EIG, as this will directly contribute to the enhancement of the overall learning environment, the well-being of students and school communities, and developmental prospects in this country.

We continue to advocate for urgent intervention in overcoming underspending in education programmes - pronounced in education infrastructure projects. In our submissions last year, we raised concerns regarding underspending in the provinces, notably, the Eastern Cape and Mpumalanga provincial departments forfeiting more than R400 million of this grant due to underspending despite a massive infrastructure backlog. These funds could have been spent on eradicating mud schools and pit latrines where over 800 schools still use pit latrines (2023) requiring urgent intervention. However, learners in these schools should not be double punished for their provinces' underspending. Rather, we call for prioritisation of training and capacity-building initiatives to build local and provincial government's ability to efficiently plan and procure school infrastructure. Consequence management for implementing agents and prioritisation of building the internal capacity of the provinces to utilise this funding.



While respective provincial allocations of the EIG remain largely stable over the MTEF, we notice planned decreases in the Gauteng Province. We caution against the decrease to Gauteng where there is a severe overcrowding crisis at public ordinary schools, as highlighted by media reports of numerous unplaced learners after seven weeks into the academic programme.

School Infrastructure Backlog Grant



The School Infrastructure Backlogs Grant is the primary source of funding for the Accelerated School Infrastructure Delivery and Sanitation Appropriate for Education Initiatives (ASIDI and SAFE). These programmes have been instituted to eradicate urgent school infrastructure backlogs, such as pit latrines, schools built entirely out of inappropriate materials, and schools without water or electricity.

As of August last year, 3982 schools still had pit latrines on-site and 728 were entirely reliant on pit latrines. The DBE estimates that it needs R12.2 billion to fix schools made entirely of inappropriate materials, R10.2 billion to provide sustainable water sources to schools without one, and R235 million to provide toilets to schools where there are none. The 2024 budget will reduce allocations to the SIBG by R1.526 billion over the MTEF.

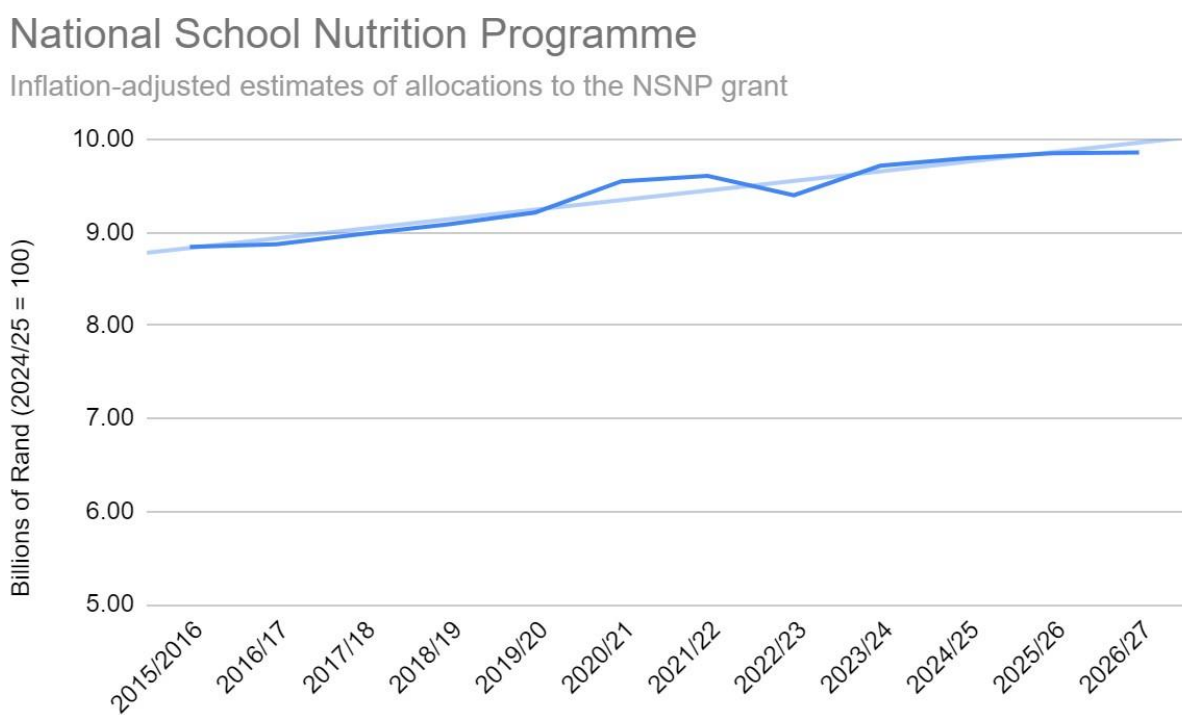
At its 2024/25 level of R1.64 billion, the grant is already too low to correct even the most urgent infrastructure backlogs. The proposed cuts should be reversed, and additional allocations should be made to the grant so that backlogs can be eradicated per the state's legal obligations.

Considering the worsening climate crisis and its impact on marginalised schools, we call for greater consideration towards climate-resilient school infrastructure. While this includes building classrooms with climate-resilient materials, it extends to water and sanitation projects as climate change will affect water security and quality at schools.

Water-borne bacteria causing infections thrive in warmer temperatures - pit latrines at these schools are not only unsafe [but are inadequate] in the context of climate change. For schools to be climate resilient, the government must invest in equipping these with adequate sanitation and eradicating pit latrines.

The SIBG was intended to be a temporary intervention; in the long run, provinces need to have the capacity, technical skills and institutional memory to develop and maintain their infrastructure. We urge Parliament to consider the Financial and Fiscal Commission's [recommendation] that the National Treasury and departments consider indirect grants like the SIBG only as a last resort measure while continuing to build capacity in provinces and municipalities, a position supported by the Treasury. However, reducing the SIBG's budget without investing in capacity building and fighting underspending will likely only entrench the barrier that infrastructure plays in education attainment in under-resourced schools.

National School Nutrition Programme (NSNP)



We welcome the fact that the NSNP has been growing steadily since its inception but note that the above graph may be misleading because it is not pegged to food inflation estimates, which have soared in recent years. The 5.1% average annual increase over the MTEF is not enough to correct for real decreases which may have occurred when food inflation peaked at 14% in March last year.

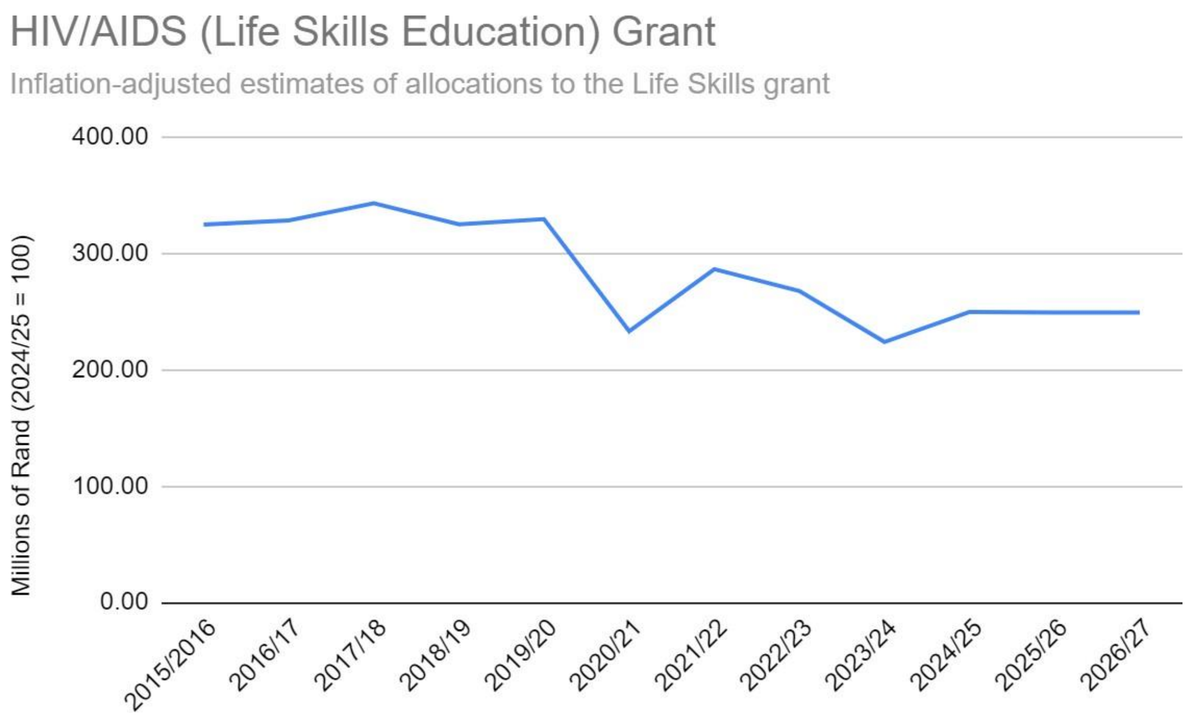
Beyond adjusting for rising food prices, the NSNP should also be capacitated to better fulfil its mandate of providing fresh, healthy, nutritious meals to all learners at no-fee schools. We note a report by the auditor general which flagged the DBE for its failure to adequately implement the programme, *"...schools did not maintain the required hygiene and safety standards when storing food supplies or when preparing and serving meals. Some schools did not provide meals on all school days or provided meals that either did not include all three nutritional groups or did not comply with approved menu specifications in terms of quality and quantity."*

Fiscal interventions to support better equipment procurement, supply chain management, comprehensive meal tracking, sufficient meal portions, and the expansion of the programme to include breakfasts and meals over weekends and holidays would help to alleviate the effects of poverty and child hunger.

We support the South African Human Rights Commission's recommendations for the NSNP to be extended to serve children below the primary school level and for the Department of Basic Education, in collaboration with the Department of Social Development, to consider extending the NSNP to distribute food to learners on weekends and school holidays. Child hunger remains a devastating problem nationally and in the Eastern Cape in particular. For many children, the NSNP provides the only nutritious meal they will receive in a day. The NSNP can be leveraged as a starting point to ensure all poor children in South Africa receive this meal throughout the year.

Nevertheless, we welcome that the budgetary increase in the NSNP of 5.6% is above the estimated food inflation rate of about 4.7% in 2024 - according to the National Treasury's forecasts.

HIV/AIDS (Life Skills) Grant



The HIV/AIDS (Life Skills Education) Grant serves an important role in South Africa's education system by providing comprehensive sex education and access to sexual and reproductive health services to learners. This is especially critical given the high rates of HIV/AIDS, gender-based violence and learner pregnancy in this country.

Presentations last year by the Commission for Gender Equality and the Department of Basic Education to the Portfolio Committee on Basic Education underscored the grim reality of sexual misconduct, forced marriages, and violence against girls, particularly in rural areas.

The value of the grant has been significantly reduced in real terms in recent years. This has been exacerbated in the 2024/25 budget, which allocated net reductions to the grant's baseline figures. This presumably impacts the ability of the DBE to provide comprehensive sexual and reproductive health education in schools. It also coincides with trends indicative of reduced condom use among 15-24 year olds.

Increases to the grant could improve the department's ability to carry out its Policy on the Prevention and Management of Learner Pregnancy, create a safe and conducive learning environment, and improve social outcomes.

Funza Lushaka Bursary Scheme

Research shows that 48% of publicly paid teachers are expected to retire and exit the teaching profession by 2030, causing a massive teacher shortage crisis. The Stellenbosch Research on Socio-Economic Policy (RESEP) Institute states, "*This scale of teacher shortages and the need to train thousands more teachers are unprecedented in our history, and require urgent policy attention from government and universities.*"

Despite an already existing teacher shortage and the impacts of increased teacher retirement already being felt by the sector, R397.9 million will be cut from the Funza Lushaka Bursary Scheme allocation over the MTEF period. It is stated in the DORA that "*Despite Cabinet approved reductions to the programme's funding [. . .] the Department plans to increase the number of bursaries awarded from 9 700 in 2024/25 to 10 300 in 2026/27. This will be done by funding more students completing the one-year postgraduate certificate in education and increasing the number of bursaries awarded to institutions with lower fee structures*."

The decision to prioritise Post Graduate Certificates in Education (PGCEs) is confusing because, due to cost containment measures implemented by Treasury in 2023/24, the Department of Basic Education was forced to withdraw already awarded bursaries from all PGCE students who were two months into the academic year. In addition, to be admitted into a PGCE programme, one is required to already have an undergraduate degree, which substantially reduces accessibility to the teaching profession.

Health Care Conditional Grants

Health care investment, which was only increased by 1.7%, from 2023/24's R267.3 billion to this year's 2024/25 R271.9 billion. Again, this is about a 2.9% real cut once adjusted for inflation. Like our public schools, our public health care system has fewer resources to provide access to quality health care to the 51.9 million public health care users. This is leading to a crisis in the health sector that users of the public health system are well aware of.

Health Facility Revitalisation Grant

The Health Facility Revitalisation Grant serves to construct, maintain, and rehabilitate these facilities to better facilitate the delivery of health services. It is no secret that our public clinics and health facilities are overcrowded and characterised by massive infrastructure backlogs. While fiscal policy has the power to alleviate this, the DoRB has proposed nominal cuts to this grant - R1.2-billion per year cut over the Medium-Term. Worse, this cut follows last year's cost containment measures which cut this funding by 5.2%.

In the Health Vote, the National Treasury explains that this budget cut was made possible by "historical underspending" and infrastructure projects being placed on longer-term completion timeframes. While we support the National Treasury's position that underspending adversely affects the realisation of the right to access health care, we reject the approach of attempting to overcome chronic and historical underspending through budget cuts. This approach will likely not improve spending rates and will only publish health care users in the country. We reiterate that the government, including the National Treasury, has a duty to provide proper oversight and ensure transparent, cost-effective and accountable public procurement. Intervening by reducing the quantum of spend only reflects a failure by the state to provide proper oversight and ensure transparent, cost-effective and accountable public procurement.

District Health Programmes Grant: HIV and AIDS funding

In this section of our submission, we reiterate the points made in the SECTION27 submission. We too are alarmed to see that in the 2024/25 Budget, there is a proposed R1.3-billion cut to the comprehensive HIV/AIDS component of the district health programmes per year over the MTEF period. This is further worrying considering the reasons for these cuts being underspending and the uptake of ART treatment running significantly below target. We have raised concern about the underspending of this grant - notably 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. In a country with such a high prevalence and risk of HIV infection, we find the response to underspending budget cuts to be inappropriate and overlooking human rights and lived experience. Moreover, accepting the lower uptake instead of directing savings to interventions to scale ART uptake and retention is a budget decision that does not foreground the right to access quality health services in the country.

Rather than reducing investment in overcoming the HIV epidemic, any cost 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. 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.

The National Treasury notes that the lower-than-expected uptake is gendered: poor health-seeking behaviour, particularly among men. This must be urgently addressed, and savings invested in interventions that address this is a more appropriate budget decision. Moreover, while lower uptake of ART may be attributed to poor health-seeking behaviour among men, the unequal gender relations in our society have resulted in girls and young womxn in the country – particularly those in rural and underserved communities – bearing the greatest HIV risk and burden. The decision to cut HIV funding overlooks crucial gender considerations and may worsen inequality in our country. At the current funding level, 1 300 girls and womxn between the ages of 15 and 24 are newly infected with HIV every week.

Water Sector Conditional Grants

The institutional landscape is complex when it comes to the provision of water. At the national level, there is the Department of Water and Sanitation, there are provincial offices of the Department, water boards, the Trans Caledon Tunnel Authority and municipalities. Municipalities have a significant role in the final phase of the delivery of water to residents' homes. While the institutional landscape is complex, the budgetary considerations are possibly even more complex. The challenges at a municipal level and particularly with municipal finances have a profound impact on whether people can access water or not - a Section 27 right.

The greatest proportion of municipal revenue comes from municipalities' revenue raising as opposed to from the national fiscus. Of the proportion of the revenue that comes from own revenue raising, by far the greatest extent of that comes from municipalities billing for services in the form of charges for water, electricity and rates. However, the supply of water and electricity are both constrained. Water is constrained due to drought and because of leaks often due to poor management of infrastructure, where municipalities are spending less than the recommended 8% on the value of assets on repairs and maintenance. In this regard, the Auditor General[2] in the 2021-2022 MFMA report notes that "[m]unicipalities also struggled to maintain their infrastructure assets as they only

[2] [1] Auditor General of South Africa. 2023. 2021-2022 MFMA report.

spent an average of 1% of the value of these assets on repairs and maintenance – far below the norm of 8%."

The effect of the supply being constrained has an impact on the municipal revenue model. Whereas residents may want more electricity and water, there may simply not be more to supply to be able to meet the demand. With this putting a constraint on municipal revenue, various municipalities have adopted unfunded budgets and do not have enough projected revenue to cover the expenses that they have budgeted for. This is an indication that the municipal revenue model is coming under pressure, which the Budget Justice Coalition has highlighted in previous submissions. We recommend that the Fiscal and Financial Commission and the Parliamentary Budget Office be requested to undertake studies on the municipal revenue model to explore options to alleviate these challenges.

When it comes to the proportion of the budget that municipalities get from the national fiscus, there are clear indications that leaving it to the discretion of municipalities to spend the money according to their prioritisation is resulting in misplaced priorities. Due to high unemployment levels, many households cannot afford to pay. By not having a stipulation that equitable share allocations for Free Basic Water should be spent on water for example, indigent residents are being shortchanged. Several municipalities for example are proceeding with arguably the wrong priorities – for example not paying water boards while spending on a new office when people do not have water and there are leaks. While we recognise that municipalities have an equal footing as the other spheres of government per the Constitution, these funds not being ring-fenced means that they can be and are spent on other expenses. The table below shows a calculation done for the metropolitan municipalities, where we compared the number of envisaged poor households per the Local Government Equitable Share Allocation calculation to the number of actual households benefiting, which figures were derived from the non-financial census of municipalities. Note how few indigent households Johannesburg, City of Tshwane and Ekurhuleni list as beneficiaries. There is clearly an issue in Gauteng with how the municipalities are handling the provision of services (that the national fiscus provides budget for) to indigent households.

City	Households with monthly income less than 2 old age pensions	Water Cost Factor	Budget Allocation for Free Basic Water	Free Basic Water beneficiaries	Number of households not benefitting compared to LGES formula	Calculation of LGES for FBW diverted
City of Johannesburg Metropolitan Municipality	990,273	*155.73*	R1,850,592,208	22,001	968,272	1,809,477,423.88
City of Tshwane Metropolitan Municipality	559,376	*155.73*	R1,045,343,634	41,098	518,278	968,540,970.85
Ekurhuleni Metropolitan Municipality	729,192	*155.73*	R1,362,691,659	364,662	364,530	681,222,666.52
City of Cape Town Metropolitan Municipality	582,304	*155.73*	R1,088,191,482	441,083	141,221	263,909,304.15
Buffalo City Metropolitan Municipality	154,559	*155.73*	R288,834,182	124,152	30,407	56,822,789.41
Nelson Mandela Bay Metropolitan Municipality	207,156	*155.73*	R387,127,130	59,161	147,995	276,568,894.71
Mangaung Metropolitan Municipality	150,331	*155.73*	R280,933,172	62,911	87,420	163,367,053.61
eThekwini Metropolitan Municipality	648,459	*155.73*	R1,211,819,759	586,227	62,232	116,296,992.87
Total for metropolitan municipalities	**4,021,649**	*155.73*	**R7,515,533,224**	**1,701,295**	**2,320,354**	**4,336,206,096.00**
SOUTH AFRICA	**10,196,701**	*155.73*	**19,055,277,013**	**2,703,937**	**7,492,764**	**14,002,244,082.65**

Table: Comparison of budget allocation for FBW to actual spending on FBW

Conditional Grants are the other transfer from the national fiscus that contributes to municipal revenue. In the water sector, the conditional grants that have direct relevance are the Regional Bulk Infrastructure Grant (RGIB) and the Water Services Infrastructure Grant. These are ring-fenced funds for capital expenditure on infrastructure. What the Department of Water and Sanitation[3] has observed how the approach to budget allocations is causing distorted outcomes: “Budgets are allocated towards new infrastructure projects through WSIG, RBIG, MIG, and other funding programmes, but the management of these funds is fragmented, with emphasis on new infrastructure and insufficient focus on WC/WDM.” Because Capex is ring-fenced in this manner, but maintenance and repairs are not, it is not surprising that many municipalities are experiencing losses of water due to leaks. Given the climate conditions and the fact that an El Niño cycle is approaching and will make water scarcer, we recommend that the National Treasury make use of the Water Services Operating Subsidy Grant (WSOS) Direct Grant to ensure that municipalities reduce Non-Revenue Water that is lost to leaks. This will go a long way to addressing intermittent supply in some areas.

An aspect that breaks the trust of residents who can afford to pay is when there are municipal billing issues such as excessively high estimates. We recommend that the estimates on municipal bills be tied to average actual use by the household to avoid municipalities from over-inflating the sense of how much money is due to them when those customers have declared a dispute due to being billed an incorrect, high estimated amount. We recommend a municipal billing drive to deal with billing errors.

Daily, South Africans experience a variety of challenges. While people have become accustomed to being without electricity for stretches of time, not having access to water is different. Water is essential to life and therefore it is necessary to acknowledge that the country’s challenges with water require urgent intervention.

Social Protection and Social Grants

Social Relief of Distress Grant

An announcement on whether the COVID-19 Social Relief of Distress (SRD) Grant will be extended beyond 2025 has been deferred and it is unclear when the promises around the extension and improvements will be made. In 2024/25, R34 billion has been allocated to the SRD grant. That is R10 billion less in nominal terms than the amount allocated to

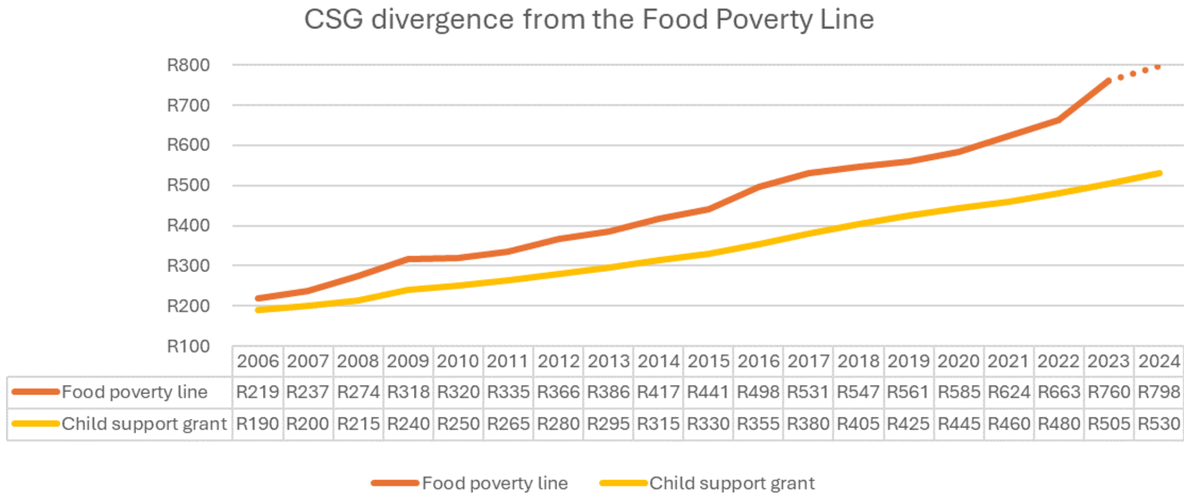
[3] Department of Water and Sanitation. 2023. The Status of Water Losses, Non-Revenue Water & Water Use Efficiency in South African Municipalities: 2012/13 to 2022/23.

the SRD when the allocation was at its peak. The 2024/25 funding will only cover 8 million people – that's half of the 16 million people whose income falls below the Food Poverty Line. This underfunding implies that there will be intentional 'errors' of exclusion in the administration of the grant. This exclusion takes various forms, including barriers to accessing the grant, a qualifying threshold that is set too low, and hurdles in administering payments. All of these serve to exclude as many eligible people as possible from actually accessing the necessary social support. We call for the extension of the size and scope of the COVID-19 grant in line with the position of the Universal Basic Income Coalition (UBIC). The interim qualifying threshold of the SRD grant should be set at least the Upper-Bound Poverty Line to minimise errors of exclusion. This would also involve increasing the budget for the COVID-SRD grant and ensuring that both the SRD grant and the CSG are set at the Food Poverty Line as a minimum. Over time, there needs to be an establishment of a dignified basic income grant set at the Upper-Bound Poverty Line to correspond with the government's policy commitment to poverty alleviation.

Child Support Grant

While the permanent social grants have increased in line with headline inflation in 2024/25, this does not compensate for the drastic rise in food and electricity prices we have seen in recent years. For example, while the permanent grants increased by 5% in 2023, food and electricity inflation were 11 and 12 per cent, respectively.

The Food Poverty Line (FPL), the minimum cost of food needed per person, is now expected to reach R798 in 2024. This means that the CSG is only able to cover 66 per cent of the basic, minimum nutritional needs of an individual. The CSG should be increased to at least the FPL to prevent further tragedies that we have seen unravelling at the end of 2023, particularly in the Eastern Cape.



Adapted from Hall, Proudlock & Budlender Children's Institute 2023 *A review of child poverty and the value of the child support grant.* The 2024 food poverty line is estimated as the 2023 value plus 5%.

In the context of a rising rate of child poverty since 2019 record high levels of unemployment and declining per capita incomes, the failure to ensure the CSG keeps up with food price increases is likely to lead to further increases in child poverty, hunger and malnutrition. Since neither the Budget Review nor the Estimates of National Expenditure comment on the CSG value, and the Presidency, Cabinet and National Treasury have not provided a public response to the findings of the 2023 Review of Child Poverty cited above, we believe that clarity is required from the government on its current stance towards child poverty and hunger.

Youth unemployment, public employment programmes and skilling

Youth unemployment is a crisis of growing concern. Young people aged 15 – 34 years old account for 50.8% of the working-age population, but their potential is currently a wasted output. Stats SA confirms that 9.1 million young people between the ages of 15 and 35 are not in employment, education or training. There are many challenges young people face when attempting to access the labour market, from the cost of looking for work, quantified at around R1400 per month, to their inability to complete their education or gain relevant work experience, in an increasingly competitive market.

While there are not enough jobs for the number of young people entering the market every year, young people have a labour absorption rate that is lower than their older counterparts, around 28.2%. Young people are very vulnerable in our economy, but there is no lack of work to be done in our communities, which face an array of socio-economic challenges. In this context, the role of a developmental state is key in providing social protection both in the form of income support, as well as job support - to this end, public employment programmes play a key role.

These programmes have long been an integral part of our government’s employment strategy and they are often celebrated for the number of short-term opportunities created. The Presidential Employment Stimulus, for example, has shown how impactful the investment was, with the creation of over one million short-term opportunities across all the corners of South Africa, from strengthening public services in key sectors such as education, and health, to providing essential services in communities. The PES was designed and implemented on the lessons of the Expanded Public Work Programme and the Community Work Programme.

However, the 2024 budget showed that the National Treasury has a plan to decimate public employment programmes to achieve a primary budget surplus. It provided continued funding of R7.4 billion for the PES for 2024-2025 and no further allocations for the remaining two years of the MTEF period. The PES allocation was R2 billion lower than the one that was disclosed in the 2022 Budget Review publication. The budget slashed R9.3 billion from spending on public employment programmes and public employment services within the Department of Employment and Labour. Spending was cut by 60.5% to R7 billion during 2026-2027 from R17.8 billion in 2023-2024. The EPWP budget was cut by R4.3 billion (or 30.3%) to R9.8 billion. The CWP budget was cut by R3.1 billion (or 30.5%) to almost R7 billion.

These programmes don’t only provide young people with an opportunity to gain work experience and build social networks; the latest research confirms that these programmes can increase household consumption, with economic impacts lasting long after the programme has ended.

While these programmes are often celebrated for the opportunities created, it’s a concern that the investment is dramatically shrinking.

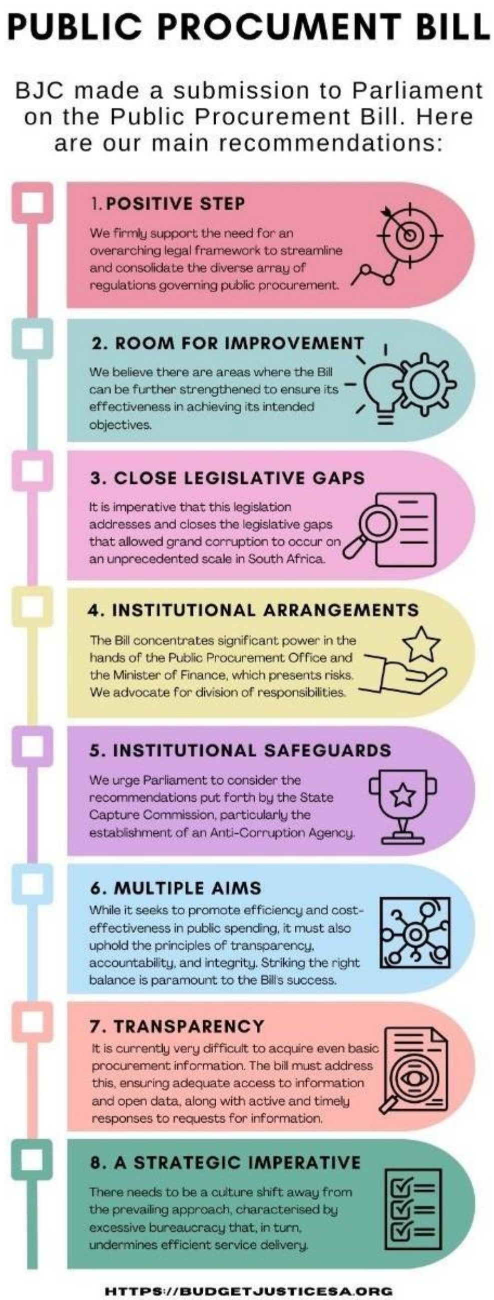
The 2024 budget also negatively impacted young people on their skilling prospects, with the announced cuts of R26.2 billion from the Department of Higher Education and Training (DHET) budget during the three-year medium-term expenditure framework (MTEF) period. This included cuts of R16 billion from the National Student Financial Aid Scheme’s budget. Currently, thousands of students are left stranded across higher learning institutions across the country- we cannot expect young people to upskill themselves in these financially constrained conditions. If we want these young people to step into jobs created in the industrial policies mentioned above, we must provide DHET with the necessary funding needed to ensure they are adequately skilled to do so.

Public Procurement Bill [B18B-2023]

The Public Procurement Bill [B18B-2023] that is before Parliament is a pivotal piece of legislation that wields immense influence over the provision of public services and, by extension, the realisation of fundamental human rights for citizens. Public procurement is not merely an administrative process; it is the lifeline through which vital public services are delivered to communities.

The decisions made in procurement processes can have far-reaching consequences on the quality of education, healthcare, infrastructure, and countless other services that impact the daily lives of citizens. The Budget Justice Coalition supports the tabling of the long-awaited Public Procurement Bill; however, we believe that there are crucial areas in which it could be strengthened and that there should be overarching legislation to address shortcomings. Our submissions to the National Assembly and now the National Council of Provinces (NCOP) have included a wide variety of recommendations as noted in the infographic below[4].

[4] The infographic below provides a summary of the recommendations derived from the Budget Justice Coalition and Imali Yethu Submission to the NCOP on the Public Procurement Bill [B18B-2023].



We advocate for careful consideration of potential revisions to ensure that the Bill effectively mitigates the risks associated with concentrated powers while strengthening the institutional framework to prevent corruption and uphold the highest standards of public service delivery. Unfettered Ministerial powers, transparency and accountability mechanisms must be addressed in the current version of the Public Procurement Bill before the NCOP.

Recommendations

1) **Participatory Human Rights Impact Assessments** must be applied to all budget decisions to enable the State to better understand, assess and address any adverse effects these decisions may have on the constitutionally protected human rights of people in this country.
2) Considering the disproportionately gendered impact of budget cuts to social spending, **Gender Responsive Budgeting (GRB)** must be implemented with greater urgency.
3) We continue to call for **allocations to the provinces to align with CPI, population growth and the increased number of people** relying on public services.
4) There must be a **permanent budget investment in public employment programmes**, with a long-term view to the establishment of a job guarantee programme. The Presidential Employment Stimulus must be extended (to this end, Youth Capital collected over 24 000 signatures in partnership with Amandla.mobi) and increased; funding for the Expanded Public Work Programme and Community Work Programme need to be reinstated. Public employment also requires a comprehensive monitoring and evaluation framework.
5) An **increase in the value of the ECD subsidy from R17 to R23 in the October 2024 Adjustments Budget**, to make up for the impact of inflation on the value of the subsidy since 2019 and as a springboard towards a value of at least R46 per eligible child per day by 2029. This will make running an ECD programme in low-income communities more viable, increasing the number of ECD programmes operating, and allowing programmes to improve the working conditions of ECD practitioners and the overall quality of their programme, thereby dramatically improving access to quality ECD and outcomes for children.
6) **Increase the Child Support Grant from R530 to the food poverty line, currently R760 per month**, initially for children aged 0-5 and adding older children in three-year blocks each subsequent year.
7) The Fiscal and Financial Commission (FFC) and the Parliamentary Budget Office (PBO) are requested to undertake **studies on the municipal revenue model**.
8) The National Treasury **make use of the Water Services Operating Subsidy Grant (WSOS) Direct Grant** to ensure that municipalities reduce Non-Revenue Water that is lost to leaks.
9) We recommend that **estimates on municipal bills be tied to average actual use** by the household to avoid municipalities from over-inflating the sense of how much money is due to them and a **municipal billing drive** to deal with billing errors.
10) Prioritise teacher training through sufficient funding to the Funza Lushaka Bursary Scheme to reverse bursary withdrawals from 2024 PGCE candidates.

11) Careful consideration is made to the Public Procurement Bill currently before the NCOP, with due regard to its implications on anti-corruption efforts, transparency and accountability in procurement processes.