SUBMISSION ON THE 2017 MEDIUM TERM BUDGET AND POLICY STATEMENT (MTBPS)

TO THE JOINT MEETING OF THE STANDING COMMITEEE ON APPROPRIATIONS AND SELECT COMMITTEE ON APPROPRIATIONS

SUBMITTED: 8 November 2017

VIA EMAIL: Zandile Hulley: zhulley@parliament.gov.za and

Darrin Arends: daarends@parliament.gov.za [Standing Committee on Appropriations] cc: lnodada@parliament.gov.za

This submission is informed by a range of civil society organisations (CSOs) including the Studies in Poverty and Inequality Institute (SPII), Section 27, Equal Education (EE), the Heinrich Boell Foundation (HBF), the National Shelter Movement and the Public Service Accountability Monitor (PSAM) - CSOs working for the promotion of social justice and equality in South Africa. Dr. Seán Muller has contributed to the submission in his individual capacity.

We are appreciative of the opportunity afforded us by the Committee to present our inputs and thereby contribute to improving accountability and budgeting within the education, health, social assistance and housing sectors.

The primary purpose of this submission is to highlight areas within the selected programmes that are in need of concerted interventions in relation to budgeting, and planning following the tabling of the Medium Term Budget and Policy Statement (MTBPS), Adjustments Estimates[1] and Adjustment Appropriations Bill by the Minister of Finance, Malusi Gigaba, on 25 October 2017.

In recognition of the important role of civil society in supporting evidence-based interventions, each of the organisations and individuals behind this submission hope to engage further with the Committee, National Treasury and relevant line function departments in due course.

For further information contact: Zukiswa Kota : z.kota@ru.ac.za / 046 603 8826

Public Service Accountability Monitor

[1] Adjusted Estimates of National Expenditure

WHO WE ARE

Equal Education (EE) is a movement of learners, parents, teachers and community members. EE works for quality and equality in South African education, through research, analysis and evidence based activism. EE's head office is in the Western Cape, with satellite offices in Gauteng and the Eastern Cape, and a strong presence in KwaZulu-Natal and Limpopo. Since being founded in 2008, Equal Education has led campaigns aimed at the development of learning facilities; improved practice, content and access to teaching; the building of commitment and passion among teachers and learners; and improving the overall efficacy of South Africa's education system. Our focus and attention is directed by the interests of our members, drawn largely from working-class and poor communities.

The HBF is a political foundation affiliated to but independent from the German Green Party. It works to promote democracy, human rights, sustainability and gender equality in Germany and around the world. The Foundation's Southern Africa office supports local organisations' efforts to advance social justice through evidence based advocacy, engagement with democratic institutions and state-civic cooperation for accountability.

National Shelter Movement (NSM) with support from the Heinrich Boell Foundation (HBF).
The NSM, is an NGO established in 2008 to serve as a formalised body to represent shelters across South Africa. The NSM secretariat is based at the Nisaa Institute for Women's Development and comprises of 8 provincial representatives. The NSM has played a vital role in establishing and mentoring shelter movements in all 9 provinces; in monitoring of shelter service delivery and conducting assessments to understand the differing needs of women's shelters across the country and to facilitate relationships between shelters and provincial DSD's. The NSM also engages with other government departments and relevant stakeholders on any shelter and victim empowerment related topics.

The Public Service Accountability Monitor (PSAM) is a civil society organisation that aims to improve the provision of public services essential to the reduction of poverty by strengthening social accountability initiatives. The PSAM is specifically concerned with improving governance and public resource management in South Africa and sub-Saharan Africa.[2] This is achieved through the activities of three interrelated programmes: the Monitoring and Advocacy Programme (MAP), the Regional Learning Programme (RLP) and the Advocacy Impact Programme (AIP). The PSAM was established in 1999 and is based at Rhodes University within the School of Journalism and Media Studies in the Eastern Cape. The Monitoring and Advocacy Programme of the PSAM seeks to contribute to the progressive realisation of the rights to housing, health and education. The programme also focusses on strengthening public accountability mechanisms in the areas of environmental governance and local government.

Section 27 is a public interest law centre that seeks to achieve structural change and accountability in the health care and education sectors in particular to ensure the dignity and equality of everyone under the Constitution.

The Studies in Poverty and Inequality Institute (SPII) is an independent research and advocacy think-tank that focuses on generating new knowledge, information and analysis in the field of poverty and inequality studies. SPII's objective is the realisation of the transformative principles enshrined in the South African Constitution through advancement of the socio-economic rights (SERs) contained under the Bill of Rights. SPII acts to achieve this overarching objective through an applied use of research – policy and budget analysis, and the development of quantitative indicators to provide tools for rigorous time- specific analysis, building qualitative research through community participatory active research, and promoting participation in social dialogues to achieve the change we seek. SPII has conducted human rights budget analysis for almost decade, through the Socio-Economic Rights Monitoring Tool project, and published two research reports on the right to adequate housing.

Dr. Seán Muller is a senior lecturer in economics and research associate at the Public and Environmental Economics Research Centre at the University of Johannesburg.

[2] The PSAM currently has partnerships and country programmes in Zambia, Zimbabwe, Tanzania and Mozambique.

GENERAL FINDINGS AND RECOMMENDATIONS

I. EDUCATION

Finding: Under-expenditure of R415 million was announced within the School Infrastructure Backlogs Grant. Under-expenditure has repeatedly led to downward revisions of school infrastructure allocations, yet huge infrastructure backlogs remain.

Recommendation: The Ministry of Finance must take immediate action to ensure that all school infrastructure funds are effectively spent. This means providing support to rural provinces in the form of increased allocations, and in assisting to address the lack of capacity to effectively plan, spend funds, and implement.

II. HEALTH

Finding: The MTBPS provides a reassessment of the state of the economy, public finances and thus funds available for Nation Health Insurance (NHI). Against a more conservative long-term growth rate of 2.5%, the MTBPS states that health spending through a fully implemented NHI will require 6.8% of GDP by 2025/26. This scenario explains the caution in the MTBPS towards the NHI.

Recommendation: We therefore strongly encourage the National Treasury and Department of Health to provide a comprehensive, long-term financial plan to support the implementation of the NHI. The ongoing uncertainty relating to key health policies has an adverse bearing on strategic planning and service delivery at the district and provincial levels.

III. HUMAN SETTLEMENTS

Finding: The MTBPS reveals that the Department of Human Settlements is struggling to achieve its set targets with regard to delivery. The MTBPS highlights that of the approximately 113 000 subsidised housing units planned for the year, only 13 850 were completed in the first quarter of the current financial year. The number of informal settlements with settlement upgrading plans was pegged at 446, yet only 87 had been completed by September 2017. Worryingly, of the 13 920 planned affordable housing units, only 451 households were delivered in the first quarter of 2017/18.

Recommendation: In light of the housing crisis facing South Africa, which has led it to being the most adjudicated socio-economic right before the courts, it is imperative that the Standing or Select Committee on Appropriations call a joint sitting between the Department of Human Settlements and National Treasury, in order to resolve some of the challenges facing the former in terms of delivery and expenditure. Additionally, as is highlighted in the 2017 Budget Review, *"the National Treasury should closely monitor spending on capital projects as well as provide guidance and support to sector departments and municipalities."*[3] Rather than withhold funds due to under-expenditure, we would

[3] South African National Treasury, 2017 Budget Review. Accessed at: http://www.treasury.gov.za/documents/national%20budget/2017/review/Annexure%20A.pdf

propose that National Treasury provide the relevant support to the Department. This is particularly pertinent for the Urban Settlements Development Grant (USDG).

IV. POST-SCHOOL EDUCATION AND TRAINING (PSET)

Finding: Growth in the overall budget for post-school education and training has slowed down, while transfers to higher education institutions are projected to rise below inflation. The overall adjusted budget was revised downwards by R850 million, with SETAs taking the lion's share of the cuts.

Recommendation: Given the large increases to the PSET budget in recent years, any downward revisions in PSET funding now should be matched by increased funding for early childhood development in particular, as funding for this sector is arguably even more constrained than in the PSET sector. Short-term political considerations should not be the primary motivating force behind budget prioritisation.

V. VICTIM EMPOWERMENT AND VIOLENCE AGAINST WOMEN AND CHILDREN (VAWC)

Finding: The provincial equitable share allocation was increased to R1.2 billion to aid provinces to meet their responsibilities in addressing VAWC. The bulk of the increase (i.e. R788.2 million or 65%) is allocated to prevention programmes (e.g. awareness raising, outreach and workshops) with the remainder (35%) earmarked for statutory services. However, the MTBPS 2017 does not indicate what share of the 35% provinces should allocate to shelters housing women fleeing abusive homes, as was previously done (MTBPS 2013)[4].

Recommendation: In general victim empowerment programmes are severely underfunded. While it is prudent that government invests in VAWC prevention programs, there is a need to equally invest in statutory support services, like shelters, that respond to the immediate impact of violence on survivors. This would require additional funding. Research undertaken by the NSM and HBF on shelters in four provinces finds that current funding to shelters does not adequately cover the true costs of service delivery to survivors. Failure to allocate additional equitable share funds to shelters may further constrain VAWC support services. Given the social and economic costs of gender based violence, we recommend that provinces prioritize funding to both prevention programmes and statutory services, with specific allocations to VAWC shelters even in the context of dwindling economic resources.

Finding: The MTPBS 2017 announces that the increase in equitable share is in part attributable to the Free State NAWONGA court case that finds that "government must determine a fair and transparent method of funding non-profit organisations that provide statutory social welfare services on behalf of the state". It also announces a research initiative to 'quantify the gap between current funding and the actual cost of service provision'. [5] We welcome this development. Our research on shelters finds that the absence of a consistent or uniform, adequately costed funding model has resulted in wide variations – between provinces and even between shelters within the same province – that compromise support services and undermine notions of equity. We note however that while this

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[4] Medium Term Budget Policy Statement, October 2013. Accessed at: http://www.treasury.gov.za/documents/mtbps/2013/mtbps/MTBPS%202013%20Full%20Document.pdf

[5] MTBPS 2017, p. 42

research is ongoing, the draft Victim Empowerment Support Services Bill is silent on funding mechanisms for shelters.

Recommendation I: In the interests of transparency and effective monitoring, we recommend that all provincial Departments of Social Development be required to line itemise VEP transfers to shelters in their budgets and annual reports.[6]

Recommendation II: Treasury must ensure that the costing research being undertaken is factored into current proposed policy/legislative frameworks to fairly and adequately address challenges in the funding of NPOs. In the interests of transparency and participation, we recommend that by the end of January 2018, clear timelines are published for the costing research as well as proposed legislation.

Recommendation III: As violence against women and children is a national crisis it requires responses from multiple Government departments. We further recommend the development of a larger, more equitable resourcing strategy which will promote multi- departmental contributions (financial and other) to shelter services. In addition, we recommend that calls for the implementation of a fully-costed, inclusive and multi-sectoral National Strategic Plan on Gender-Based Violence (NSPGBV) be considered.[7]

VI. EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

Finding: The MTBPS confirmed a 2.4% real terms cut in the budget for EPWP in the 2017/18 financial year.

Recommendation: Given that EPWP is providing millions of work opportunities which are helping countless people escape the worst impacts of poverty and unemployment – all within a relatively small budget of R2.4 billion – we recommend that the Committee urgently finds out why funds for this critical programme – which delivers excellent value for money – are being cut in real terms, while highly inefficient and corrupt state-owned enterprises (SOEs) and other departments are being bailed out.

[6] For example, in the provincial Appropriation Acts of Western Cape and KwaZulu-Natal under vote – Social Development and under sub-programme –Restorative Services they include a line-item allocation towards VEP. KZN further specifies the percentage increase towards NPOs. Mpumalanga however does not, thus making tracking of expenditure towards VEP very difficult.

[7] http://www.genderjustice.org.za/publication/call-national-strategic-plan-gender-based-violence-shadow-framework/

INTRODUCTION

This submission primarily focusses on ensuring that the funds available for social services such as health care, housing, social security and education are spent in the most equitable and efficient manner during this period of downward adjustments to economic growth and public spending.

According to Section 12 of the Money Bills Amendment Procedures and Related Matters Act, the Minister of Finance is required to table a Division of Revenue Amendment Bill alongside the revised fiscal framework with budget adjustments to the Division of Revenue Act and an Adjustment Appropriations Bill. Sections 30 (2)(B) and 31(2)(b) of the Public Finance Management Act also place responsibilities with provincial Members of the Executive Councils (MECs). For instance, where a national adjustments budget allocates funds to a province, the relevant provincial treasury is obliged to table an adjustments budget within 30 days of the tabling of the national adjustments budget. Accounting Officers also have the onus of motivating accordingly for adjusted budgets.[8]

The revenue shortfall

Arguably the key driver of the macro-level dynamics in the MTBPS is the R50.8billion shortfall in revenue. Less revenue than expected, combined with no meaningful reduction in planned expenditure (besides reducing the contingency reserve allocation), necessarily leads to increased borrowing; the abandonment of debt stabilisation is the most striking thing about the MTBPS proposals/projections and is what could lead to a further ratings agency downgrade.

The most obvious reason for the shortfall is lower-than-expected economic growth due to among others, political unpredictability and policy uncertainty. The second factor, 'tax buoyancy', refers to the relationship between changes in growth and changes in revenue, and thereby is just a numerical representation of a range of unstated/unidentified factors.

Lower tax buoyancy could be a result of administrative failures within the revenue services. It could also reflect increased tax avoidance (legal) or evasion (illegal) in partial response to declining confidence in SARS and the growing 'burden' on taxpayers.

The proposed Rates and Monetary Amounts Bill retains amendments from the era of the erstwhile Minister of Finance, Pravin Gordhan, that provide the Minister with additional powers to demand information from the Commissioner in specific formats. It would provide some reassurance if the new Minister exercised this authority to obtain appropriate administrative information and place this in the public domain.

While some civil society groups have advocated more revenue raising measures in the past, in order to increase funding for expansion (in terms of quantity and quality) of social protection and service delivery, in the current situation such measures may be necessary merely to *maintain* existing levels of provision and delivery. A wealth tax, which is clearly on the cards, in the current environment will simply be plugging the gap created by shortfall from ordinary tax revenues. Some economists are now advocating an increase in VAT to reduce some of the anticipated revenue shortfall forecast in the

[8] Treasury Regulation as per Public Finance Management Act No. 1 of 1999

MTBPS. If a political decision is made to prevent debt growing as quickly as forecast, individual and corporate tax hikes should be considered prior to any tax hikes.

In this context it is also very important to remember that the 2016 MTBPS had already promised to bring in various new tax measures to increase revenue; those will still be announced in the 2018 Budget and presumably will be informed by the Davis Tax Committee (DTC).

What does maintaining expenditure ceilings really mean?

In various places the MTBPS states a commitment to keeping government expenditure within previously-stated expenditure ceilings. On the one hand this signals a certain level of control over national government expenditure. A less positive perspective is that it reflects the absence of political will to cut 'fat' in the system in the face of a looming fiscal crisis. Allowing debt to grow at the rate shown without any meaningful effort to make expenditure cuts arguably shows an abrogation of political responsibility and sound fiscal management. Even if only a few billion Rand could be obtained from dissolution of ineffective and dubiously-motivated ministries and cuts to bloated ones, that would still send some kind of message. It seems fair to assume that besides irresponsibility, this is a result of having three Finance Minister's in the past two years, with Minister Gigaba unwilling or unsure whether to take necessary measures in lieu of the forthcoming ANC elective conference.

The major threat is that it is much easier to cut 'small proportions' from large budgets (health, education, social grants) than to cut large portions of 'small budgets'. On this basis, the danger is that Cabinet may avoid doing the kind of cutting mentioned above and rather cut from key social expenditure areas.

Growth in national debt relative to GDP

As noted above, the projected growth in debt-to-GPD ratios, whether net debt or gross debt, reflects the failure of the 'fiscal consolidation' efforts that were started by Minister Nene, taken forward by Minister Gordhan, and now largely abandoned by Minister Gigaba. Although a consequence of revenue and expenditure outcomes, it is nevertheless the most likely basis for a further sovereign downgrade.

State-owned enterprises

It is unacceptable that the financial consequences of poor governance and corruption in SOEs are treated as worthy of emergency funding, while the minister provides only platitudes about inequality. Where is the urgency in dealing with the daily plight faced by millions of poor South Africans? This is a fundamental contradiction that can only be resolved at the highest political levels: the nature of SOEs and the guarantees provided to them mean that it is too risky to allow them to 'fail' or default on debt obligations: Treasury bureaucrats will therefore always make that decision. But better political oversight and commitment to good governance at SOEs would prevent them from being forced to do so. The appropriations committees have previously approved substantial financial support for Eskom and, although bypassed in dubious fashion earlier this year, are likely to be asked to approve support for SAA. The committees should exercise more robust oversight, perhaps with assistance of external sector experts, in ensuring that these enterprises are properly governed.

1. EDUCATION

I. The 2017 MTBPS has confirmed our collective fears about the unfolding crisis regarding the nation's finances. In his speech, Minister Gigaba acknowledges that "*further budget cuts will involve hard choices and difficult compromises.*"[9] These allusions to austerity point to the likelihood of decreased social spending in future that will only serve to widen the chasm between the rich and poor in South Africa.

II. While spending on Basic Education funding is set to increase in the 2018/19 financial year - with Basic Education projected to be the fourth fastest growing line item in the medium term - it is concerning that Treasury has consistently downwardly revised projected spending on Basic Education in the previous and upcoming financial years. A look at previous MTBP statements reveals that there will be far less funding available to Basic Education than was previously budgeted for. For example, the 2015 MTBPS predicted a R270 billion allocation to Basic Education in the 2018/2019 financial year. This year's MTBPS revises that projected allocation downward, to R249.8 billion. This is despite an upward revision in population estimates that the MTBPS says is "reflected in higher-than-expected enrolments in primary schools, and will affect high school enrolment rates from 2018"

Table 1: Spending Projections on Basic Education: MTBPS 2015 – 2017

MTBPS	PROJECTED SPENDING ON BASIC EDUCATION 2017/2018 FINANCIAL YEAR	PROJECTED SPENDING ON BASIC EDUCATION 2018/2019 FINANCIAL YEAR
MTBPS 2015	R249.8 billion	R 270.0 billion
MTBPS 2016	R244.8 billion	R261.9 billion
MTBPS 2017	R230.8 billion (revised expenditure)	R249.8 billion

III. The downward revisions in the basic education budget reflect, on the one hand, that national and particularly provincial departments of Basic Education have been unacceptably slow in implementing their plans. On the other hand, they foreshadow a frightening pattern where cuts to social spending have to be made in order to fund other priorities such as the bailouts of inefficient and corrupt State-owned enterprises.

[9] Malusi Gigaba, 2017 Medium-Term Budget Policy Statement Speech, p.17.

IV. The MTBPS further continues a worrying trend of failing to adequately address issues of poverty and rurality. Earlier this year, Equal Education (EE) made a submission to Parliament's Standing Committee on Appropriations (SCoA) speaking to growing poverty and inequality in South Africa. In this submission we highlighted that the concentration of poverty in rural areas, compounded by the historic underfunding of rural provinces, required greater government intervention. EE maintained then that the equitable share formula is a key instrument of redress in this regard and a revision of its poverty and education components needs to take better account of the challenges faced by rural provinces. This would over time have a significant effect on not only on rural/urban inequality but also on our efforts to re-capacitate historically under-resourced provinces and schools.

V. We had hoped that Minister Gigaba, in his 2017 MTBPS speech, would have made substantive mention of the progress of the Equitable Share review that has been underway since 2016. Policy decisions and the allocation of State resources must prioritise the vulnerable members of our society. This prioritisation of the poor, largely located within our rural areas, was not evident in the MTBPS.

VI. Rurality should be accounted for within the fiscus, particularly in the education sector. The non-delivery of adequate school infrastructure remains a serious hindrance to the provision of quality education for all children, and it is thus especially worrying that the DBE did not spend R415 million of its allocation to the School Infrastructure Backlogs Grant (SIBG).

VII. Under-expenditure has repeatedly led to downward revisions of school infrastructure allocations. The Ministry of Finance must take immediate action to ensure that all school infrastructure funds are effectively spent, and this means providing support to rural provinces. This support must be in the form of increased allocations, and in assisting to address the lack of capacity to effectively plan, spend funds, and implement.

VIII. The MTBPS further ignored the plight of rural learners by failing to ring-fence funds for the provision of a scholar transport conditional grant. Learners in rural areas must walk extremely long distances to their schools, with many walking for more than two hours a day, exposed to extreme weather and sexual violence. In KwaZulu-Natal, the month of August alone saw seven learners killed and 21 more injured as they made their way to and from public schools.[10]

IX. EE brought the urgency of this matter to the attention of the SCoA when we presented to the committee earlier this year. We would thus like to know what progress has been made with regard to this grant?

X. Furthermore, the DBE's school readiness report for 2017, presented before the Portfolio Committee on Basic Education, indicated that despite 524,662 learners being identified as in need of transport nationally, plans for provinces only catered for 405,047 learners. It is clear

[10] Available: https://equaleducation.org.za/2017/09/07/equal-education-media-statement-tragedy-hits-kzn-learners-as-the-promise-of-safe-scholar-transport-remains-unfulfilled/

the demand for scholar transport far outweighs the current plans for provision and there must be immediate intervention. We have repeatedly recommended to Parliament that the Finance Ministry establish a scholar transport conditional grant. Despite a public commitment by the Minister of Basic Education, Angie Motshekga, to work with Treasury to explore a conditional grant, no mention of this was made in the MTBPS. We hereby reiterate this call, to be implemented with the urgency that it deserves.

2. **HEALTH:**

I. In his 2017 Budget, former Finance Minister Pravin Gordhan stated that the National Health Insurance (NHI) fund would be established in order to support the priority health programmes, and that further detail in this regard would be provided in the 2017 MTBPS. Accordingly, Minister Gigaba noted Cabinet's adoption of the White Paper on NHI in June 2017. The White Paper estimated that full implementation of NHI would increase public spending on health from 3.9% in 2017/18 to 6.2% of GDP by 2025/26 (assuming a long term economic growth rate of 3.5%).

II. The MTBPS indicate a reassessment of the situation (against a more conservative long-term growth rate of 2.5%), highlighting that health spending through a fully implemented NHI will require 6.8% of GDP in 2025/26. This scenario explains the caution in the MTBPS that:

"In the absence of higher economic growth, several of government's current policy commitments will need to be revisited, because their cost implications appear to exceed available resources."[11]

Minister Gigaba also noted the need to await input from the Davis Tax Committee "*on the feasibility of proposals to adjust the medical tax credit*".[12] This will also influence the costing of NHI and may impact upon the timeframes for the establishment of the NHI fund. We therefore encourage National Treasury and the Department of Health to provide a comprehensive financial plan to support the implementation of the NHI.

III. While health is acknowledged as one of government's key policy priorities, the overall quality of services provided at clinics and hospitals needs major improvement. While the MTBPS contends that some medical negligence claims are unjustified or excessive, estimated pay-outs for such claims *"have grown at an average rate of 45 per cent since 2012/13, and amounted to R1.2 billion in 2016/17."*[13] Alarmingly, the MTBPS also noted that "contingent liability arising from claims against the state at the end of 2016/17 totaled an estimated R56 billion."[14] The PSAM contends that a combination of inadequate funding, poor financial management and insufficient human resourcing are persistent obstacles to the effective delivery of public health services.[15] Efforts to improve the quality of public health services is not always dependent upon increased budgets, but rather upon improved management and accountability within the public *and private* health sector.

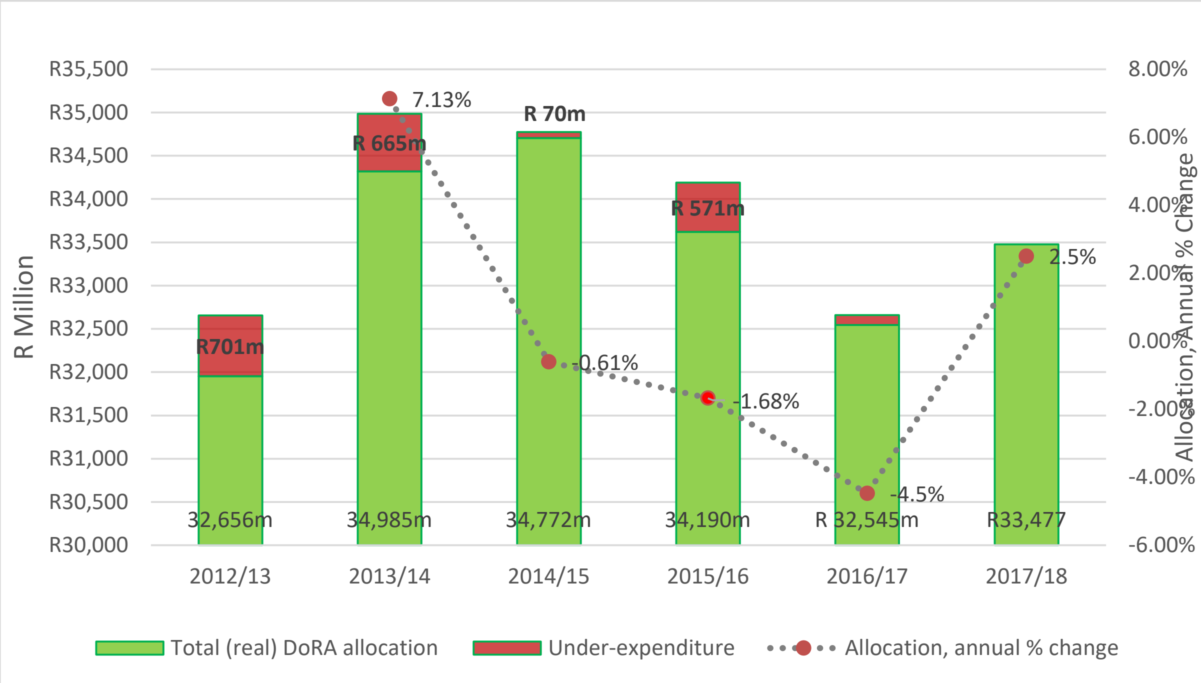
[11] National Treasury, 2017 Medium Term Budget Policy Statement. P. 57. Avalable via http://www.treasury.gov.za/documents/MTBPS/2017/mtbps/FullMTBPS.pdf
[12] National Treasury, 2017 Medium Term Budget Policy Statement. P. 24.
[13] 2017 MTBPS p.53
[14] Ibid
[15] Work in progress: 2017 Budget Analysis of the Eastern Cape Department of Health, Public Service Accountability

3. HUMAN SETTLEMENTS

I. The right of access to adequate housing in South Africa, is one of the most contested and litigated socio-economic rights. The delivery of state subsidised housing is taking place in a context where, for example, it will take the City of Cape Town roughly 60 years to get through its housing waiting list at the current rate of delivery.[16] That is if the 'list' remains static and more people do not join the 'housing queue'. There are numerous challenges confronting the realisation of this right.

II. To attempt to mitigate against some of these challenges, sufficient budget allocations are necessary. It is equally important that the Department of Human Settlements utilise these resources efficiently and for their intended purpose. Delivery on mandates and targets requires planning and institutional capacity. However, the 2017 MTBPS has illustrated that the Department is failing to meet its targets.

Figure 1: Real Annual Change in Budget Allocations (2012/13 – 2017/18)



Source: Estimates of National Expenditure (2013-2017) & Adjusted Estimates of National Expenditure (2017): own calculations (figures have been adjusted for inflation)

III. The slight real term allocation increase to the Department of Human Settlements in the 2017/18 is a positive move by Treasury. As figure 1 illustrates, after several years (between 2013/14 to 2016/17) of real term allocation cuts, which have resulted in a reduction of the number of housing units delivered, this increase is welcome.

[16] Maregele, B. 2 October 2017, *Waiting period on Cape Town's housing list is 60 years, Khayelistha meeting told.* GroundUp. Accessed at: https://www.groundup.org.za/article/waiting-period-cape-towns-housing-list-60-years-khayelitsha-meeting-told/

IV. However, the 2017 Adjusted Estimates of National Expenditure (AENE) shows that mid-way through the financial year, the national Department of Human Settlements is far from meetings its set targets. Of the 113 341 subsidy housing units planned for completion in the current financial year, only 13,850 have been completed. Only 451 additional households live in affordable rental housing units, out of a targeted 13 920, and of 446 informal settlements with settlements upgrading plans targeted for the current financial year, 87 have been completed. It is unlikely that Department will come close to meeting these targets. Taking into consideration South Africa's housing crisis and the contestation around this constitutional right, it is essential that the Department ensures that service delivery is fast tracked.

V. The adjusted ENE shows 3 out of a target of 8 integrated and catalytic projects were initiated in the current financial year. It is likely that the Department will meet its target during the remainder of 2017/18 financial year. Catalytic projects, or mega projects, often mean large scale housing developments on peripheral green field sites. We would caution against this approach, not least because of a growing consensus around the contribution to poverty and unemployment made by housing opportunities located far away from viable urban centres. There is an equally strong consensus around the difficulty of encouraging the growth of new markets in new green field developments, raising the spectre of jobless "ghost towns".

VI. The Mid-Term Budget Policy Statement reveals some interesting developments regarding the creation of new grants. It is proposed that for the 2018 budget that, two new grants will be developed, derived from the human settlements development grant. The first, will go towards clearing the backlog of title deeds for state-subsidised houses, and the second to address the provision of emergency housing.

VII. Over the last several years there has been great contestation around the provision of alternative accommodation in the context of evictions. South African jurisprudence has determined that evictions should not render individuals or families homeless, that the onus rests on the state to provide suitable alternative accommodation, where it will, and that the state should proactively plan to guarantee the right to housing, especially for low-income households. Therefore, the establishment of a dedicated grant to fund responses to emergencies- including evictions- in line with housing policy, is welcome. We must be wary, however, of the location and quality of alternative accommodation provided by municipalities.

VIII. Since its introduction in 2010/11, the Urban Settlements Development Grant (USDG) has been plagued by poor spending. The grant is intended to assist metropolitan municipalities to improve urban land usage and availability to benefit poor and working-class households- through the acquisition of well-located land and the upgrading of informal settlements. The grant could play an important role in transforming South Africa's urban housing landscape, if utilised to its full potential. Therefore, it is a positive step that National Treasury and the Department of Human Settlements will, "…review spending on urban settlement upgrading, with the view to changing the grant system to enable increased investment in on-site upgrading."

4. POST-SCHOOL EDUCATION AND TRAINING (PSET)

I. While remaining the second fastest growing expenditure item (after debt service costs), the growth of post-school education and training funding was revised downwards in the 2017 MTBPS, from 9.2% average growth over the 2016/17-2019/20 Medium Term Expenditure Framework (MTEF) to 8.2% average growth over the 2017/18-2020/21 MTEF.

II. The 2017/18 budget for PSET was adjusted downwards by R850 million (1.1% of the total), from R77,550 million to R76,700 million. The main reductions were to the SETAs (R697 million), the National Skills Fund (R174 million, due to a surplus of cash in that fund), Community Education and Training (R37 million) and University Education (R12 million). The TVETs received a welcome increase of R52 million. The adjusted 2017/18 Post-School Education and Training Budget nevertheless represents a 5.0% real terms growth from 2016/17.

III. Transfers to higher education institutions are being cut in real terms, with below inflation growth of 4.3% projected over the medium-term. This is going to make it extremely difficult for these institutions to sustain critical expenses such as maintenance of buildings and student support services (which are utilised mainly by poorer students). Increasing access to higher education through subsidised fees will be a pointless exercise if higher education institutions cannot afford to provide a quality education all students. In that regard, higher education funding must strike a better balance between financing the fees of poorer students, and ensuring that institutions can provide the support that these students need in order to succeed.

IV. 'Free education for the poor' was re-stated as a priority in the Department of Planning, Monitoring and Evaluation (DPME) mandate paper for the 2017 MTBPS, but the long-term funding of higher education remains uncertain as we await the President's release of the report of the Commission of Inquiry into Higher Education and Training.[17] We urge the President to release that report without further delay so that all interested parties can digest its findings and make further inputs into this crucial process.

5. VICTIM EMPOWERMENT AND VIOLENCE AGAINST WOMEN AND CHILDREN (VAWC)

I. Violence against women is a significant problem in South Africa. The country has the highest rate of femicide in the world with an estimated three women dying every day as a result of intimate partner violence (IPV).[18] Research also indicates that following HIV, IPV is the second highest cause of disease and injuries in South Africa.[19] Violence against women holds significant psychological, social and financial costs not only to those directly affected by the abuse but to the whole of society. It is therefore essential that strategies

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[17] At the time of compiling this submission – the Office of the President was yet to release the findings of the Commission officially.

[18] Abrahams N, Mathews S, Jewkes R, Martin LJ, Lombard J. Every eight hours: Intimate femicide in South Africa 10 years later! South African Medical Research Council Research Brief. 2012. Available online: http://www.mrc.ac.za/policybriefs/everyeighthours.pdf

[19] Norman et al.: Interpersonal violence: an important risk factor for disease and injury in South Africa. *Population Health Metrics* 2010 8:32. Available online: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3009696/pdf/1478-7954-8-32.pdf

to address the abuse of women, as well as children, are both preventative (a mid to long-term strategy) and responsive (immediate, short-term strategy) to the impact of this violence.

II. We welcome the R1.2 billion increase, via the equitable share, to both prevention programmes as well as the provision of statutory social welfare services in relation to violence against women and children. However, we recommend that the Committee considers whether the percentage allocation between prevention programmes (R788.2 million or 65%) and statutory services (35%) is the most optimal in the context of limited resources to services such as those provided by shelters.

III. We also question whether the current proposed equitable share allocation takes into consideration previous Treasury allocations to shelters, as in the 2013 MTBPS.[20] Our research shows that such services are already woefully under-funded, despite their importance in providing women and children refuge from immediate, often life-altering, dangers. Not designating dedicated funds to shelters may further hinder these already constrained services.

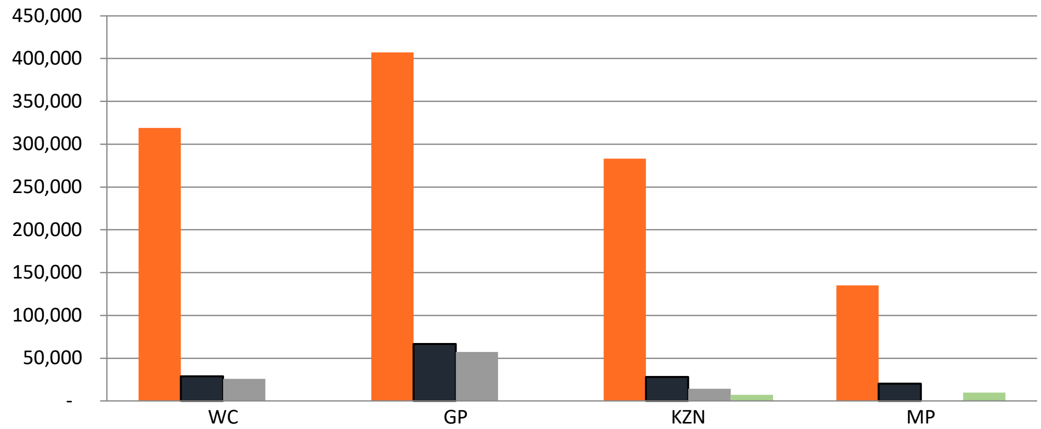
4.1. Inadequate budgetary allocations for shelter services

IV. Shelters are an "absolutely critical point of crisis intervention"[21] providing imperative care and support services to abused women and their children. However, research undertaken by the Heinrich Boell Foundation (HBF) and the National Shelter Movement of South Africa (NSM) in the provinces of KwaZulu-Natal, Mpumalanga, Western Cape and Gauteng finds that "national priority" spending on victim empowerment is not adequately reflected in the budget allocations of these provinces.[22] For example, in the 2015/2016 financial year, the Department of Social Development in KwaZulu-Natal apportioned the lowest allocation of its Restorative Services budget to its Victim Empowerment Programme (VEP) – a mere 10% of the Restorative Services budget and 1% of the Departments overall budget of slightly over R2.6 billion.[23] Of the total VEP expenditure of R28,2 million about half (R14,123m) was transferred to NPOs rendering welfare and shelter services for women. Of this, a mere R7,169 million (equivalent to 2.5% of the Restorative Services budget) was used to fund a total of 11 shelters for women.

[20] http://www.treasury.gov.za/documents/mtbps/2013/mtbps/MTBPS%202013%20Full%20Document.pdf.
[21] National Department of Social Development. Minimum Standards on Shelters for Abused Women, 2001. Available online: http://www.endvawnow.org/uploads/browser/files/minimum_standards_southafrica_2001.pdf
[22] Lopes, C and Mpani, P, 2017 (yet to be published).
[23] KwaZulu-Natal Department of Social Development Annual Report for 2015/16. Available online: https://provincialgovernment.co.za/department_annual/431/2016-kwazulu-natal-social-development-annual-report.pdf

Figure 2: Provincial Budget allocation: Department of Social Development (2015/16)

2015/2016 Provincial DSD Budgets :
Restorative Services in relation to Victim Empowerment and transfers to shelters



	WC	GP	KZN	MP
Restorative Services	318,985	407,075	283,062	135,001
VEP	28,740	66,764	28,277	20,368
VEP transfers to NPOs	25,860	57,266	14,123	-
VEP transfers to Shelters	-	-	7,169	9,998

Notes to the graph: Not all 2015/2016 provincial DSD annual reports provide information on how much funding was transferred to shelters. Limited information on Mpumalanga 2015/2016DSD spending is available online.

V. The unit rate subsidy that the DSD allocated to these shelters on a per-women-per-day basis in KwaZulu-Natal was R63 at the time. This unit rate contribution has since increased by R4. This increase is attributed to the KwaZulu-Natal Department of Finance's commitment to 6% subsidy increases on an annual basis.[24] Our research finds that in other provinces, such as the Western Cape and Gauteng, unit rate contributions have only increased by R1 averaging on R50 a day. It is clear that these increases are not above inflation and thus would not result in quality service provision, in fact, could be considered a decrease in allocations towards shelters.

4.2. Funding is inconsistent, irregular and often delayed

VI. The MTPBS 2017 announces that the increase in equitable share is in part attributable to the Free State National Association of Welfare Organisations and Non-Governmental Organisation (NAWONGO) court case that finds that "government must determine a fair and transparent method of funding non-profit organisations that provide statutory social welfare services on behalf of the state".[25] This case was precipitated by funding irregularities and insufficient subsidy allocations to render the quality of services that was expected of NPOs (much like what our research finds). In its judgment the Free State High Court ruled that allocations to NPOs must be consistent and rational. We welcome the revision of government's funding policy to NPOs and Treasury's initiative to develop a costing framework. Our research shows that the absence of a consistent or uniform

[24] National Treasury. MEC Belinda Scott: KwaZulu-Natal Provincial Budget 2016/17. Available online: http://www.gov.za/speeches/budget-address-ms-bf-scott-mec-finance-tabling-201617-mtef-budget-provincial-legislature-11
[25] P.42.

funding model across provinces is a significant problem as funding to shelters varies from province to province and at times even from shelter to shelter within the same province. In relation to the 4 provinces where our research was undertaken, all provincial DSD's, except for Mpumalanga[26], provide funding to shelters on a per-'bed' or per-'women' per day rate (as referred to earlier) and also include subsidy contributions to the salaries of some shelter staff.

VII. The unit rate contribution is intended to cover shelter resident's food, accommodation and other day-to-day expenses as well as some of the operational costs of shelters. This subsidy does not adequately contribute to the actual costs of feeding and accommodating women and their children, let alone contributing towards other expenses. This is problematic as our research finds that most women who access shelters have minimal education, are unemployed and have limited access to other forms of income. Thus inevitably the cost of providing for the needs of women and their children falls mostly on the shelters.

VIII. In relation to DSD salary subsidies, these too vary from province to province. For example, while NPO shelter social workers in the Western Cape are subsidised by DSD at a higher rate than those in Kwazulu-Natal (R14 000 and R11 000 respectively), Kwazulu-Natal DSD funding contributes R5000 towards the salary of a shelter manager, whereas Western Cape does not provide any funding contribution towards this position. In Gauteng, some shelters received subsidies for shelter managers whereas others do not. This is a significant omission considering that DSD *Minimum Standards*[27] continually make reference to the roles and responsibilities of management in effective service delivery to victims. Subsidies towards the salaries of housemothers, those who provide imperative day-to-day care and support to shelter residents, also vary across provinces, ranging from R2000 – R2500 a month. Subsidy funding is more dire in other provinces. Despite the NAWONGA case judgment, our engagement with shelters belonging to the NSM revealed that one Free State shelter had in 2015/2016 signed a Memorandum of Agreement with the Free State DSD for funding that included a social worker subsidy of R3,000.00 on a part-basis while the shelter manager, who worked on a full-time basis, was subsidised at a rate of R1,250.00 a month (i.e. R41 p/day or R5 p/hour) and their housemother (also a full-time post) a measly R600 (i.e. R19 p/day or R2 p/hour). This shelter had not been able to source additional funding to pay their staff more market related salaries. Considering that the new National Minimum Wage of R3,500.00 is due to come into effect in mid-2017, one wonders if this commitment will at all lead to any increase in state funding allocations to the salaries of NPO workers.

IX. Closely associated to the need for a uniform or more equitable funding model is the need for a standardized approach to how departments transfer funds to NPOs. For example, in

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[26] Mpumalanga merely provides a lump sum of funding disbursed in quarterly tranches but which does not specify unit rate contributions or salary subsidies.

[27] Minimum Standards on Shelters, 2001 & Minimum Standards for Service Delivery in Victim Empowerment (Victims of Crime and Violence), 2004. Available online: https://www.westerncape.gov.za/assets/departments/social-development/minimum_standards_for_service_delivery_for_victim_empowerment_victims_of_crime_and_violence.pdf

the Western Cape and in Gauteng, shelters sign funding agreements with their respective departments for a set grant amount. In KwaZulu-Natal however, DSD transfers to NPO shelters vary depending on the number of clients accommodated over the funding period. This is problematic for two reasons. Firstly, it fails to take into account that shelters will continue to incur fixed expenses, such as rent, regardless of number of residents that they may or may not accommodate. This places shelters in precarious situations should they not have access to additional sources of funding. Secondly, it results in DSD under-spending its VEP budget allocation. This compromises effective financial planning and management and may, in the long-term, lead to reduced budgets.

X. Shelters are further challenged when funding transfers by the DSD are delayed. Delays result in organisations having either having to borrow from financial reserves and/or forgoing the payment of staff salaries and/or having to borrow money from external sources in order to meet the basic needs of residents while they await receipt of funding.

XI. While shelter staff dedicate a significant amount of their time to fundraising to cover shortfalls in funding, salaries and running costs, donor funding is not, however, guaranteed or predictable. Government's failure to effectively fund and support shelters limits their capacity to render holistic and effective statutory services to survivors. It also compromises the sustainability of these organisations. Bearing in mind that only 84 shelters exist nationwide[28] we cannot afford a situation where imperative services to survivors are restricted or cease entirely, as some have, as a result of inadequate funding. If government is truly serious about addressing the true costs of violence against women and children more effectively, then it has to ensure that shelters, that deliver services on governments' behalf, receive adequate funding to do so.

V. EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

I. The EPWP, which is increasingly being acknowledged as one of government's most successful interventions to with unemployment and poverty – including in terms of value for money – has been handed a real terms budget cut of 2.4% for the 2017/18 financial year. This cut is being felt across the EPWP's spending at the national, provincial and local levels. This cut was made despite the EPWP reducing its expenditure on (non-project) compensation of employees by 3.7% in 2017/18.

II. As no reasons were given in the MTBPS, we would like to know how real term cuts to a programme that is performing as exceptionally as the EPWP can be justified, especially during a period of rising unemployment and poverty, and given that the budget for the EPWP is already relatively small (R2.4 billion)?

[28] National DSD 2016/2017 Annual Report,

CONCLUSION

In a time of low economic growth and political uncertainty, the projected gross tax revenue shortfall of R50 billion plunges our national finances deeper into debt. The upwards revision of our budget deficit, combined with a sub-investment rating for foreign debt and a possible downgrade to sub-investment rating for local debt, is concerning particularly in terms of its implications for social spending over the MTEF. Projections continue to vary year-on-year and it is poor and vulnerable people that will be most affected if national debt is allowed to increase in this fashion. The Minister referred to potential programme cuts while SOEs such as Eskom, Telkom, Transnet and PRASA continue to be bailed out at the expense of poor South Africans.

We therefore call for the poor to be prioritised and for rurality to be an element considered at every stage of the budget process. This is the "hard choice" that must be made

Numerous CSOs have lamented the lack of functional, regular platforms for dialogue between government departments, civil society and the public at large. This prevents meaningful engagement and partnership towards ensuring that the shared goals of openness, transparency and accountable government are met. The Open Government Partnership (OGP) – of which South Africa is a founding member - recommends the establishment of strong multi-stakeholder fora.

Such openness relating to public budget information is key to ensuring the progressive realisation of – amongst others – the rights to health, housing, social security and education. We thus appeal to the Committee to join us in advocating for the strengthening of public engagement in key decision making processes that not only facilitate input to key budget decisions but also create timely exchange of credible information. There is undoubtedly a need to respond to the 2017 clarion call in the Budget Speech of the former Minister in which he emphasised that *"Transformation should build on and strengthen democracy, and entrench open, transparent governance and the rule of law*" and beseeched all South Africans to contribute to an "*energetic coalition with labour, business and civil society*".