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BUDGET JUSTICE

2013

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PREFACE

The advent of democracy in South Africa introduced major changes in the nature of the public budget process. The new Constitution (1996) commits government departments to the progressive realization of various socio-economic rights within the constraints of available resources.

These rights include the right to education, healthcare, housing and social welfare. In order to effectively realize these rights through the delivery of public services, government departments and private service providers must implement effective accountability and service delivery systems. These include planning and resource systems for allocating resources, expenditure management systems, performance monitoring systems, integrity systems and oversight systems.

The budget reflects important choices that the government makes. It one of the most important tools the government has to achieve its economic and development goals without any major changes in existing legislation. To introduce a Basic Income Grant and/or a National Health Insurance (NHI) (two of the reforms discussed in this booklet) would, for example, alter the context of the government's budget work.

In the budget, the government sets out what it is going to spend (expenditure) and the income it believes it can collect (revenue), which pays for most of the expenditure. Governments can also finance a part of their expenditure with loans, and usually do so. How large the loan-financed part of the expenditure shall and can be (given the circumstances and given what instead ought to be collected in taxes) is one part of the budget discussion. Different kinds of taxes make up some 90 percent of the budget revenue.

It is important to measure the effectiveness of public spending and the manner in which resources are spent. The more immediate goals of applied budget work are to ensure that government budget priorities are consistent with declared policy objectives, and that the financial resources allocated to priority areas are expended fully and properly. From a civil society perspective, budget work has a larger purpose. It shall bring meaning to democracy through ensuring openness, transparency and accountability for public resources, and ensure that broader goals of social, economic and ecological justice are attained. Hence, the notion of *budget justice* used by the *Budget Justice Campaign* that came together a first time before the budget 2012, and again this year bringing together 27 civil society organisations in a declaration and a vigil before the Finance Minister Pravin Gordhan's budget speech in February in Cape Town. The reader will find the declaration at the end of this booklet.

On 23 April, the Budget Justice Campaign also gathered a one day seminar in Cape Town and discussed five different analysis of the 2013/14 budget: The government's general economic policy and the budget (**Ilan Strauss**), the budget and the social grants system (**Antonio Hercules**), violence against women and budget priorities (**Sultana Mapker** and **Penny Parenzee**) the delayed implementation of the national health insurance (**Daygan Eager**) and finally an analysis of the much debated efficiency of public money allocated to education (**Sean Muller**).

In light of the topic, we have to consider the question of: what is progressive budget analysis? When at its best, progressive budget analysis is a thorough and detailed review of the budget, from the perspective of the mass of economically (and indeed media-wise) marginalized people, namely the poor, women and the working class at large (urban as well as rural). It involves the collection, study and interpretation of budget data and other relevant information, such as political analysis of state policies and programs. Its aim is to provide alternative analysis and information that is credible, accessible, and makes a timely contribution to policy debates. It has the purpose of affecting the manner in which budget issues are decided and decisions are made, through (mass) mobilization as part of a broader process of changing social, economic and ecological power relations.

The engagement of civil society organisations in budget justice work cannot be a once off annual commentary on the official release and presentation of the Budget by the Minister of Finance in February. Effective budget justice advocacy processes must engage with the entire budget cycle, which is operational in phases throughout each year. In order for progressive NGOs, social movements and trade unions to engage with the budget we need a good understanding of the budgeting process. We also need to know about the post-1994 budget reforms, the structure of a typical government budget and the basics of budget analysis (including gender budgeting).

Budget justice is, however, inherently a political process. This booklet seeks to raise a fundamental starting point of engaging with public budgets. Progressive civil society must unite around specific budget objectives, that make sense to mobilise around, and that strengthen the campaigns of the mass movement towards addressing power relations.

The government's budget is not necessarily aligned to top priorities of social movements, or indeed not always aligned even to the stated priorities of the government itself. Currently government priorities include: Education, Health, Rural Development, Food Security and Land Reform, as well as Decent Work and Sustainable Livelihoods. Current priorities inform the government's budget choices, and are also the basis from which 12 outcomes were determined by Cabinet to improve public service delivery. Without contributing to changing power relations, public programs however do little but ameliorate the plight of marginalised groups, the poor and the working class. In addition, progressive budget analysis should therefore try to raise broader and longer-term political objectives in the spirit of *ubuntu*. If they were reached, these objectives would make room for a completely different and larger budget of the people and a vibrant Public Service Delivery Sector to be proud of.

Dick Forslund

Alternative Information and Development Centre
2013/07/31

1

BUDGET JUSTICE

SOCIAL PROTECTION

ANTONIO HERCULES

1.1 FOREWORD

According to Poverty and Social Exclusion (funded by the ESCR)[1], **absolute poverty** is often seen as a matter of acute deprivation, hunger, premature death and suffering. This captures an important understanding of poverty and its relevance remains widespread in parts of the world today. It focuses attention on the urgent need for action. As such, in 1995 the United Nations adopted two definitions of poverty. **Absolute poverty** was defined as: a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services. **Overall poverty** takes various forms, including: lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets. These are relative definitions of poverty, which see poverty in terms of minimum acceptable standards of living within the society in which a particular person lives. (UN, 1995)

It is common and understandable that many individual observers, analysts and commentators on social and economic matters find comfort in the real and tangible benefits of the social protection system in South Africa. This paper approaches the subject of budget justice with the understanding that the satisfaction of the basic needs of the many millions of poor in South Africa, as such, is defined from the dominant "absolute poverty" perspective. This tends to be a conservative view, based on an assumption that satisfaction of basic needs is the minimum obligation by the state, and (somehow) that the fuller, more complete aspects of human development will be acquired as a result of participation in the economy. In reality with deep structural unemployment, a low (jobless) growth trajectory, and a low-quality public education system, amongst many other life disablers, the masses are subjected to an existence of economic hardship and dehumanization that few will ever escape from, despite the best political intentions embedded in the current social protection system.

Nearly 20 years on, for many many households, South Africa is still "a nation in waiting". Impatiently waiting for the promises of the new South Africa to materialize… "…there shall be houses, security and comfort...". Yes, there are many small houses, but little security, and a lot of discomfort.

From a working class perspective (read social movements, unemployed and employed poor, even the struggling lower middle class, the disadvantaged, the marginalised) this paper argues that social protection is not enough, and things are not going to change soon enough. The current generation and many subsequent generations will have to be sacrificed (lead miserable lives) at the altar of the pre-1994 negotiated settlement to satisfy the consumption and status requirements of the elite. A basic needs perspective is shallow, and offers a little. A rights-based perspective offers prospects and better options for the working class, and allows for poverty and inequality to be addressed. Perhaps an expression of the post-Apartheid generation may be:

"We may be poor, undereducated, under-nourished, unemployed or low-skilled, less creative, have poorer language ability, may even be seen as inferior in your cold and heartless world, but... we are human, and we have as much right to a decent and fulfilling life as you do... We are not going away. We are waiting... impatiently..."

1 Poverty and Social Exclusion in the UK (PSE: UK) is a major research project, funded by the Economic and Social Research Council European Union. It is a major collaboration between the University of Bristol, Heriot-Watt University, The Open University, Queen's University Belfast, University of Glasgow and the University of York working with the National Centre for Social Research and the Northern Ireland Statistics and Research Agency. The PSE website provides a comprehensive research tool including a searchable digest of recent news stories and reports on poverty and social exclusion in the UK. Source: www.poverty.ac.uk/home.

1.2 SECTOR POLICY AND LEGISLATION

The South African Constitution protects the right to social security[2] in section 27 (1)(c) through the clause that: "*everyone has a right to have access to social security, including, if they are unable to support themselves and their dependents, appropriate social assistance*."[3] Based on this constitutional mandate, the White Paper for Social Welfare (1997) consequently makes a number of direct references to social protection, and asserts that

> "...social welfare policies and programmes which provide for cash transfers, social relief, and enabling and developmental services ensure that people have adequate economic and social protection during times of unemployment, ill-health, maternity, child-rearing, widowhood, disability, old age and so on. Social welfare programmes of this nature contribute to human resource development by enabling impoverished households to provide adequate care for their members, especially children and those who are vulnerable. When such programmes are combined with capacity building, people can be released from the poverty trap."

(Department of Social Development (1997:5) White Paper for Social Welfare)

But social protection service delivery in South Africa is not restricted to the Department of Social Development (DSD) – it spans a number of sectors: education, health, social development, public transport, housing, and local amenities (electricity, water and sanitation). The Expanded Public Works Programme (EPWP) also offers temporary work opportunities as a response to high rates of structural unemployment.

This paper is limited in its focus on the main department (DSD) delivering social protection services, because of the wide scope across multiple sectors that a comprehensive assessment would entail, and because budget-related data cannot be accessed from a single source.[4] At a basic level, social protection is concerned with the issue of how the society responds to vulnerable groups who are in a position where they are unable to earn sufficient income to meet basic needs, and access basic services. According to Scott Z (2012:5) social protection originates from the idea of the state as a provider and protector of citizens, emanating from the post World War II period in Western Europe. In the last two decades social protection has expanded to encompass four types of interventions: protective (recovery from shocks), preventative (mitigating risks in order to avoid shocks), enabling (promoting opportunities), and transformative (transforming unequal social and/or economic relations which give rise to vulnerability).

Social protection, as defined by the United Nations Research Institute For Social Development (UNRISD), is concerned with preventing, managing, and overcoming situations that adversely affect people's well being.[5] Accordingly, social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age.

The most common types of social protection are: (a) labour market interventions to promote employment, the efficient operation of labour markets and the protection of workers; (b) social insurance to mitigate the risks associated with unemployment, ill health, disability, work-related injury and old age, such as health insurance or unemployment insurance; (c) social assistance is

2 **Social security** is a concept enshrined in Article 22 of the Universal Declaration of Human Rights which states that *Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.* In simple term, this means that the signatories agree that society in which a person lives should help them to develop and to make the most of all the advantages (culture, work, social welfare) which are offered to them in the country. (Source: Universal Declaration of Human Rights/Plain Language Version: http://www.un.org/cyberschoolbus/humanrights/resources/plain.asp).

3 **Social security** may also refer to the action programs of government intended to promote the welfare of the population through assistance measures guaranteeing access to sufficient resources for food and shelter and to promote health and wellbeing for the population at large and potentially vulnerable segments such as children, the elderly, the sick and the unemployed. Services providing social security are often called **social services.** (Source: http://en.wikipedia.org/wiki/Social_security#cite_note-1)

4 Such a study is required in the future, to be undertaken within progressive civil society, from a pro-poor and working class perspective

5 Web Source: http://en.wikipedia.org/wiki/Social_protection

when resources, either cash or kind, are transferred to vulnerable individuals or households with no other means of adequate support, including single mothers, the homeless, or the physically or mentally challenged.

The broadening of social protection can be attributed to increased awareness and concern about globalized risks (for example, economic shocks), the emergence of human security as a unit of analysis, the global human rights discourse, and the centrality of the Millennium Development Goals. Beyond its obvious links to poverty reduction, social protection is now being seen as making a significant contribution to the promotion of economic growth and stability. Indeed, it has taken a global and economic crisis to push the social security development debate to the top of the development agenda.[6] The crisis has called into question many of the assumptions on which economic policy has been based over the past 30 years. Even in conservative UN circles, there are calls for politicians to take these experiences on board in creating a new economic model which must acknowledge the human right to social security – hence the emergence of the Social Protection Floor (SPF) initiative.[7]

Of course, the SPF initiative and similar programmes focused on social protection are limited, and tend not to address power relations nor the manner in which wealth is produced, shared and consumed in society, but they do provide an opportunity for trade unions, social movements, and other mass formations to advance the struggle for systemic alternatives to present patterns and configurations.

In 2002, the Taylor Committee of Inquiry into a Comprehensive System of Social Security for South Africa developed a definition of "comprehensive social protection" for South Africa that: "is broader than the traditional concept of social security, and incorporates development strategies and programmes designed to ensure, collectively, at least a minimum acceptable living standard for all citizens. It embraces the traditional measures of social insurance, social assistance and social services, but goes beyond that to focus on causality through an integrated policy approach including many of the developmental initiatives undertaken by the State" (Taylor Committee 2002). The Taylor Committee recommended four sets of measures, to address "income poverty" (provision of minimum income), "capability poverty" (provision of certain basic services), "asset poverty" (income-generating assets) and "special needs" (for example, disability or child support) (van Rensburg 2005: 10). This is a broad policy agenda that links social welfare interventions to other social services and to income generating development, though it does not focus directly on measures to promote human rights and social justice. The term social protection is often used interchangeably with social welfare in the South African context (Taylor V, 2001).

The provision of social protection in South Africa is underpinned by three "pillars": non-contributory (tax-financed), contributory and private voluntary contributions. Contributory arrangements are called social insurance, while non-contributory schemes include social assistance programmes. According to the ILO (2011),

"There have been many accomplishments in social security since the transition to democracy in 1994. Most notably are: the creation of important safeguards protecting the constitutional right to social security and social assistance for all people in need; the establishment of a dedicated agency, the South African Social Security Agency, to ensure uniform access to social assistance benefits for all qualifying residents; the expansion of benefits to children and elderly people; and the extension of unemployment insurance to domestic workers and seasonal farm workers. ... By implementing the main components of a Social Protection Floor (SPF), South Africa has made notable progress reducing extreme poverty over the last 15 years."

(ILO (2011:1) Social Protection Floor in South Africa).

6 Cichon M, Behrendt C, and Wodsak V (ILO 2011). The UN Social Protection Floor Initiative: Moving forward with the Extension of Social Security. In: Internationale Politik und Gesellschaft (IPG) 2/2011:pp.32-50.

7 An SPF seeks to guarantee access to nationally defined baskets of essential goods, services and income transfers that ensure that people are not hungry, do not suffer from treatable illnesses, do not remain uneducated, do not have to drink unsafe water, and do not remain homeless. It is based on the straightforward idea that people who have access to a basic set of goods, services and transfers in kind and complement or substitute cash transfers wholly or in part. (Cichon M, Behrendt C, and Wodsak V (IPG 2/2011:38)

At country level, the Department of Social Development's (DSD) mandate relates to the broader social protection requirements expressed in the Constitution (Section 27). It delivers on this largely through the provision of income support to poor households, aimed at alleviating hardship and destitution experienced by vulnerable groups. The DSD also plays a significant role in protecting the rights of children, youth, older persons, women and persons with disabilities through a range of welfare and community development services that contribute to social cohesion and nation building.

The DSD's key strategic priorities are to strengthen welfare services and community development and extend the reach and scope of social security provision. These priorities, in turn, arise from the Government's outcomes-based performance management framework, which focuses its delivery on: a long and healthy life for all South Africans (outcome 2), decent employment through inclusive growth (outcome 4), and vibrant, equitable and sustainable rural communities with food security for all (outcome 7).

The aim of the DSD is to "ensure protection against vulnerability by creating an enabling environment for the provision of a comprehensive, integrated and sustainable social development service".[8] The DSD delivers five programmes, namely: Administration, Social Assistance, Social Security Policy and Administration, Welfare Services Policy Development and Implementation Support. Of these, the most important in terms of social service delivery is programme two (cash transfers), with programme four focused on creating an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards, and best practices.[9] The programme is also concerned with the provision of support to implementation agencies, such as SASSA. In 2012, the social assistance programme was supporting 15.2 million South Africans, and was the largest budget responsibility of the DSD.[10]

South Africa's first social protection pillar is tax-financed, organized around targeted social transfers (cash grants) specifically designed to combat the most serious forms of poverty and vulnerability: old age (2,712,638 pensioners supported), war veterans, disability, care dependency, foster child (579,923 children supported), and child support grants (10.8 million children supported).[11] In addition to these, there are various other measures such as: subsidized housing, free public healthcare, free basic public education (for the defined poor), other free social services, subsidized public transport, and a universal quota of free basic services (water, electricity and sanitation). From a progressive civil society perspective, these mechanisms have delivered inadequate services, in terms of both scale (access) but especially quality, with the result that the mass of users of free public services have experienced their delivery as humiliating and palpably dehumanizing in the context of growing social inequality between the rich and the poor, and a structurally inaccessible economy in which many are alienated observers of the production, distribution and consumption of assets, goods and services. Re: public systems: education, health, public transport, RDP housing, etc.

The second social protection pillar provides mandatory social insurance for income groups above a threshold, including unemployment insurance, injury compensation and death or disability benefits. The third pillar provides for voluntary savings (private) over and above the measures included under pillar two, namely, pensions, risk benefits and healthcare.

8 Department: National Treasury (2012). Budget 2012. Estimates of National Expenditure. Government of South Africa: Pretoria
9 Department: National Treasury (2012:1)
10 Ibid, p.2
11 Ibid. Figures as supplied by National Treasury for 2012

1.3 SECTOR DELIVERY SINCE 1994, WITH A FOCUS ON THE LAST 3 YEARS

There has certainly been notable progress in the social domain in the post-1994 period, but it cannot be denied that the context remains bleak for the majority of South Africans:

- 17% of people in South Africa live on less than R10 per day (US $1.25)
- South Africa has a Human Development Index (HDI) value of 0.594, ranked 113 out of 182 countries (UNDP, 2009)
- Ranks amongst the most unequal societies in the entire world (in terms of income inequality measured by the UN GINI coefficient)
- There is an unemployment crisis with estimates of up to 40% of the economically-active population (using the expanded definition). Up to 68% of the unemployed are long-term unemployed, indicating the structural nature of the employment challenge.
- An extremely divided society, with many people (especially amongst formerly privileged White South Africans) who refuse to accept that there is a deep social crisis that needs to be addressed. The average annual income of a "white" household is about R365, 000 followed by so-called "Indians" (R251, 000), so-called "Coloureds" (R151, 500) and so-called "Africans" (R60, 600). (Source: Statistics South Africa, Census 2011).

In the post-1994 period, the country has performed admirably to deliver a constitutional right to social security and social assistance for all, provided uniform access to social assistance benefits to all South Africans, and provided social grants (cash) in an attempt to address poverty in the most direct manner. Currently more than 15 million people out of a total of 18 million dependent people below the age of 15, and above 65 years of age are supported by social grants, according to the ILO (2011).

In the last three years, the number of beneficiaries receiving direct anti-poverty assistance has increased by a minimum of 5% per annum between 2008/09-2011/12, bringing the total number to more than 15 million beneficiaries in 2012.

TABLE 1

SOCIAL GRANTS PROVIDED BY DSD

DEPARTMENT OF SOCIAL DEVELOPMENT 2012							
Performance Indicator	Total number of Beneficiaries						
	Past			Current	Projections		
Grants (millions)	2008/09	2009/10	2010/11	2011/12	2013/14	2013/14	2014/15
Old Age	2 300 000	2 500 000	2 600 000	2 700 000	2 800 000	2 900 000	2 900 000
War Veterans	1 599	1 236	963	804	703	622	551
Disability	1 400 000	1 300 000	1 200 000	1 200 000	1 200 000	1 200 000	1 200 000
Child Support	8 800 000	9 400 000	10 100 000	10 700 000	11 300 000	11 500 000	11 700 000
Foster Care	476 394	489 322	490 390	590 030	671 307	768 776	873 457
Care Dependency	107 065	118 972	120 917	123 109	133 915	140 726	146 587
Grant-in-aid	46 069	49 000	58 321	65 260	71 134	77 536	82 188
Beneficiaries	13 131 127	13 858 530	14 570 591	15 379 203	16 177 059	16 587 660	16 902 783

Source: NT (2012:3)

There is good evidence from micro-simulation studies to prove that social grants provided by the State significantly reduces the impact of poverty: the prevalence of poverty is reduced, and spending patterns are more focused on basic necessities like food, energy and education.[12] There are also significant development impacts of social grants: increased school attendance, investment in human capital because of improved school attendance, improved health and nutrition, increased gender equity, and an enabling effect on job searching and labour market participation.[13]

BUDGET SUMMARY (NOMINAL)/DEPARTMENT OF SOCIAL DEVELOPMENT							
R thousand	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
MTEF allocation							
Administration	203 431	217 742	226 581	235 300	255 277	264 545	279 843
Social Assistance	70 715 885	79 259 748	87 492 906	96 703 213	104 887 916	113 206 841	121 982 101
Social Security Policy & Administration	4 699 658	5 253 754	5 768 082	6 237 549	6 308 700	6 644 591	6 994 443
Welfare Services Policy Development & Implementation Support	271 825	375 885	399 151	439 617	513 824	529 203	543 290
Social Policy & Integrated Service Delivery	205 881	211 031	144 310	243 208	251 044	262 616	276 543
	76 096 680	85 318 160	94 031 030	103 858 887	112 216 761	120 907 796	130 076 220

As noted above, this paper is limited in its focus on the main department (DSD) delivering social protection services, because of the wide scope across multiple sectors that a comprehensive assessment would entail, and because budget-related data cannot be accessed from a single source.

One complaint often made about South Africa's social protection system is the relative lack of provision for the working-age poor. As the age of eligibility for children is raised and that for social pensioners is lowered, coverage of the population is steadily increasing, but the CSG is unlikely to be extended further (eligibility was raised to children under 18-years-old in January 2010) and the Older Person's Grant is unlikely to be lowered further (it was equalized for men and women at 60 years in April 2010), so the population between 18 and 60 years of age remains relatively uncovered by either social assistance (except for persons who qualify for the Disability Grant) or social insurance mechanisms.

Unemployment rates in South Africa are among the world's highest. Unusually, these rates are higher in rural than in urban areas, especially in the former "homelands". However, "only about 3% of the unemployed are receiving unemployment support at any one point in time" (Klasen and Woolard 2006: 2). The main source of employment-related social security is the Unemployment Insurance Fund (UIF), to which all formally employed workers must contribute through wage deductions by their employers, and which pays unemployment benefits, but only for up to six months. At the same time, the UIF is continuing its under-spending of the Fund's yearly revenues – a surplus of some R9-11 billion per year, that is budgeted going forward to 2015/16 (National Treasury 2013:93).

However, the Government has taken steps to extend social security to informal workers – a minimum (non-living/poverty) wage "sectoral determination" was introduced for domestic workers (about one million, mainly poor women) in 2002, and for farm workers in 2004, and these workers were included in the UIF. Despite efforts to extend coverage, only half (52%) of South Africa's 12.6 million workers are covered by the UIF – the other half are excluded because they work in uncovered sectors or in casual or self-employment – while a further 13 million working-age people are economically inactive and have no access to any form of social security at all (Lefko-Everett 2008: 21, 23).[14]

12 Devereux, S (2010) European Report on Development: Building Social Protection Systems in Southern Africa. European University Institute: Florence: Italy.
13 Madonsela, V (2010) A Presentation on South Africa's Basic Social Protection Floor to the UN Special Event on South-South Cooperation. Presentation delivered in New York on 02 February 2010. DSD: Pretoria.
14 Section taken from: Devereux S (2010)

There are still major gaps in the current social protection system:

- The country still lacks a comprehensive social security system, centrally based on a national public social insurance pension for formal sector workers.
- Cash grants target those who are not expected to be economically active, which works well, but there is little support for the high numbers of unemployed who are willing and able to work (besides the Unemployed Insurance Fund which provides temporary relief for those who qualify for a short period).
- The State (NDP 2012:333) acknowledges that Dependence on wage earners compounds existing wage pressure in the economy, and dependence on income from social grant recipients dilutes the anti-poverty effects of such grants, pushing households that are already poor even further into poverty.
- There is an absence of contributory coverage for those employed in the informal sector. According to the NDP (2012:333), there is no way to make payments towards contributory schemes through savings.
- Public employment schemes are failing – public employment schemes are currently only reaching between 3%-6% of the unemployed (NDP 2012:335), and are required to be expanded to reach and average of 30%-40% of the unemployed by 2014, and to cover about 2 million people per annum by 2020, or earlier. With the track record of the Expanded Public Works Programme Phase 1 over 2004/05-2008/09, just over 1 million job opportunities were created. These jobs tended to be very short term, with falling stipends, amongst other negative aspects. Prospects for a major sudden improvement in EPWP II appear highly unlikely.
- There is severe social fragmentation and massive demographic challenges in developmental social welfare: the approach is good (inclusive for all), but the distribution of public and private social welfare services remains skewed along racial lines and income divisions, with the wealthy having access to private services.
- Partnership with Civil Society Organisations is under serious pressure: although Government relies heavily on NGOs to provide critical frontline professional social services to the poor (because it doesn't have capacity and reach), funding is increasingly pressurized as a result of the changing international funding environment, with the result that NGOs are unable to respond effectively to the scale and complexities of poverty, social fragmentation and the lack of social support systems.
- The burden of care is increasingly falling on the poorest communities, women and the elderly, often leading to a sense of powerlessness and social isolation. To illustrate, there is an inadequate supply of social work, community development and child and youth care professionals in the country. There are currently only 55,000 social service professionals for the entire population's social welfare needs, and of these, only 15,000 are qualified social workers, who operate inside a system which provides poor working conditions and a lack of funding for social services. By its own admission, the Presidency has indicated that the current model is NOT working! (NDP 2012: 338).

The NDP 2012 concludes that there are five gaps in social protection that require serious attention:

- Problems and weaknesses in coordinating and implementing a number of government policies. Massive challenges in education and health service delivery, resulting in unfulfilled promises to the South African masses to improve their lives under democracy in these fundamentally important areas of basic services.
- Lack of social protection for unemployed people of working age (18-59).
- The need to address the crisis of youth unemployment.
- Strengthening of the social insurance system, specifically the retirement savings aspect.
- The neglect of social welfare services.

As the key department delivering social protection services in South Africa, the DSD's strategic priorities over the medium term are to strengthen welfare services and promote community development. It will do this by focusing on children, promoting and protecting older persons' rights, combating substance abuse and social crime, and working towards greater food security.[15]

15 Department: National Treasury (2012:2)

1.4 SECTOR FINANCING ISSUES

The National Development Plan (NDP) draws a distinction between the economic wage (earned through work) and the social wage (provided by Government), driven by the perspective that reducing the cost of living for low-income and working class households is essential for broadening economic participation and inclusive growth. Of course, from an alternative and progressive civil society perspective, the reduction of the cost of living for the masses is insufficient to alter the structural nature of social and economic inequality in South Africa, and the systemic drivers which create wealth and grinding poverty and unemployment simultaneously.

The general trends in the current 2013/14 budget with regard to social protection:

- About national development and so-called fiscal sustainability.
- First budget in which government's plans to implement the National Development Plan (NDP) are beginning to take shape.
- Expresses the central priorities of public policy: eliminating poverty and reducing inequality, with a focus on lowering the costs of living and doing business, increasing exports, creating more jobs and making economic growth more inclusive.
- National infrastructure programme is the most immediate contribution… to NDP goals. Capital investments in economic and social infrastructure will relieve serious constraints in electricity, transport, liquid fuels, water and housing, allowing for improved economic growth and quality of life for all South Africans. A total of R827 billion is budgeted… over the next 3 years.
- …Firm control over expenditure, ensuring that South Africa's finances remain sustainable… For five years, government has been budgeting in the context of the global financial crisis and its long-term consequences. …A budget deficit of 5.2% per cent is projected for 2012/13, narrowing to 3.1% per cent by 2015/16.
- 2012 Medium Term Budget Policy Statement… identified risks in the global economy… Government is trimming its medium-term spending plans by R10.4 billion.
- 7.8% (R682.3bn) of the total budget is allocated to social services.

There is little argument with the fact that the effect of social protection policy reform and related service delivery has been expansionary. The value of social grants has increased at a faster rate than inflation, and the safety net has grown as a result of policy amendments. Examples of the changes in recent years include: the means tests for all grants were significantly raised in 2007 (doubled in the case of the CSG). The CSG coverage was extended to cover all children up to 15 years at the beginning of 2009, and further amended in the same year to provide for children to their eighteenth birthday. In 2010, the age eligibility for the old age grant was made equal for both sexes.

Yet, in terms of health and education, the Government's legacy on HIV/AIDS is now clearly established as the largest blight on the post-1994 period, and free public schooling has produced masses of under-educated young people who have not been trained adequately to either study further, or find employment despite extremely high levels of unemployment.

	Government Achievements	Civil Society Responses
1	In 1994, Government introduced free primary health care – since built more than 700 clinics	Closing down of training facilities for nurses post-1994? Under-stocked, under-resourced facilities, under-staffed, etc. Already sickened by the burden of ill-health caused by unhealthy living and stresses linked to poverty and unemployment, the mass of South Africans are forced to utilize public health facilities which are free, but subject to an insulting and a dehumanizing experience.
2	Free health care to pregnant women, people with disabilities, pensioners and the indigent	An advance, but cold comfort viewed against the backdrop of under-staffed public health facilities, long queues, poor patient care, required medication that is often unavailable, and a two-tier health system (privatized) which actively discriminates against the poor resulting in unnecessary suffering and deaths. What happened to a basic right to be healthy?
3	World's biggest anti-retroviral programme	Denialism and deliberate obfuscation of health policy on HIV/AIDS resulted in the unnecessary deaths of at least 300,000 South Africans. Beetroot? African potato? Inefficiency in public health, makes access and the experience of service delivery dehumanizing, victimizing the poor through poor quality care.

	Government Achievements	Civil Society Responses
4	Previously fee exemptions for schooling, now no fee schooling in low-income areas	Privatised education, creating a massive divide between free public, co-funded public, and privately educated learners, thereby consolidating the class divides and exacerbating social inequality since 1994.
5	Free and Subsidized Housing (more than 3 million houses built since 1994 for 14 million people)	Many houses have been built post-1994, but working community landscapes have not been transformed, ghettoization continues, and there are major quality issues in the tiny houses that have been built for people. Major backlogs still exist, and the dominant pattern of Apartheid land inequality and hunger still persists.
6	Overall 85.5% of households receive free basic water compared to just over 50% in 1996.	What is the use of free water, when water is privatized, and cut off when poor households can't pay? The statistic just doesn't make any sense in the lived reality of the majority of people in the country. 20 households to a communal tap?
7	Free basic electricity (50KW) provided to all	Similar argument to free basic water argument
8	Since 1994, over 10 million have access to sanitation	See water arguments, and references to housing and land.

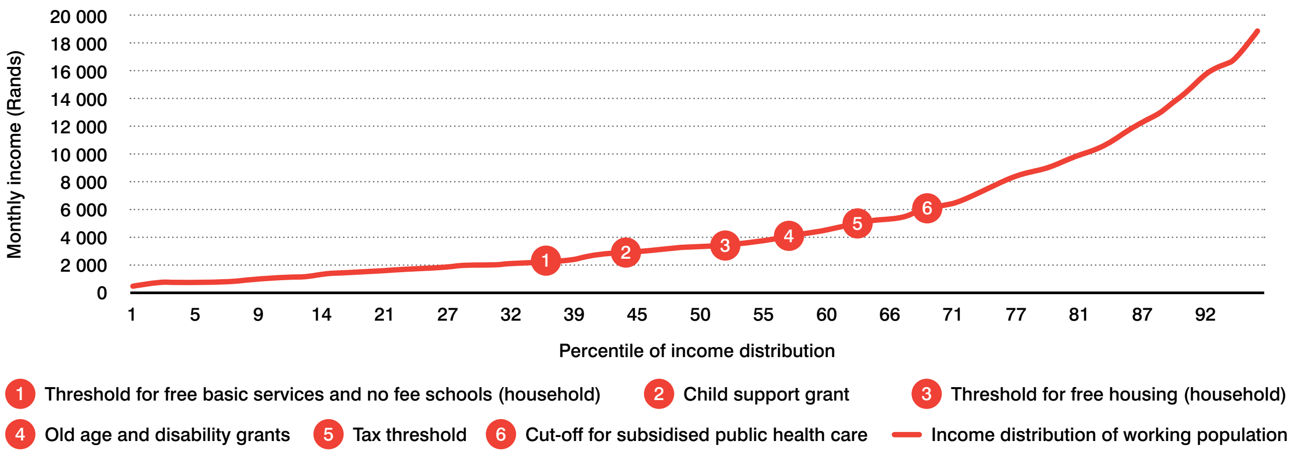
Major trends in expenditure on social protection (Budget 2013, NT 2013:82) are:

- **Spending on social development, health, education, housing and local amenities** has **more than doubled in real terms** over the past decade and now accounts for almost 60 per cent of public expenditure (social wage). In the period ahead (low growth projected), the State's emphasis will be on improved value for money.
- **Social assistance** provides a safety net for the most vulnerable and will contribute to the monthly incomes of over 16 million people in 2013.
- **Social development spending has improved living conditions** over the past decade, but service delivery must clearly be improved.
- Further steps in **retirement reform**, improvements in **contributory social insurance** and **piloting of national health insurance reforms** will progress over the medium term, reinforcing the links between earnings, social services and income support.

South Africa is characterized by high levels of poverty and inequality. Figure 6.1 (from Budget Review 2013) shows the distribution of individual earnings across the working population, indicating that **over 60 per cent of working people earn less than the tax threshold of about R5,000 a month**. The diagram reveals that the thresholds for social assistance, housing and free health care accommodate a substantial proportion of the population.[16]

FIGURE 6.1

MEANS TESTS AND THE DISTRIBUTION OF INCOME



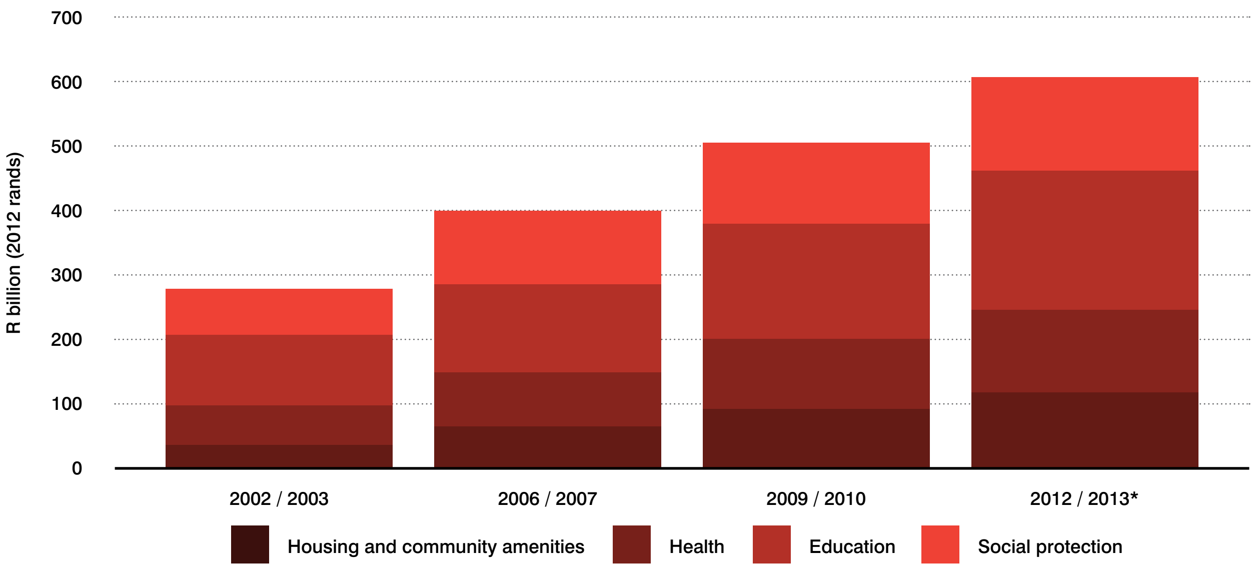
Source: National Treasury

16 Parents or caregivers earning less than R2, 800 per month are eligible for the *child support grant*, which pays R280 per month per child. At household level, where a household earns less than R3, 500 per month, it qualifies for a housing subsidy currently worth R84, 000.

Close to 60 per cent of government spending is allocated to the social wage. As Figure 6.2 (Budget 2013, NT 2013:83) shows, expenditure on these services has **more than doubled in real terms over the past decade**. As a percentage of GDP, spending on the social wage has risen from 13% per cent to 19% per cent over the same period. Social assistance pays an income directly to vulnerable households, while the other public services that make up the social wage replace or subsidise day-to-day expenses such as housing, education and amenities, to reduce the cost of living.

FIGURE 6.2

SPENDING ON THE SOCIAL WAGE (2002/2003 - 2012/2013)



**2012/13 is an estimate*

Source: National Treasury

The social assistance programme provides a regular income to South Africa's most vulnerable households and is government's most direct means of combating poverty. By the **end of 2012/13, nearly 16.1 million people were beneficiaries of social grants, up from 2.5 million in 1998.** Most of this increase relates to the expansion of the child support grant.

- **More than half of all households benefit from social assistance.** For 22% per cent of households, social grants are the main source of income. Social grants are funded directly through the fiscus and will contribute R113 billion to the income of low-income households in 2013/14. Access to social grants has been broadened in recent years by raising the means test income thresholds.

The number of child support grant beneficiaries has risen **from 5.7 million in 2004/05 to about 11.4 million** as a result of the increase in the eligibility age to a child's 18th birthday. An impact study conducted in 2012 found that receipt of this grant promotes early childhood development, improves educational outcomes, and contributes to better nutrition and health.

Table 6.2 (Budget 2013, NT 2013:85) shows beneficiary numbers by social grant and by province. **Average annual growth in the number of grant recipients was 5.3% per cent over the four years to 2012/13**, and is projected to moderate to 2.2% per cent a year over the period ahead.

TABLE 6.2

SOCIAL GRANT BENEFICIARY NUMBERS BY TYPE AND PROVINCE, 2009/10 - 2015/16

Thousands	2009/10	2010/11	2011/12	2012/13[1]	2013/14	2014/15	2015/16	Average annual growth 2009/10 - 2015/16
		Actual		Revised estimate		Projected		
TYPE OF GRANT								
Old age[2]	2 491	2 648	2 711	2 851	2 931	3 013	3 096	3.7%
Disability	1 299	1 212	1 172	1 179	1 180	1 181	1 181	-1.6%
Foster care	489	490	518	529	569	604	633	4.4%
Care dependency	119	121	122	130	135	140	146	3.4%
Child support	9 381	10 154	10 675	11 406	11 699	11 937	12 116	4.4%
TOTAL	**13 779**	**14 625**	**15 198**	**16 095**	**16 514**	**16 875**	**17 172**	**3.7%**
PROVINCE								
Eastern Cape	2 416	2 544	2 613	2 694	2 753	2 803	2 844	2.8%
Free State	806	869	900	941	961	977	992	3.5%
Gauteng	1 702	1 815	1 909	2 189	2 250	2 304	2 352	5.5%
KwaZulu-Natal	3 456	3 633	3 734	3 879	3 984	4 074	4 145	3.1%
Limpopo	1 974	2 100	2 113	2 135	2 188	2 232	2 268	2.3%
Mpumalanga	1 009	1 069	1 178	1 411	1 455	1 492	1 519	7.1%
Northern Cape	348	373	392	419	429	438	445	4.2%
North West	1 071	1 103	1 148	1 111	1 138	1 162	1 184	1.7%
Western Cape	997	1 119	1 209	1 317	1 356	1 392	1 424	6.1%
TOTAL	**13 779**	**14 625**	**15 198**	**16 095**	**16 514**	**16 875**	**17 172**	**3.7%**

1 Projected numbers at fiscal year end
2 Includes recipients of war veterans grant
Source: Socpan system

Few observers will be critical of the nature of social protection policy reform and related service delivery that has been tangibly expansionary, providing a critical crutch for the masses of South Africans living on the very margins of society, and who have little choice but to engage in a daily battle for survival and human dignity. This situation prevails even though the value of social grants has increased at a faster rate than inflation, and the safety net itself has grown as a result of policy amendments.

In the medium term, there is also little hope for a major change to occur in the lived experience of so many citizens, especially in an economic climate that is currently stuck in a low growth pattern and prone to unpredictable market instability. The global economic and food crises have called into question the possibility of achieving even the targets of the Millennium Development Goals of halving poverty and hunger by 2015 (UNRISD 2010:1).

Surprisingly table 6.3 (Budget 2013, NT 2013:86) shows that **total spending on social grants is projected to decline as a percentage of GDP from 3.4% per cent in 2011/12 to 3.2% per cent in 2015/16** as economic growth outpaces growth in recipients. These figures appear optimistic as logic suggests that high structural employment, combined with lower levels of economic growth is likely to place even further pressure on the social protection safety net, against the backdrop of a stable population growth rate.

TABLE 6.3

SOCIAL GRANT TRENDS AS A PERCENTAGE OF GDP, 2009/10 - 2015/16

R million	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
		Actual		Revised estimate		Projected	
Grants	79 260	87 493	95 962	104 239	113 007	121 482	129 493
Administration[1]	5 550	5 313	5 358	5 848	6 683	6 961	7 160
TOTAL	**84 810**	**92 806**	**101 320**	**110 087**	**119 690**	**128 443**	**136 653**
Administration as % of total	*6.2%*	*6.2%*	*6.1%*	*5.6%*	*5.6%*	*5.4%*	*5.2%*
Total as % of GDP	*3.4%*	*3.4%*	*3.4%*	*3.4%*	*3.4%*	*3.3%*	*3.2%*

1 Administration includes SASSA, payment contractors and appeals tribunal

- Government's **main spending focus over the medium term will still be on social assistance grants**, which on average comprise 93.8% per cent of total budget allocations between 2012/13 and 2015/16. These grants provide some basic level of income to poor households, which suffer the brunt of the unemployment, poverty and inequality that persists in South African society. It is estimated that social grants will be paid to 17.2 million beneficiaries by the end of 2015/16.
- Significant spending increases were evident between 2009/10 and 2012/13, mainly in the Social Assistance programme, as a result of the extension of the child support grant to 18 years and the equalisation of the old age grant at 60 years. Over the medium term, expenditure on the payment of social assistance grants is expected to increase to a lesser extent than during the previous three years because beneficiary growth is slowing as coverage of affected groups improves.
- National and provincial social development departments transferred R5 billion to the non-governmental sector for welfare services in 2012/13. These transfers will increase to R6.5 billion in 2015/16. The figures must be viewed against the trends affecting welfare NGOs. Whilst Government relies heavily on NGOs to provide critical frontline professional social services to the poor, the level of international funding of South African NGOs is in a downward trajectory due to sea changes in Official Development Assistance (ODA) (international aid) with the result that funding provided by the State is likely to be inadequate to sustain current levels of welfare service delivery. Current levels of proxy service delivery are already grossly inadequate to meet the scale of need. As of June 2012, there were 100,000 NGOs registered in South Africa, of which 40 per cent operate in social services, providing assistance to children, the elderly, the disabled and victims of abuse. Many NGOs are facing financial difficulties as a result of additional demand associated with their responsibilities and a decline in external donor funding.

It appears that the overall conclusion must be reached that the plight of the mass of South Africans, heavily dependent on small social grants to fund the needs of basic human survival is highly unlikely to change in the short-to-medium term. This in turn, means that social pressure is likely to continue to build, presenting increasing political risks to the post-Apartheid democracy.

1.5 THE STATE OF THE RIGHT TO HUMAN DIGNITY IN THE SECTOR

Through conscious design, South Africa has built the most comprehensive social protection system in sub-Saharan Africa (Devereux S, 2010). The main factors that have contributed to its current form have been political in nature, rather than economic. Whilst there is debate about its financial sustainability in the long-term, the primary condition for current provisioning is sustained political commitment (Devereux S, 2010).

It is certainly true that South Africa's contemporary social protection system must be contextualised within its unique history, which includes the introduction, as long ago as the 1920s, of elements of European-style social welfare provision, but for whites only. It is clear that design choices on social protection programmes – such as eligibility criteria, payment levels and linkages to other programmes – are not only technical decisions but also have profound implications for the distribution of state resources and for patterns of integration and social exclusion: they are, therefore, "deeply important politically" (Lund 2008: 59). This became particularly evident after South Africa's transition to democracy in 1994, as the ANC government has since used social policies to achieve overtly political goals – (to attempt redress historical injustices and inequities) – as reflected in new pro-poor social protection programmes, increased coverage of existing programmes, steadily rising budget allocations and payment levels, and a range of progressive social legislation (Devereux S, 2010).

The incidence of social grants, most of which are means tested, targets the poor. More than half of all households in the poorest two income quintiles, but less than one in ten in the richest quintile, are in receipt of child grants. Households in the poorest quintile receive two-thirds of their income from social grants. Several evaluations have confirmed that South Africa's social grants deliver a range of positive impacts to recipients and their families. These positive outcomes, which are consistent with findings from cash transfer programmes elsewhere, are evident in six categories: (1) Food security and nutrition: receipt of the Child Support Grant (CSG) reduces child hunger (Samson et al. 2010). Children who receive the Child Support Grant are significantly taller than other children, as measured by height-for-age (Agüero et al. 2006: i). (2) Human capital: The height gains attributed to the Child Support Grant translate into a potential increase in lifetime earnings that is estimated at 160–230% (Agüero et al. 2006). The CSG has been shown to increase school enrolment (Samson 2010). (3) Livelihood impacts: Social grants are not only consumed; they are also invested in a range of livelihood activities, from input purchases for farming to working capital for enterprises such as petty trading. This allows recipients to multiply the value of their grants, thereby generating income as well as raising consumption directly. (4) Economic and financial impacts: Predictable transfers allow recipients to manage risk better, protecting their assets and strengthening their resilience against livelihood shocks. Spending of social grants builds local markets and generates income and employment multipliers. (5) Empowerment: Social grants that target socially marginal groups – (such as older persons, people with disabilities and people who are chronically ill) – are associated with positive social impacts for these individuals. (6) "Macro-social" impacts: According to Neves et al. (2009: 2-4), "cash transfers generate important political effects in high-inequality, post-repression contexts such as South Africa. They not only are an effective redistributive mechanism, thereby tempering social unrest, they also have symbolically served as an important part of the renewed social compact between citizens and state". Hence, the politics of social protection.

From a basic needs perspective the impact of social grants appears very positive. But, as Devereux (2010) points out, the steady expansion of social grants has been paralleled by persistently high levels of poverty and inequality, and that the government, in its pursuit of a neo-liberal growth-driven economic policy, has favoured a welfarist response, rather than taking more radical actions to address the underlying causes of these problems. Poverty reduction should be part of long-term processes of social, economic and political transformation – pointing to the need to combine economic development and active social policy to reduce poverty and inequality over relatively short periods of time (UNRISD 2010:2). Indeed, poverty cannot be detached from the dynamics of development, implying that long-term processes of structural transformation (as opposed to poverty reduction) are central to public policy objectives.

Another option for delivering a guaranteed minimum income to the working-age poor is a Basic Income Grant (BIG) – a regular unconditional cash transfer to every citizen – which has been extensively debated in South Africa, and was recently successfully piloted in one community in Namibia (Haarmann et al. 2008). The idea of a Basic Income Grant was actually recommended by the Taylor Committee, as a measure to address structural unemployment, – to "relieve the income poverty of the many who will not be rescued by policies designed to stimulate gainful market insertion" (Taylor Committee 2002). The campaign for a Basic Income Grant in South Africa is motivated by a concern to ensure that all South Africans have enough income for their subsistence needs (Makino 2004). Despite mobilising some influential supporters, the BIG has not yet gained much political traction, with former Finance Minister Trevor Manuel being a high-profile opponent.

Using micro-simulation techniques, Samson et al. 2002 demonstrate that almost half the gross cost of a universal BIG in South Africa could be recouped from wealthier citizens through adjustments in the income tax structure, and from value-added tax, which would recover a large proportion of BIG spending by recipients. Nonetheless, the "targeting vs. universalism" dilemma remains (Mkandawire 2005): given a budget constraint, is it more cost-effective (from the poverty alleviation perspective) to target resources on the poor, or to spread these resources more thinly over the entire population?

Social contract

In South Africa, the delivery of social protection is not just a government programme (or a donor-funded project), but a "social contract" between the government and its citizens, underpinned by a commitment made in the post-apartheid Constitution, which is widely recognised as one of the most progressive in the world. This Constitution includes a Bill of Rights that confers the right to all South Africans: "To have access to social security, including if they are unable to support themselves and their dependants, appropriate social assistance" (Black Sash 2010). Importantly, this right is "justiciable" (it can be enforced by a court of law), subject to the state taking "reasonable legislative and other measures, within its available resources, to achieve the progressive realisation" of the right to social security (Proudlock 2010). The right to social assistance has been formalised in law, notably the Social Assistance Act of 2004, which defines eligibility criteria and other parameters of the social grant system.

Nonetheless, this combination of: (1) Constitutional provision, (2) a Bill of Rights, (3) legislation, plus (4) an appeals process, amounts to a "social contract" on social protection, which is unique in Africa. There is no doubt that the expansion of social protection since 1994 (through social grants as well as progressive social legislation) has been a remarkable and commendable achievement, and reflects a degree of political commitment to social justice that is unprecedented in South Africa's history (Devereux 2010). However, critiques of the current social protection system focus less on the system itself, but are more concerned about the failure of the country to reduce poverty significantly over nearly 20 years, and that the gap between rich and poor has been widening, leaving little or no option for the masses to escape the processes of marginalization and dehumanization linked to an existence on the very margins of society.

According to the (UNRISD 2010:2), there are seven arguments for the reduction of poverty and inequality in society. Relative to the arguments put forward, South Africa certainly appears to have failed (largely) to grab the opportunity to deal with these most critical issues in the post-Apartheid period.

	Seven Arguments towards the Reduction of Poverty & Inequality (UNRISD 2010)		Report Card/Post-Apartheid South Africa: F – fail
1	Poverty reduction requires growth and structural change that generate productive employment	✗	Some jobless growth, little structural change, export oriented and liberalization, privatization of health and education
2	Comprehensive social policies are essential for successful poverty reduction	✓	Comprehensive policy measures to address "income poverty" (provision of minimum income), "capability poverty" (provision of certain basic services), "asset poverty" (income-generating assets) and "special needs" (for example, disability and child support)
3	High levels of inequality are an obstacle to poverty reduction	✗	One of the most unequal societies on earth. Little change in access to productive assets (land); investment has occurred by social infrastructure but no fundamental change in urban design patterns for new settlements; affirmative action policies pursued for disadvantaged groups, but bedevilled by BEE; little investment in rural infrastructure, lumbering public works programmes never really taking off

	Seven Arguments towards the Reduction of Poverty & Inequality (UNRISD 2010)		Report Card/Post-Apartheid South Africa: F – fail
4	Poverty reduction requires effective state action	✗ ✓	Fiscal reforms to make revenue collection systems more efficient, but reduction in taxation rates of the rich and corporate entities (even when compared with Apartheid tax policy); Significant real growth increases in social protection budgets
5	Politics matters for poverty reduction	✓ ✗	The protection of civic rights, active and organized civil society, and political parties that effectively engage the poor and other disadvantaged groups. However, the rights and political consultative process adopted has generally failed to give citizen groups the power to effect real change or to get policy makers to deliver on agreed-upon goals. Many typically feel that real decisions on policy delivery lie elsewhere.
6	There are many paths to poverty reduction	✗	Most countries that have been successful in exploiting the benefits of globalization have adopted heterodox policies that reflected their national conditions, rather than fully embracing market-conforming prescriptions. The policy development post-1996 has in effect been a home-grown South African structural adjustment programme (SAP), designed to create an investor-friendly environment, unfortunately at the cost of the domestic economy and jobs
7	Poverty is reduced when economic and social policies, institutions and political arrangements are mutually supportive	✗	Reducing poverty entails not only having employment-centred growth strategies, or pursuing comprehensive social policies, or even getting the politics right. It is also about consciously coordinating policies and institutions in those three domains to deliver maximum impact. Cumulatively over nearly 20 years, South Africa has performed very poorly in this area.

From a budget justice activist perspective, extreme poverty, inequality and vulnerability are symptoms of social justice and structural inequality, and campaigns for social protection are an inviolable right of citizenship. Targeted cash transfers, and subsidized public goods and services are indeed a (necessary) step towards ad hoc, humanitarianism and the ideal of a guaranteed “universal social minimum” (basic income grant, for example) based on “citizenship”, but are insufficient to enable the masses to achieve their full potential and freely exercise the range of dimensions of human existence.

Many current global issues and debates also link with social protection. Amongst the most significant are alternative political analysis, the global financial crisis, and climate change. The political analysis offered in this paper points to several important factors related to power, ownership, and political will which affects how progressive civil society is to make sense of social protection in South Africa. The provision of public goods through social protection programmes can certainly radically alter a government’s power base, and could therefore be used as a way of maintaining or increasing power.

1.6 CONCLUSIONS, RECOMMENDATIONS AND POLITICAL DEMANDS

It is clear that there is a massive humanitarian crisis in South Africa.

Although the Government has addressed the challenge through major advances and development of the social protection system in South Africa, the lived reality of poor South Africans has not changed significantly over the last two decades in the post-Apartheid democracy. In simple terms, the new order is NOT working for the masses – although there is amelioration of poverty and a serious attempt to deal with the challenge of meeting the needs of daily existence for the poor, there is no real narrowing of the key social and economic divides between rich and poor, and there is a palpable inadequacy of social development welfare service delivery. The budget 2013 reflects this.

On the one hand, gross inequality in South Africa is the inevitable effect of a constrained tax policy that shies away from a more radical redistribution of corporate and personal incomes, and favours tax cuts for the rich (discussed elsewhere in this publication). On the other hand, there is a limit to what redistribution of incomes can accomplish in a country where *primary* distribution of the national income between corporate profits and compensation to employees is heavily skewed to profits. Wages and salaries, in turn, are grossly unequal in distribution among employees.

It is clear, therefore, that the country needs fundamental change, meaning transformation of the social and economic order to allow for the masses to experience what the middle classes and the elites take for granted as a basic minimum – freedom from the ravages of poverty and related dehumanization.

Budget Justice for (working) poor women, men, and children requires radical and massive changes to traditional sector and line budgeting and implementation processes, and the mass, genuine involvement of ordinary people across communities. Nearly two decades after 1994, the political pressure is building from below. Patience is running out, and there are increasing demands put forward for immediate change.

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2

BUDGET JUSTICE

MACROECONOMIC POLICY IN A MINERAL RICH ECONOMY

ILAN STRAUSS[1]

2.1 THE CURRENT MACROECONOMIC ENVIRONMENT

The South African Budget faces the long-term challenge of how to manage, grow and industrialise a fairly open[1] mineral-intensive economy with incredibly high levels of unemployment and inequality. The present context in which this question is asked is a global recession which is entering its 6th year and in which South Africa (SA) finds its economy lagging significantly behind its peer group.

The 2013 Budget forecasts a relatively robust response from South African exports and GDP (Table 1), especially given domestic policy and international economic conditions.

TABLE 1

SOUTH AFRICA'S MACROECONOMIC OUTLOOK

MACROECONOMIC OUTLOOK - SUMMARY, 2012-2015				
Real growth	**2012**	**2013**	**2014**	**2015**
Percentage	**Estimate %**		**Forecast %**	
Household consumption	3.4	3.1	3.7	3.9
Capital formation	6.4	5.7	5.9	6.5
Exports	1.1	3.9	6.7	7.2
Imports	7.2	5.9	7.2	7.3
Gross domestic product	**2.5**	**2.7**	**3.5**	**3.8**
Consumer price inflation (CPI)	5.7	5.6	5.5	5.4
Balance of payments current account (percentage of GDP)	-6.1	-6.2	-6.3	-6.0

Source: National Treasury 2013

The budget attempts to achieve these targets through reducing the real growth in government spending, keeping debt service costs as a percentage of GDP constant, keeping monetary policy as is, and working towards achieving the National Development Plan (NDP) through subsidising profits and expanding public infrastructure.

1 Economics researcher based in Cape Town, South Africa. Contact: ilanstrauss@gmail.com

2 The South African Chamber of Commerce and Industry (Sacci) notes that 30% of South Africa's gross domestic expenditure is on imported goods and services, while exports account for 28% of domestic output. See: http://www.bdlive.co.za/business/trade/2013/04/05/davies-unveils-fifth-industrial-plan-with-focus-on-boosting-jobs-and-innovation

2.2 WHAT IS MACROECONOMIC POLICY IN SOUTH AFRICA?

Macroeconomic policy is concerned with the economy as a whole. It analyses the economy through aggregates (e.g. effective demand) inseparable from, and irreducible to, each of its parts. The aims of macroeconomic policy are, according to the South African Reserve Bank (SARB),[3] economic growth, full employment, price stability (low inflation), and balance of payments stability. Achieving these goals in a mineral rich economy requires macroeconomic policy (fiscal and monetary) to be acutely aware of the additional challenges which this brings.

Fiscal policy is concerned with the level and type of spending by government. Monetary policy is concerned with how government controls prices and money (and in turn the level of economic activity). The aim of monetary policy in South Africa is price stability. Fiscal policy in South Africa is governed by the principles of counter-cyclicality, debt sustainability and intergenerational equity. According to Pravin Gordhan (2013):

"**Countercyclicality** means that spending supports the economy during downturns, even if revenue is insufficient, and the accumulation of debt is reversed to build fiscal space as the economy recovers. **Sustainability** ensures that debt remains under control so that government can continue to borrow at reasonable rates. **Intergenerational fairness** means that our children do not have to repay debts taken on today unless they also share in the benefits of assets created by that spending."

In practice, it is uncertain if fiscal policy is always countercyclical (Frankel, Smit, Sturzenegger 2006).[4] Countercyclical fiscal policy has been criticized from both quarters. Creamer (2008), implicitly attacks the static assumptions in counter-cyclical fiscal policy, and argues that:

"it is necessary that the democratic developmental state use fiscal policy as a supply-side instrument with the objective[...]of creating physical infrastructure and human capital which in turn generate enormous positive externalities for the wider economy. Such supply-side changes will lead to improvements in long-run growth potential of the economy."

On the other end of the spectrum, the Harvard panel[5] has criticised fiscal policy[6] for not being tight enough. This they believe will increase savings and reduce demand. In turn this, they argue, will reduce inflationary pressure -- allowing for a lower interest rate with a more competitive exchange rate. This misunderstands where inflation in South Africa originates from (see later sections); and makes no mention of how a reduction in demand (through restrained fiscal policy) will work against a reduction in interest rates in generating any sustained supply response.[7]

SARB aims to stabilise prices and expectations as the central means to achieving the macroeconomic goals mentioned previously: "In the short-run macroeconomic policy should provide stability and certainty, helping manage the ups and downs of the economic cycle and maintaining growth in productivity" (Kganyago 2011, pg.4). This is SARB's engine of growth: "a credible and stable macroeconomic policy – meaning minimizing large changes to key variables – allows households and businesses to be more confident when planning for the future. This induces more saving and investment, more rapid economic growth and greater job creation" (Kganyago 2011, pg.4). A strategy premised entirely on the basis of price stability has proven quite inadequate in increasing investment in South Africa to the necessary levels. It is surprising that this seems to never be recognized by SARB.

3 http://www2.resbank.co.za/internet/Glossary.nsf/0/76b5b02d8d629ee442256b43002e0d97
4 2003 MTBPS saw the budget deficit grow to over 3% of GDP for the first time since GEAR.
5 The International Panel on the Accelerated and Shared Growth Initiative for South Africa (Asgisa) was chaired by Ricardo Hausmann of Harvard University and included a team of 23 international and 6 South African authors. It conducted its work during 2006 and 2007.
6 "The way to implement this cyclically adjusted fiscal policy would be to have a relatively flat spending profile while taxes would move procyclically, generating an automatic countercyclical fiscal policy." Frankel, Smit and Sturzenegger (2008, pg.71)
7 Creamer argues that: "It looks only at the impact of fiscal policy on demand side factors – like inflation and interest rates – and offers no insights into the supply side impact of public sector programs."

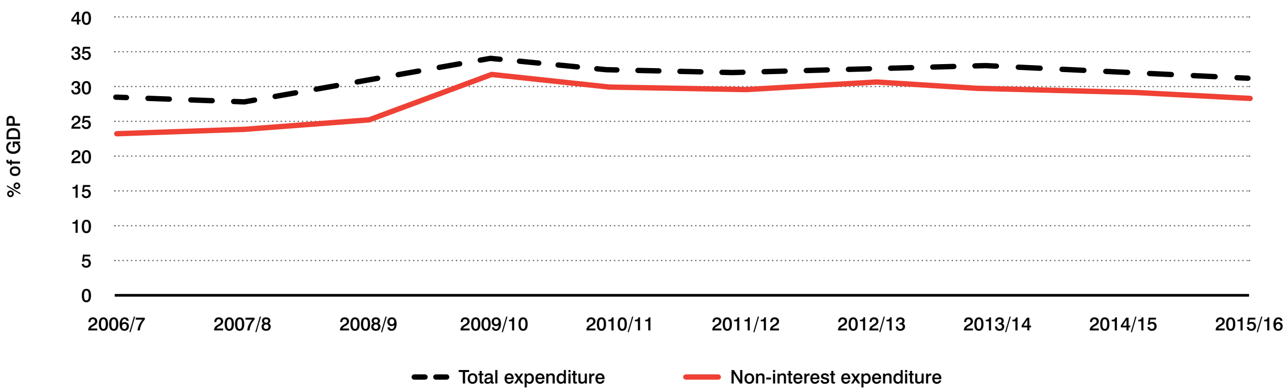
2.3 THE BUDGET: BUSINESS AS USUAL

The 2013 Budget aims to gradually address long-term systemic issues through the National Development Plan (NDP), while at the same time slowly reduce the Budget deficit. The latter is in line with government policy of ensuring sufficient 'fiscal space' to engage in counter-cyclical fiscal policy again in the future.

Though the 2013 Budget reflects no change in the scholarship, policy, or vision of the Treasury and the Reserve Bank, it reflects a continuation of a structural shift in expenditure. Part of this shift is cyclical -- a temporary response to the crisis, owing mainly to slowing GDP growth. But part of this shift is structural. Non-interest expenditure as a percentage of GDP has grown strongly from 23.5% in 2007/8 to 30.2% by 2012/2013. Total expenditure has seen a similar, though not quite as dramatic, increase.

GRAPH 1

CONSOLIDATED GOVERNMENT EXPENDITURE, 2006/7-2015/6



Source: National Budget (selected years).
Data note: 2013/14 onwards is a 2013 Budget forecast.

Total revenue to GDP has declined during this period but of the same order; indicating that some of the expenditure increase is in fact structural (i.e. not owing to any short-term decline in GDP). This is line with the analysis by Steyn (2013).

The Budget slows down real (non-interest) spending growth over the next three years from 2.9% to 2.3% in order to try and retrieve some 'fiscal space'. Expenditure as a percentage of GDP declines from 32.9% in 2012/2013 to 31.2% in 2015/2016, with revenue increasing by 0.4% of GDP during the same period. In total this reduces spending by R10.4 billion over next three years *relative* to the 2012 Medium Term Budget Policy (MTBP). Despite this, debt is still rising relatively and absolutely in the Budget. Government aims to stabilise the stock of debt at 40% of GDP by 2015/2016. At this rate debt service costs are kept stable in relative terms at 2.8% of GDP.

Secondly, the Budget seeks to address systemic issues facing the economy by framing its allocations and long-term objectives within the context of the NDP. The NDP (quoted in National Treasury 2013) points out that "to grow faster and in an inclusive manner, the country needs a higher level of capital spending. Gross fixed capital formation [investment] needs to reach about 30 % of GDP by 2030, with public sector investment reaching 10 % of GDP, to realise a sustained impact on growth and household services."

The Budget begins to work towards this by:

1 Slowly shifting expenditure from current items to capital – including investing more heavily in infrastructure and capital;
2 Pushing down wages in the public and private sector, with the latter occurring through a youth wage tax incentive (YWTI).
3 Incentives are provided for small businesses, employers, and firms in special economic zones through tax breaks and allowances.

Turning to each of these in turn:

(1) In line with OECD (2013) recommendations, the budget tries to slowly shift spending away from current items (spending which needs to be made recurrently to sustain the supply of goods and services, and includes transfers) to capital items. Current payments go mainly to servicing debt and paying employees. Transfers and subsidies are not primarily used to fund capital expenditure. The major component of transfers and subsidies goes to households. The Budget seeks to reduce real growth in employee compensation, debt payments, and transfers to households. In important instances real expenditure growth is negative. Monthly social grant values are all declining in real terms. The child support grant grows by a mere 3.6% from 2012/13 and 2013/14 (National Treasury 2013, pg.84).

The shift towards capital expenditure in the budget is vital. However, it comes at the cost of some necessary current expenditure for two obvious reasons, neither of which must go uncontested. The first is Treasury's unwillingness to review key tax rates, except downwards. Forslund (2012) notes that government has stuck very closely to keeping tax revenue as a proportion of GDP at 25%, with a slight drift upwards since 2004 (Steyn 2013). Post-apartheid, the top marginal personal income tax rate and the corporate tax rate (including the effective rate) have been in steady decline since at least 1999/2000.[8] The limitations that such a tax policy, dogmatically adhered to, places on achieving a more robust and egalitarian investment-led growth strategy is immense.[9] The Budget (National Treasury 2013) calls for a tax review which will include a review of the mining tax regime (including the royalties mechanism). Such a review should include a thorough assessment of if effective corporate rates, and especially personal income tax rates for higher earners, should be raised.

The second reason why Treasury is cutting, even in some instances in real terms, important current expenditure is because of Treasury's unwillingness for the state to act as a driving mechanism to 'crowd-in' private sector investment. The corollary of achieving price stability is a highly prescribed role for the state, in many instances inappropriate for a country with probably the highest level of inequality in the world and mass open unemployment above 36%. In other instances, government involvement in the South African economy has shown to be regressive acting simply as a mechanism to redistribute wealth between racially distinct groups but of similar wealth. Treasury seems unwilling to draw such distinctions on paper.

Unsurprisingly, given Treasury's stance on the role of the state, the OECD (2013, pg.25) finds that: "the reduction of inequality attributable to taxes and transfers [in South Africa] remains well below OECD levels." This is to be expected given that OECD levels of average tax to GDP have increased from 25.4% to 33.8% between 1965 and 2010. Wide variation is evident with Mexico at a low of 18.8% to Denmark at 47.6%[10]. Based on international best practice it seems that a fixed tax-to-GDP rule makes little sense given the constantly changing global economic environment and the growing role of government in virtually all industrialized countries prior to austerity in the West.

Lastly, expenditure is shifted to capital in the Budget through infrastructure programs. A total of R827 billion is budgeted for infrastructure over the next three years driven by a Presidential Infrastructure Coordinating Commission (PICC). However, owing to severe weaknesses in planning and capacity the Treasury notes that implementation has been behind schedule. Electricity and liquid fuels will take up most (62%) of government's major infrastructure spending from now until 2023. In contrast education, health, telecommunications and human settlements account for only 11% (National Treasury 2013, pg.97). The institutional and policy slant to core mineral and energy sectors seems to occur at the expense of providing general social services and infrastructure orientated for other sections of capital, as frequently emphasised by Fine and Rustomjee (1996) and subsequently by others (Black and Hasson 2012).

(2) Government employees wages rise by 1.3% in real terms between 2012/13 -2015/16, while private sector wages are moderated through youth wage subsidies (National Treasury 2013). The latter acts as a subsidy on profits and is extended to all employees in Special Economic Zones (SEZs). SEZs will have a 15 % corporate income tax rate and tax deductions for all employed workers earning less than R60 000 a year. In addition, a

8 See historical tables here: http://www.ftomasek.com/olderrates.html and at Grant Thornton: http://www.budget2011.co.za/fiscal-e-file/income-tax/income-tax-rates/

9 According to the OECD: "After the mid-1980s, most OECD countries substantially reduced the statutory rates of their personal and corporate income tax, but the negative revenue impact of widespread tax reforms was often offset by reducing or abolishing tax reliefs." See: http://www.oecd.org/ctp/tax-policy/revenuestatisticstaxratioschangesbetween1965and20102012edition.htm

10 See: http://www.oecd.org/ctp/tax-policy/revenuestatisticstaxratioschangesbetween1965and20102012edition.htm

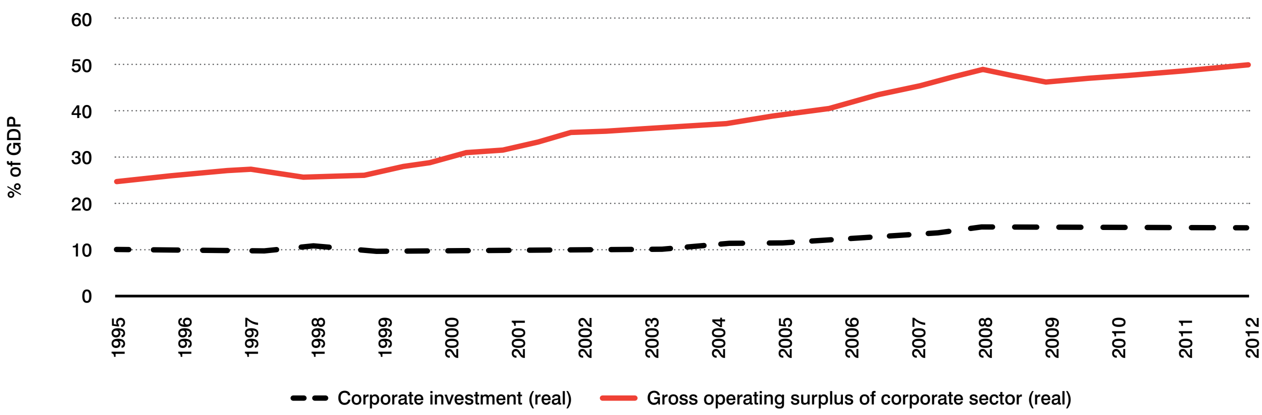
"youth employment tax incentive" is provided for in the Budget and will be tabled for consideration by Parliament. Other tax incentives provided are for small business corporations.

No serious evidence is provided that wage costs of low-skilled workers are constraining the economy's growth and investment rates. The Budget uses *nominal* unit labour costs to argue why wage costs have been excessive as well as the findings of a randomized control trail conducted by a research unit at WITS called AMEIRU – heavily criticized by academic economists at the University of Cape Town from across the spectrum – to show the benefits of wage subsidies. The evidence collected by the OECD (2013, pg.22) notes to the contrary, that recent *real* wage growth in South Africa has been moderate and even contributed to downward inflationary pressures. Real unit labour costs (wages relative to labour productivity) have seen declining real growth, and have been negative since early 2011. Following on from Leibbrandt et al. (2010), the OECD report finds that the real earnings of the bottom deciles have not risen post-apartheid and instead fallen dramatically relative to earnings in the top deciles (OECD, 2013, pg.25).

Moreover, notwithstanding appeals to the "confidence fairy", it is uncertain how such wage subsidies will promote *additional* employment unless it raises the rate of investment. As can been seen from Graph 1 below, the link between profits and investment has become increasingly tenuous among corporate in South Africa:

GRAPH 2

CORPORATE PROFIT AND INVESTMENT, 1995-2012



Source: Constructed from SARB online (2013)

The more pressing industrial policy task of undoing South Africa's excessive reliance on mineral exports (as noted by the Budget) is not addressed in any direct and substantial manner by the Budget. The main channel is through growing the DTI's budget by 10.9% a year, to reach R11.4 billion. This includes R5.5 billion for the manufacturing competitiveness enhancement program and R2.1 billion for SEZ 'race to the bottom' tax and labour incentives for foreign capital.[11]

In summary: the Budget reflects no fundamental change in government's long-term approach to dealing with unemployment and inequality, except in more actively subsidising profits and coordinating (selective) infrastructure expansion. The hope is that this will see GDP grow by 3.5% and 3.8% by 2014 and 2015 respectively and that CPI inflation will remain below 5.6% from 2014.

11 See the New York Times for a growing awareness of the fiscal damage such zero-sum policies bring: http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html?_r=1&

TABLE 2

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2012/13-2015/16

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2012/13 - 2015/16				
	2012/13	2013/14	2014/15	2015/16
R billion	Revised estimate	Medium-term estimates		
Revenue	**887.8**	**985.7**	**1 091.1**	**1 199.8**
Percentage of GDP	*27.7%*	*28.0%*	*28.1%*	*28.1%*
Expenditure	**1 055.9**	**1 149.4**	**1 244.3**	**1 334.1**
Percentage of GDP	*32.9%*	*32.7%*	*32.1%*	*31.2%*
Budget balance	**-168.0**	**-163.7**	**-153.2**	**-134.4**
Percentage of GDP	*-5.2%*	*-4.6%*	*-3.9%*	*-3.1%*
Gross domestic product	3 209.1	3 520.3	3 880.4	4 270.8

Source: National Treasury 2013

2.4 MONETARY POLICY: PRICE STABILITY?

Monetary policy hardly features in the Budget; though it remains inseparable from a discussion on government's macroeconomic policy framework.

Monetary policy is concerned with money and prices and its affect on output. In an open economy the key price is the exchange rate which is itself a function of the domestic price level.[12] The Budget makes clear mention of the unresolved challenges which monetary policy faces globally and in South Africa: namely exchange rate volatility and misalignment.

South Africa has adopted an inflation targeting (cum floating) monetary policy since February 2000,[13] thereby subordinating the exchange rate to this goal (for historical overview of its operations see Aron and Muellbauer 2006). The trade-offs of such a policy are traditionally viewed within the context of the macroeconomic trilemma (Graph 2 below), with many arguing that the middle-ground has vanished and policy makers are forced to choose between two of: monetary policy independence, full financial integration into global markets, and exchange rate stability (with reference to South Africa see Creamer n.d.). There is reason to believe that the middle-ground is attainable though not without difficulty (Krugman 1991, Nissanke & Kaltenbrunner 2009).[14]

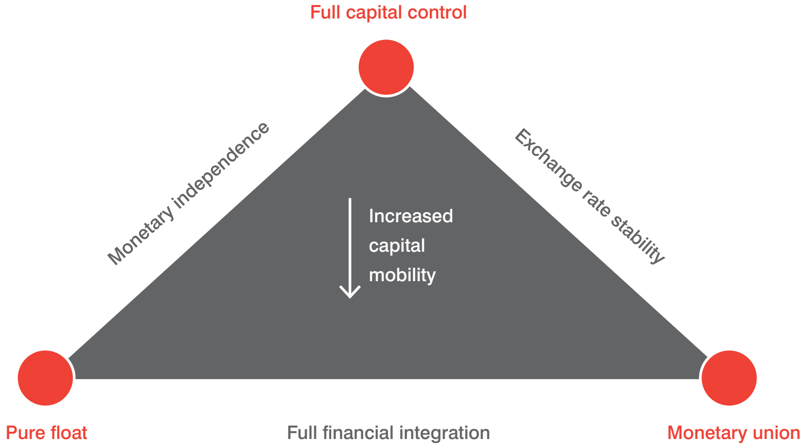
12 This can be seen in RE = P*e/P , where the real exchange rate (RE) is equal to the foreign price level P* multiplied by (e), the nominal exchange rate/ the nominal domestic-currency price of foreign currency, divided by the domestic price level (P).

13 As from 25 February 2009 the inflation target is a range of 3 to 6 % for the year-on-year increase in the headline CPI (CPI for all urban areas) on a continuous basis. This was announced by the Minister of Finance in his *Medium Term Budget Policy Statement* on 21 October 2008. The target range was initially set by the Ministry of Finance, but is now set by the National Treasury (a department of the Ministry of Finance), after consultation with SARB. The final government decision is reached at Cabinet level.

14 According to Krugman the positive effects of a managed peg on speculators' expectations allow the exchange-rate to have a greater mean reverting tendency around the edges of the specified target. Stabilization rests crucially on government's credibility which creates 'honeymoon affects' around the edges to avoid speculative attacks. The challenge remains establishing and sustaining credibility, without which interest rate volatility and reserve accumulation become pervasive.

GRAPH 3

THE MACROECONOMIC TRILEMMA



The trilemma challenge is generally posed as how to combine credibility (price stability) with flexibility (policy discretion).

South Africa's costly and not entirely effective attempt to preserve the value of its currency during the 1998 East Asian Crisis by raising interest rates and intervening in the FX markets seems to have played an important role in giving South Africa a 'fear of intervention' (cf. with the classic 'fear of floating' which many key developing economies have, see Calvo and Reinhart 2000).[15]

South Africa has chosen a derivative of the bottom left hand-corner (for further discussion on exchange-rate regime see Corden 2004). Inflation targeting aims to create credibility in price targeting, assuming a trade-off between credibly and flexibility in policy. Under such a regime, inflation is targeted through anchoring *inflation expectations* in an institutional framework. In theory, government's hands are tied and an independent, accountable, and transparent Reserve Bank[16] pursues a medium-term inflation target by varying the short-term interest rate. Combined with a floating regime, the exchange rate rather than the domestic price level absorbs the shock of capital flows. Such a regime is not problem free. Glyn (2006) finds that a floating regime exaggerates adjustments to fundamentals, overshooting and undershooting, not smoothing. In South Africa's case insufficient evidence exists to show that targeting inflationary *expectations* has been successful in reducing inflation (more on this later); in accelerating investment; and in transforming the economy away from its inherited comparative disadvantages. (For a more positive evaluation see Aron and Muellbauer 2006). Relative price stability has proved insufficient by itself to generate these outcomes.

Kantor and Kavli (2011)[17] argue that inflation is not particularly affected by inflation expectations in South Africa. If this is the case, then using the interest rate to target these expectations is not productive. Given that apparently inflation expectations are not influencing inflation, a Reserve Bank should not use the interest rate to respond to inflation arising from transitory supply-shocks[18] (though monetary policy often does in South Africa, thereby becoming procyclical, see Frankel, Smit, and Sturzenegger 2006). Interest rates can affect demand-pull inflation in the short-term but this instrument cannot work as a substitute for fixing imbalances between

15 Available at: http://www.nber.org/papers/w7993 It is clear the intervention was expensive on SARB's forward book but one is not entirely sure if they were ineffective, even though they required far more 'fire-power' given that they were not part of a wider policy of a currency band to influence traders' expectations.

16 The dogma of central bank independence is fading for a number of reasons. See the following piece by Mario I. Blejer, a former Governor of the Central Bank of Argentina: http://www.project-syndicate.org/commentary/the-necessary-erosion-of-central-banks--independence-by-mario-i--blejer. In law, Japan, the US, and England purposefully take a flexible approach to how they define an 'independent' central bank: http://www.project-syndicate.org/commentary/the-end-of-central-bank-independence-by-sylvester-eijffinger-and-edin-mujagic. This allows their governments to direct central bank policy when they see necessary. At present "All three countries are violating the most important central-banking commandment: Thou shalt not engage in monetary financing of government spending."

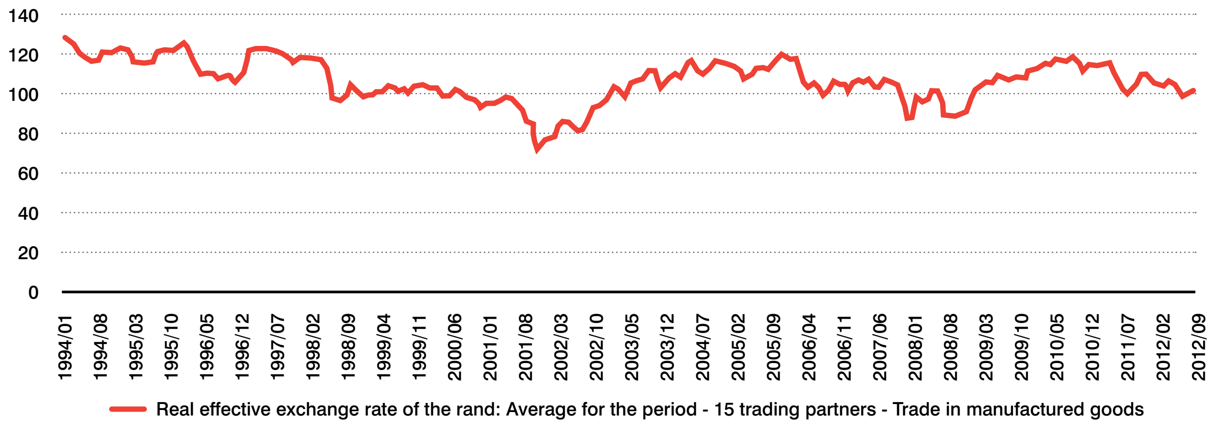
17 They find no evidence that "that inflation follows inflationary expectations" in South Africa. Targeting expectations remains a theoretical proposition which has not been integrated into the peculiarities of South Africa's macroeconomy. Trying to constrain the so-called 'secondary' inflation affects can lead to monetary policy being pro-cyclical.

18 See: Bernannke, B. and Mishkin, F., 1997, 'Inflation Targeting: A New Framework for Monetary Policy?', *The Journal of Economic Perspectives*, 11:2

aggregate demand and supply. Improving supply capacity requires industrial policy and investment. Moreover, macro-prudential measures (including capital controls) will often be better placed to fixing an overheating economy. The implications of these relationships is that, in most scenarios, tight monetary policy in South Africa will lead to less output but not with any less or more inflation. Evidence suggests that the rand plays a relevant role in influencing the domestic price level in South Africa (Aron, Muellbauer and Sinclair 2013).[19]

GRAPH 4

SOUTH AFRICA REAL EFFECTIVE EXCHANGE RATE 1994-2012



Source: SARB online (2013)

The rand has, in its own right, shown volatility. The real effective exchange rate experienced large appreciation from 2009 till end of 2010. Subsequently it depreciated through 2012, though it is still 10% higher than its January 2009 level.

Brian Kantor of Investec (Kantor 2011a, 2011b) has for some time now given the criticism that inflation in South Africa follows the exchange rate (rather than leading it), and in fact is dominated by it; with the exchange rate in turn being "dominated by degrees of global risk aversion". A weak exchange rate therefore leads to higher inflation under *present* domestic supply conditions and macroeconomic policy. A volatile exchange rate creates volatility in domestic prices undermining efforts to create stable price expectations. How the interest rate influences the exchange rate becomes of increasing relevance. And if it the interest rate has no material influence on inflation then interest rates will mainly act to affect aggregate demand.

Monetary policy under inflation targeting in South Africa has not intended to target an exchange rate level or band. This is in line with the shift in the objectives of SARB in the SARB Act and the interim 1993 constitution from "to protect the internal and external value of the currency ..." to, in the 1996 Constitution, "protect the value of the currency", thereby placing greater emphasis on achieving price stability (Moser-Boehm 2005, pg.20 footnote 4)

19 They find that "Pass-through [from exchange rate to domestic prices] is incomplete at about 50 % within a year and 30 % in six months".

2.5 THE RAND AND MONETARY POLICY

Once household consumption grew after 2003 and drove South Africa's stronger growth rates, the JSE and the rand increased dramatically in importance to the economy. What is clear from a number of sources is that commodity prices, emerging market developments, and global shifts in liquidity and risk aversion are dominating the rand and in turn inflation (OCD 2013, Frankel and Sturzenegger 2008). Frankel and Sturzenegger (2008) find that the rand has been strongly affected by mineral prices and speculative inflows which follow in expectation of higher profitability. A reversal of flows can be inflationary through a weakening of the rand. Raising of interest rates in response, as has been done in the past, means that monetary policy becomes pro-cyclical[20] (Kantor and Holdsworth 2009).

Less consensus lies in the influence of domestic interest rates on the rand (Frankel and Struzenegger 2008). But, notes Kantor and Holdsworth (2009), if higher interest rates can reasonably be foreseen to suppress growth through weakening demand, then high interest rates can lead to a weak rand and more inflation just as much as the opposite. This means that a low interest rate can, in theory at least, go hand in hand with a strong currency.

2.6 THE BUDGET AND MONETARY POLICY

The Budget makes no changes to monetary policy. It continues to make money available for government's policy of accumulating FX (especially when the market is active) and sterilization, though without targeting an exchange rate level. When SARB buys foreign exchange, it sterilizes these purchases to ensure the monetary base (currency in circulation) does not change. In the Budget R121 billion of government cash reserves are used as deposits with SARB to increase the level of FX reserves when necessary (National Treasury 2013, p.72-73). The Reserve Bank does not want to extend this program towards a managed exchange rate policy. SARB made a large loss on its net open foreign currency (or 'forward') position (NFOP)[21] when trying to support the currency prior to adopting inflation targeting (1985, 1998 see Cross 2002). This has made government very cautious about attempting to target any exchange rate level.

Accumulating exchange reserves can be costly for the Treasury. In addition to potential losses in the forward market, sterilisation involves costs.[22] Moreover, reserve accumulation has been argued by Gill Marcus (2012), Governor of the South African Reserve Bank, to be insufficient in the face of large daily rand turnover. The trading of currency offshore has also been noted as an obstacle towards this end. In the absence of a credible policy being communicated to speculators, insufficient firepower creates a 'one-way bet'. The Reserve Bank's unwillingness to try and create a credible policy is coming under increasing pressure.

The IMF Article IV staff report considered the rand to be overvalued based on two different metrics (quoted in OECD 2013, pg.17). Recently the OECD (2013) promoted greater use of policy instruments to resist upward pressure including greater communication by Reserve Bank, short-term capital controls to disincentivise shorter-term capital inflows, and a liberalization of outflows. Joseph Stiglitz has proposed that South Africa print rands (and buy dollars) as a means to devalue its currency (Paton 2012). The Harvard Panel of 2006/2007 also recommended a more competitive exchange rate (stability and level) through targeting. This has not dented the Reserve Bank's 'fear of intervention'. Capital controls are not on the agenda of government for prudential or exchange-rate related reasons, despite the IMF changing tack on the appropriateness of such instruments for both purposes.

Managing the Rand is part and parcel of dealing with global commodity price volatility and South Africa's

20 Frankel, Smit, Sturzenegger (2008 pg.61-63) for discussion on statistical evidence. SARB's response to the financial crisis would be a strong example of pro-cyclical monetary policy.

21 This is the forward book not covered by net reserves and reflects currency risk which SARB takes on on behalf of government. When the rand depreciates government makes a loss on its forward position (when selling currency forward). For explanation see: http://www.docstoc.com/docs/132914865/NOFP-Net-Reserves-Forward-Book It is also argued by Treasury that having a negative forward book raises interest rates.

22 The fiscal cost of sterilization is the difference between interest paid on domestic bonds and interest earned on reserves. In a low-yield environment reserves in dollars won't yield much. In 2010-11 the Reserve Bank purchased $10,3bn as part of this strategy. The need to sterilise the effect of these purchases on domestic liquidity by selling government bonds resulted in an after-tax loss for the Bank of R1,2bn in http://www.bdlive.co.za/articles/2012/05/08/currency-instability-stiglitz-calls-for-sa-to-print-rand-buy-dollars. It is not entirely clear if this is the net cost.

domestic production structure. Volatility in mineral prices has a strong affect on South Africa's terms of trade and current account deficit due to the reliance on mining for exports and production (OECD 2013, pg.17; National Treasury 2013, pg.18). In the final analysis, a more stable macro economy is one which is more diversified and less reliant on commodity markets.

The New Growth path (pg.5) highlights the "weaknesses in the state's use of commodity-based revenue for economic diversification and skills development" and proposes the possible use of a "sovereign wealth fund". The ANC policy document entitled State Intervention in the Minerals Sector (ANC 2012), put together by several experts in the field, proposes using the proceeds of a supra-tax of 50% on all returns on capex (capital expenditure) above 15%. This (ANC 2012, pg.37) "should ideally be kept in an offshore SWF (Sovereign Wealth Fund) to ameliorate the strengthening of our currency during commodity booms (the "Dutch Disease")." The fund would serve to stabilize the fiscus during price swings, invest in expanding markets in SADC countries through infrastructure expansion, and serve as a minerals development fund. A number of other important recommendations are made in the document.

2.7 CONCLUSION: SOME TENTATIVE THOUGHTS

While macroeconomic policy must be commended for managing the integration of South Africa into global financial markets, the macroeconomic policy stance has, overall, been inappropriate given the vast undersupply of quality public goods and services in South Africa and their highly unequal distribution. Policy has not attempted to address this in a systematic manner. In the South Africa context of dramatic inequality, price stability will only serve to reinforce inherited advantages and disadvantages. The South African budget might better be structured around the following: a floating tax-to-GDP rule which utilizes increased personal income tax revenues and allows for the expansion of capital expenditure facilitated by the state; a fiscal rule akin to a dynamic Golden Rule (which allows for substantial borrowing to finance investment expansion) but which also permits flexibility in certain ratios given that national income will increase over time from increases in investment; double digit real per capita expenditure growth targets (adjusted for per capita income) for key goods and services such as lower-income housing, electricity, public transport, education, and water & sanitation which the budget must transparently work towards; more substantial efforts to reduce inequality through redistribution at least in line with the OECD average and which should include a basic universal income grant; and the creation of an independent panel to investigate whether it is feasible (and desirable) for the government to manage the rand to promote exports through utilizing a currency band and/or capital controls.

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3

BUDGET JUSTICE

LIP SERVICE OR GENUINE COMMITMENT TO ADDRESS VIOLENCE AGAINST WOMEN?

SULTANA MAPKER & PENNY PARENZEE

3.1 LIST OF ACRONYMS

CEDAW	Convention on the Elimination of all forms of Discrimination against Women
DoH	Department of Health
DOJ&CD	Department of Justice and Constitutional Development
DSD	Department of Social Development
FCSUs	Family violence, Child Protection and Sexual Offences units
MTEF	Medium Term Expenditure Framework
MWCPD	Ministry of Women, Children and People with Disabilities
NPA	National Prosecuting Authority
OSW	Office on the Status of Women
SOCs	Sexual Offences Courts
TCCs	Thuthuzela Care Centres

South Africa will soon be celebrating 20 years of democracy; an unbelievable achievement for a country that has suffered under a cruel apartheid system, the remnants of which continue to haunt us. This democracy has been one in which women, particularly marginalized women, have been bombarded with promises of equality (of opportunity and access), safety and security and overall well-being.

These promises have been packaged in various laws and policies; through specialized services as well as through dedicated mechanisms for women to have ease of access to political decision making arenas. But the promises appear to materialize for brief moments and then evaporate into nothingness, leaving women more vulnerable to oppressive practices and brutal violence.

At the beginning of 2013, South Africa was forced to acknowledge its failure to ensure the safety of girls and women (critical indicators of the progress towards attaining gender equality). The need for urgent action to address violence against women was reignited. Based on the public outrage (nationally and internationally) to the mutilation and murder of Anene Booysen, President Zuma, in his state of the nation address in February this year, identified that addressing rape and violence is a priority for government. However, based on the 2013/14[1] budgets for key sectors responsible for addressing violence against women and promoting gender equality, it is not apparent that the promises are likely to materialize into meaningful and sustained actions. Instead, what emerges is the ongoing pattern whereby political rhetoric aimed at appeasing activists of women's rights and gender equality is on offer rather than a display of genuine political will to ensure that these rights are attained.

1 Estimates of National Expenditure for 2013/14 financial years have been examined for the Department of Justice and Constitutional Development, Department of Policing, Department of Health, Department of Social Development

3.2 SECTOR POLICY AND LEGISLATION

Addressing gender inequality is an expressed priority throughout South Africa's democracy, firmly entrenched within the country's Constitution and within a well-developed legal framework. The first decade of democracy is characterized by a plethora of legislative and policy developments aimed at protecting women's rights and promoting gender equality[2]. During this period, significant attention was given to creating a legislative environment conducive for addressing gender based violence – Prevention of Family Violence Act of 1996, Domestic Violence Act 116 of 1998, Criminal Law Amendment Act 105 of 1997, and the Criminal Procedure Second Amendment Act 85 of 1997. In addition, overarching gender equality frameworks were established across all spheres of government – National Gender Policy Framework for Women's Empowerment and Gender Equality (2000), Local Government Gender Policy Framework (2007) – and gender policies and protocols were formulated within specific Departments – Department of Justice & Constitutional Development's National policy guidelines for dealing with victims of sexual offences (1998); National Department of Health's Draft protocol for management of sexual assault survivors (2002); and the Department of Justice & Constitutional Development's Gender Policy (2000).

This expressed commitment to promoting women's rights and gender equality extended beyond laws and policies to the establishment of gender machinery, mandated with guiding, overseeing and monitoring the translation of these laws into practice. The gender machinery was strategically located within government (initially the Office on the Status of Women within the Presidency and thereafter the Ministry on Women, Children and People with Disabilities), including an independent statutory body (Commission on Gender Equality) as well as Parliament (Portfolio Committee on Quality of Life and Status of Women).

Beyond the domestic expression of this commitment, the democratic government articulated its commitments to promoting women's rights and gender equality within the global arena by ratifying several regional and international instruments – Convention on the Elimination of all form of Discrimination against Women (CEDAW) and the Beijing Platform of Action (1994), Accra Agenda for Action (2008).

For a blossoming democracy, this policy landscape appears impressive. It is therefore unsurprising that the scope, pace and progressive nature of the legislative developments positioned South Africa as the 'best practice model' of a country with a conducive environment for promoting women's rights and attaining gender equality. However, the apparent commitment demonstrated through the legislative framework and structures is tainted by a reality whereby crimes perpetrated against girls and women has earned South Africa the label of the 'rape capital of the world', more especially for a country that is considered 'not to be at war'[3].

As violence against girls and women provide a useful lens of determining the progress towards attainment of gender equality, we have little choice but to acknowledge that the legislative landscape aimed at promoting women's rights and addressing gender inequality, while outwardly noble, is fundamentally flawed. We need to acknowledge that the legislative framework which we have developed is premised on approaches that do not challenge nor seek to overcome the structures that reinforce unequal gendered relations.

The question that needs exploration is whether South Africa has reached a point whereby it is willing to address these flaws. Based on input from the President as well as key government officials within the Department of Justice and Constitutional Development, meaningful interventions can be anticipated. But, if women learn anything from past endeavours, then caution is best applied to these renewed promises.

2 Within the first ten years of democracy, more than 10 laws and policies were developed and/or amended to protect women's rights and promote gender equality. These included laws pertaining to domestic violence, customary marriages, bail, employment, choice of termination of pregnancy, maintenance)

3 Forms of gender-based violence typical of war and armed conflict have been listed as mass rape, military slavery, forced prostitution, forced 'marriages', multiple rapes, gang rape, rape of young women, violence sexual assault, resurgence of female genital mutilation, survival sex, or sex in exchange for food, shelter or protection (WHO: Women's Health: Violence against Women Information Pack p.12). this information was referred to in CADRE (2003) Gender based violence and HIV/AIDS in South Africa: A literature review

3.3 SECTOR DELIVERY

The expressed commitment to gender equality reflected in the prolific legislative and policy developments during the first decade of democracy was also evident at the level of service delivery. The interventions, located primarily within the social and criminal justice sectors, were aimed at sensitization and training of health personnel, police officers, prosecutors, magistrates and other related justice personnel. These awareness raising and training efforts were accompanied by innovative interventions such as the establishment of specialized services and structures, namely the Sexual Offences Courts (SOCs)[4]; the Family violence, Child protection and Sexual offences units (FCSUs)[5], and the Thuthuzela Care Centres (TCC)[6]. These interventions were each intended to contribute towards the provision of more effective and efficient services by means of specialized personnel and systems in order to eliminate secondary trauma. Research and evaluations conducted in relation to these specialized units as well as departmental reports all verified the improvement in conviction rates, namely:

- Sexual Offences Courts were seen to have a significantly higher conviction rate for rape cases compared to 'regional courts', with a reported 62% rape conviction rate for specialized courts compared with 42% rape conviction rate in regional courts in 2006/07 financial year (NPA Annual Report 2006/07: 27)[7] and the average conviction rate in these courts rising to 70%(Kruger & Reyneke 2008: 33)[8];
- FCS units were seen to also improve response to domestic violence and handling of sexual offences, particularly observed where there were adequately trained and experienced detectives and ongoing provision of support.[9]
- TCC model was also seen as being instrumental in facilitating more efficient handling of sexual offences matters, with reported improvements in early treatment and care of complainants as well as convictions rates at SOCs that deal with TCC matters (83% of cases prosecuted) proving higher than conviction rates at SOCs not addressing TCC related matters (65%), during the 2006/07 financial year (NPA Annual Report 2006/07: 45)[10].

While apparently well-intentioned, these interventions were not without their problems. Awareness raising and training proved to have minimal impact within sector delivery, particularly as they tended to be once-off events rather than ongoing processes whereby knowledge and skills were regularly updated. This once-off ad hoc awareness raising and training approach proved particularly problematic for an environment with high staff turnover. As a result, the recurring complaint with respect to service delivery within this sector has and continues to be that staff within health, policing and justice is inadequately capacitated to deal with survivors of domestic violence and sexual offences. Specialised structures were also plagued with problems some of

4 Sexual Offences Court was first piloted in 1993 in Wynberg. In 2000, this court was finally duplicated elsewhere in the country. By 2007, there were 59 Sexual Offences Courts in the country. These courts were intended to minimize secondary trauma by providing specialized serviced in the way of a magistrate and two prosecutors who have been trained to deal with such cases, CCTV cameras, a separate waiting room to ensure the survivor does not need to encounter the accused. In dedicating two prosecutors for this court, the expectation was that while one prosecutor is proceeding with trials, the other is able to do the necessary consultation and preparation of rape survivors. (See Vetten, L (2001) While women wait….can specialist sexual offences courts and centres reduce secondary victimization? ISS Crime Index; Kruger & Reyneke (2008) Sexual Offences Courts in South Africa: quo vadis? Journal for Juridical Science, Volume 33 Issue 2)

5 Family Violence, Child Protection and Sexual Offence Units were established in 1995 when the mandate of Child Protection Units was extended to include family violence and sexual offence matters. These units also provided specialized investigative services and support to survivors of these crimes. These units were separate from police stations, although in certain areas where distance proved challenging, trained FCS detectives were located within police stations. In 2006, there were reportedly 66 FCS units with the average number of members per unit at 22. (See Waterhouse, S (2008) Impact of changing criminal justice responses to child victims of sexual assault Open Society Foundation for South Africa)

6 Thuthuzela Care Centres are led by the NPA. These are one-stop service centres intended to minimize secondary trauma, provide comprehensive services so that reduce finalization time of these matters and improve conviction rates. These centres are generally located at hospitals and if a sexual offence matter is reported to a police station that falls within the jurisdiction of a TCC, the complainant is then taken to the TCC and provided with a forensic medical examination and treatment as well as counseling and court preparation services, prioritization of cases by police stations, prosecutor led investigations and effective case management. (See www.unicef.org/southafrica/hiv_aids_998.html)

7 National Prosecuting Authority (2007) Annual Report 2006/07

8 Kruger B and Reyneke J (2008) Sexual Offences Courts in South Africa: quo vadis? Journal of Juridical Science Vol.33 Issue 2

9 [1] Waterhouse S (2008) Impact of changing criminal justice responses to child victims of sexual assault. Open Society Foundation for South Africa p.23

10 National Prosecuting Authority (2007) Annual Report 2006/07

which included inadequately capacitated staff, insufficient personnel (intermediaries, prosecutors, magistrates, investigators, medical staff), and the absence of requisite resources (insufficient space in courts to allocate a separate waiting room as per criteria for SOCs) to facilitate delivery of efficient services. More especially, these services were deemed problematic because of the lack of collaboration between the various departments (tensions between the Department of Safety and Security and the Department of Justice & Constitutional Development impacted on services at the TCCs) as well as between units within a department (tensions between magistrates and the NPA with respect to the SOCs).

Even though the problems were outlined within various research and evaluative reports and the Departments alerted of these shortcomings, no effective actions were taken for these problems to be addressed. For example, training on the Domestic Violence Act, provided to officials within health, justice and policing continued to be on an ad-hoc, once-off basis. For interventions such as the specialized units, even though problems were identified, the overwhelming perception based on the direct experiences of survivors and non-governmental organizations as well as evaluative reports, indicated that these interventions are worthwhile. However, contradictory and/or poor political decision making resulted in the demise of these services, namely President Mbeki indicating government's commitment to the further roll-out of the SOCs in his 2004 State of the Nation Address, but in 2005 a moratorium on the further roll-out of SOCs was issued by the then Minister of Justice and Constitutional Development, Bridgette Mbandla; and in 2006, Department of Safety and Security announced the restructuring towards decentralized policing at station level, which included the devolution of FCS units to station level. Both decisions resulted in these specialized services ceasing to exist, as the once specialized functions became 'lost' when incorporated into the daily operations of the courts and police stations. Thus, the gains made by these structures in addressing domestic violence and sexual offences were undermined, and women's access to effective and efficient handling of these matters once again deteriorated.

In essence, with respect to service delivery in the sector, while the first decade of democracy held promise, the second decade of democracy saw potentially effective interventions cease and persistent problems of poor service delivery continue unaddressed. Ultimately, poor women seeking assistance for domestic violence and sexual offence matters are the ones who are confronted with poor treatment by police and justice officials, absence of assistance in navigating the justice system, inadequate investigations and high fall out between reporting and actual convictions.

The failure to prioritise effective handling of these matters is clearly due to the lack of political will. However, renewed commitment intended to improve service delivery has been expressed in recent months. For example, Minister of Justice and Constitutional Development, Jeff Radebe reported that 58 dedicated sexual offences courts will be established to combat the plague of violence against women, with the intention that these courts are fully operational by September 2013[11]. Furthermore, according to the Office of the Chief Justice, 200 magistrates have reportedly been trained on the Sexual Offences Act in preparation for the reopening of the specialized Sexual Offences Courts[12]. While this sounds positive, caution is necessary especially as the extent to which adequate resources are been allocated to facilitate effective implementation of these political decisions have not been revealed. If the recently reinstated FCS units are any indication, we can be assured that in the absence of adequate budgets, the quality of services[13] will remain a concern.

11 AFP news (March 2013) South Africa to roll out dedicated rape courts http://za.news.yahoo.com/africa-roll-dedicated-rape-courts-161901

12 TNA (March 2013) Sexual offences' training begins for lawmen http://www.thenewage.co.za/

13 According to information during a discussion with Samantha Waterhouse at the Community Law Centre, the reinstated FCS units do not have sufficiently trained specialized personnel and as a result, the quality of services is not up-to-standard of those previously well-functioning FCS units, where specialized training was a priority.

3.4 SECTOR FINANCING

In light of the raised profile given to violence against women and girls early in 2013, within the media as well as the Presidential speech, the expectation is that the in budgets of key departments within the justice sector (Dept of Justice and Constitutional Development and Dept of Policing) and social sector (Dept of Health and Dept of Social Development), these priorities are reflected.

In conducting a brief analysis of the selected departmental budgets, attention is given to those programmes that are of most relevance to the departmental response to violence against women, with specific attention on the 2010/11 – 2013/14 financial periods. These programmes are examined in relation to the overall programme budget allocations, allocations for expenditure on personnel as well as allocations for 'training and development'. In addition, the number of personnel is also considered. In the analysis of the budgets, allocations have been calculated taking inflation into consideration[14]. STATSSA CPI index numbers and year-on-year rates have been used for converting nominal allocations into real terms, with 2008 as the base year. The CPI for 2013/14 which is currently at 5.9% was kept as constant for 2014/15 and 2015/16 financial years.

It appears that the expressed prioritization of addressing violence against women and girls is not as explicitly evident within the 2013/14 budgets of these departments. In fact, it seems that the attention afforded this problem was more clearly articulated within the budget aims, objectives and programmes during the first decade of our democracy and the second decade of democracy reflecting a waning of this priority.

3.4.1 Absence of prioritisation of women's rights to safety & access to justice within departmental objectives

CRIMINAL JUSTICE SECTOR

The Department of Policing (previously the Department of Safety and Security), in accordance with the National Development Plan, focuses on 'promoting the safety of all citizens' and gives specific mention to 'enhancing the safety of women and children' (Dept of Policing ENE 2013/14: 3). Furthermore, a strategic goal outlined in the Department's 2013/14 budget is that of 'Increasing detection rate of…crimes against women and children' (Dept of Policing ENE 2013/14: 1). Within the ambit of the department's mandate, the two programmes that are of specific relevance to this focus are 'Visible Policing' and 'Detective Services', and the key sub-programmes in each are 'Crime Prevention' and 'Detective Services' respectively. The 'Crime Prevention' sub-programme reflects allocations for services rendered at police stations, including community service centres – essential ways in which women are likely to access assistance when facing domestic violence or any form of sexual violence. 'Detective Services' sub-programme includes allocations for detectives based at police stations who are involved in investigating crimes which include crimes against women and children. Of interest in the 2013/14 budget, is that in the objectives for both these programmes, no specific mention was made of crimes against women, instead broad reference was made to 'prioritisation of serious crimes' (Dept of Policing ENE 2013/14: 8) and 'improving detection and/or conviction rates of serious crimes' (Dept of Policing ENE 2013/14: 11). In previous years, the department made explicit mention of 'prioritisation of crimes against women' (Dept of Policing ENE 2012/13: 2) and set specific targets with respect to improvement of detection and conviction rates of these crimes against women.

The absence of explicit articulation of prioritizing interventions to address violence against women was also observed within the 2013/14 budget of the Department of Justice and Constitutional Development. Apart from stipulating the departmental responsibilities in respect of the National Development Plan, namely: '*…the department will continue to accelerate the full integrated implementation of the seven point plan, including legislation that protects vulnerable groups, namely women, children and the girl child*' (DJ&CD ENE 2013/14: 3), the departmental budgetary narratives were silent with respect to addressing violence against women and girls. This was starkly different to previous years where the department made extensive

14 The deflators for each of the financial years with 2008 as base year are as follows:

Year	2008	2009	2010	2011	2012	2013	2014	2015
Inflation rate		7.1	4.3	5	5.6	5.9	5.9	5.9
Deflator	1	1.07	1.11	1.17	1.24	1.31	1.39	1.47

reference to the prioritization of addressing violence against women[15]. Key programmes within this department with respect to upholding women's rights and promoting gender equality are that of 'Court Services' and the 'National Prosecuting Authority'. The relevant sub-programmes within each of these are that of 'Lower Courts' and 'National Specialised Prosecutions', respectively. The 'Lower Courts' sub-programme is where the budget allocations for regional courts and district courts are reflected. This sub-programme is important as regional courts are where sexual offences matters are primarily heard and district courts deal mainly with domestic violence. In the department's 2013/14 budget, no mention was made of prioritization of violence against women within the objectives for the 'Court Services' programme. The 'National Specialised Prosecutions' sub-programme is where allocations for the Thuthuzela Care Centres are reflected. While no objective for the 'National Prosecuting Authority' programme specified the prioritization of addressing violence against women and girls, an objective for the 2013/14 Medium Term Expenditure Framework (MTEF) included 'expanding the number of Thuthuzela Care Centres from 35 in 2012/13 to 55 in 2015/16' (DJ&CD ENE 2013/14: 18). This is promising as these TCCs, when well functioning, are known to minimize secondary trauma of survivors of sexual offences and instrumental in improved management and conviction rates of these matters at specialized sexual offences courts.

SOCIAL SECTOR

This declining visibility of the prioritization of addressing violence against women is not unique to the criminal justice sector. In fact, the departments of Health and Social Development, both key role-players in facilitating a holistic response to violence against women and girls, are disappointing when it comes to defining clear objectives and actions to deal with this scourge. The Department of Health is instrumental as many women subjected to domestic violence or any sexual offence are likely to only seek medical assistance, and thus clinics and hospitals are key in facilitating women's access to justice. Furthermore, legislation on domestic violence and sexual offences in addition to departmental protocols and guidelines, stipulate the responsibility of health professionals in dealing with these matters. However, the Department of Health's 2013/14 budget makes no mention of addressing violence against women within its aims, goals and objectives, nor in relation to any targets and expenditure trends. Within the Department of Social Development, a key programme is 'Welfare Services, Policy Development and Implementation', specifically the sub-programme 'Social crime prevention and victim empowerment'. In relation to this sub-programme, the 2013/14 budget does indicate as an objective, 'facilitating training on the implementation of gender based violence programmes in provinces by 2014' (DSD ENE 2013/14: 15). However, no clarity with respect to targets and the exact nature of the gender based violence programmes is described. Furthermore, the absence of a clear objective relating to victim empowerment is a concern, when considering that this is an essential component in the provision of services at police stations, particularly with respect to the FCS units which have reportedly being revived.

When at a conceptual level no/limited consideration is given to addressing violence against women – indicated by the silence in the objectives of the above-mentioned departmental budgets – the inevitable consequence is that no/insufficient budgetary resources are allocated towards interventions relevant for dealing with these problems. The distrust that promises will translate into any beneficial actions therefore lingers.

3.4.2 Budget allocations not tailored to facilitate effective responses to violence against women

Within the criminal justice sector, key departmental budgets for 2013/14 clearly reflect that allocations are directed towards interventions aimed at addressing violence against women. For example, the Department of Policing reflects that expenditure on employees within their 'Crime Investigations' sub-programme, namely detectives based at police stations, will increase on average by 6.9% over the 2013/14 MTEF. In addition to expenditure on employees, there are reported increases in expenditure on 'training and development' as well as 'travel and subsistence' within the 'Crime Investigations' sub-programme, with average annual growth rate of 28%[16] and 11%[17] respectively over the 2013/14 MTEF when taking inflation into consideration. These interventions are some of the essential components in providing effective services responsive to violence against women and which minimize secondary trauma.

15 Parenzee P (2004) Implementing ten years of democracy: The role of the Department of Justice and Constitutional Development IDASA: Cape Town

16 In real terms, the allocations for expenditure on training and development for 'Crime Investigations' sub-programme are R5.6 million in 2012/13; R8 million in 2013/14, R14million in 2014/15 and R10 million in 2015/16

17 In real terms, the allocations for expenditure on travel and subsistence for 'Crime Investigations sub-programme are R114 million in 2012/13, R136 million in 2013/14, R161million in 2014/15 and R158 million in 2015/16.

PROMISES ….		BUDGETS ….
• Re-instate FCSUs • Establish 58 specialised SOCs • Effective services & capacitated staff	MISMATCH	• No. of posts for detectives decreases by 1.4% over 2013/14 MTEF • Budget for Lower Courts over 2013/14 MTEF relatively unchanged compared to 2012/13 budget • 90% decrease in budget between 2012/13 and 2013/14 for 'training & development' of staff for Lower Courts

While increases for these interventions are welcomed, the reality is that addressing violence against women requires a myriad of interventions, each of which are interrelated. Therefore, the trend across all relevant interventions must be considered, as inconsistencies with any specific intervention can negatively impact on other interventions and jeopardize a holistic response to address violence against women. For example, over the 2013/14 MTEF, while the department of policing reveals slight increases in expenditure on detectives with allocations remaining at approximately R23 billion (an allocation that is not disaggregated to indicate what portion of the allocation is for detectives linked to addressing violence against women), the number of posts for personnel is decreasing by an average of 1.4%. If FCS units are being reinstated, surely posts for specialized detectives should not be decreasing. Within the Department of Justice and Constitutional Development's 2013/14 budget, allocations over the 2013/14 MTEF remain at R2.7 million for 'Lower Courts'. Considering that the Minister Jeff Radebe recently announced the establishment of 58 specialized sexual offences courts that will be fully operational by September 2013, surely this sub-programme should have reflected an increase in budgetary allocations. Notable decreases are observed in the proportion of the budget for 'Lower Courts' which is allocated on average for 'training and development' (decrease of just over 50% on average for the 2012/13-2015/16 period), with the allocation over the 2013/14 MTEF being an average of R5 million in real terms. The decrease in the proportion allocated for this component reflects a contradiction, as the promise of operational sexual offences courts that are effective and efficient will surely require improved prioritization of training of specialized personnel. These contradictions which the budget reveals deepen when considering that the increase in personnel for lower courts from 2012/13 to 2013/14 is that of 6 employees, with no further increases in personnel for the remainder of the 2013/14 MTEF. Considering that the department battles backlogs and high staff turnover, the increase in personnel seems hardly sufficient and even less so, with the promise of additional sexual offences courts.

3.4.3 Budget allocations not always clearly specified, thus a barrier for upholding accountability

A further concern that emerges with respect to the departmental budgets is the lack of transparency. One would assume that when there is newly articulated commitment and promises being made to women, that the required resources to facilitate their implementation will also be visible. However, this is not the case. For example, while the Department of Policing reports budget increases for 'Detective Services' that are attributed towards the reinstitution of FCSUs, it is not possible to discern how much is allocated for this programme to facilitate smooth functioning. The Department of Justice and Constitutional Development indicates that the 2013/14 budget allocations for 'National Specialised Prosecutions' receives the largest proportion of the programme budget as a result of increasing the number of TCCs and convictions of persons on corruption. However, the information provided does not enable one to determine how much of this sub-programme's budget is for the TCCs and how much for convictions relating to corruption. Furthermore, within the NPA, there are expected increases in personnel over the 2013/14 MTEF which are reportedly as a result of the establishment of TCCs. However, it is unclear how much of these positions are for the TCCs as such disaggregation of posts are not provided.

While the relationship between planning and budgets are well known, this does not make the lack of allocations for addressing violence against women any less disappointing; particularly when political rhetoric has tried to convince otherwise.

3.5 IMPLICATIONS FOR RIGHTS

South Africa, over the almost 20 years of democracy, has proven to be adept at creating good first impressions, but unable and unwilling to translate the expressed commitments to meaningful changes for the most vulnerable in our society. While activists have made critical gains with respect to the recognition of women's rights and the need for the attainment of gender equality to be a priority of government, the strategies adopted did not deliver in practice what was anticipated, nor were the potentially successful interventions afforded opportunities to be fully realized.

Consequently, women in South Africa, particularly the most marginalized, have continually faced discrimination and been subjected to brutal violations of their rights. In a country considered to have the most conducive legislative environment, women have been assaulted, raped and killed:

- based on their attire, sexual identity, sexual practices;
- whether young or old, able-bodied or disabled;
- when out in public spaces at night or during the day;
- when in their own homes; and also
- when at their places of work.

Within South Africa, women's vulnerability to violence is exacerbated when they are poor and reside in impoverished areas. Crime statistics for South Africa issued in 2012, noted that the highest reports of sexual violence against women were at police stations within the Cape Flats region of the Western Cape, which is among the poorest and densely populated areas in the province.

The vulnerability of women to violence is a clear indicator that within South Africa, the women are not enjoying their rights to safety and security. This is further illustrated by the Gender Gap Index (GGI) as well as the Gender Inequality Index (GII), which shows that South Africa has continually deteriorated in ranking with respect to the extent to which gender equality is attained. According to the GGI, South Africa's ranking worsened from 18th out of 116 countries in 2006 to 22nd out of 130 countries in 2008 (WEF 2012: 46). The current GII ranking for South Africa is that of 90 out of 148 countries (UNDP 2012: 167)[18].

South Africa needs to reflect on its legislative framework (laws, policies and mechanisms) and resources need to be allocated to support effective service delivery for the promotion and attainment of women's rights and gender equality. However, these actions are only likely to have effect when we see a real shift with regards to political will on the part of government. If not, the trends that have plagued us for nearly 20 years will merely persist and the quality of life and status of women in this country will continue to deteriorate.

18 While South Africa fairs well in the GII dimension of empowerment (share of parliamentary seats and attainment of higher and secondary education), it does poorly with respect to the dimensions of reproductive health (maternal mortality) and economic activity (labour market participation). See UNDP's Human Development Report 2013 http://hdrstats.undp.org/

3.6 CONCLUSION AND RECOMMENDATIONS

The language of women's rights and gender equality dominated our political and legislative landscape during the early years of our democracy. However, with maturity, these commitments proved to be nothing more than political rhetoric, and in the face of the ongoing violence perpetrated against women, the lack of political will to actively improve women's quality of life and status is blatantly obvious. While our legislative environment is deemed favourable, the reality is that the prioritization of responses to violence against women had faded from departmental objectives and budgets, and when more recently there has been an occasional reappearance, it has been in the absence of any clear linkage between expressed plans and allocation of resources for these plans. This shift from explicit mention of dealing with violence against women to the adoption of more generic references such as 'serious crimes' wherein responses to violence against women are reportedly captured, is reflective of the de-politicisation of the vulnerability to violence which women experience.

RECOMMENDATION 1:

Explicit prioritization of addressing violence against women must be reflected in the budget objectives of key departments within the Justice Sector and Social Sector. In addition, their budgets must clearly reflect interventions that will be undertaken to address violence against women and the requisite allocations in implementation of these interventions. Over and above the specific departmental interventions, each sector must ensure that within their programme plans and budgets, collaboration between departments is prioritized within the planned interventions and sufficiently resourced to ensure effective service provision.

RECOMMENDATION 2:

For the purposes of improved planning and budgeting to address violence against women, departments must be required to provide disaggregated data (indicating sex and other relevant categories of marginalization) with respect to targeted beneficiaries of interventions and actual beneficiaries reached. The emphasis on disaggregated data in reporting, planning and budgeting will also contribute towards deepening transparency and accountability.

RECOMMENDATION 3:

The mechanisms for promoting women's rights and gender equality must be re-examined and demands of what is required must be clearly articulated to ensure these mechanisms are undertaking responsibilities based on the demands of women's groups and that these responsibilities are in fact beneficial for attaining women's rights. The Ministry of Women, Children and People with Disability (MWCPD) was established in the absence of any consultation with women's groups or regard for how best to improve women's circumstances. This Ministry replaced the OSW and within its budget are allocations for the CGE, which were previously reflected in the budget of the Ministry of Justice and Constitutional Development. The budget for the MWCPD reflects an average annual real growth increase of 0.3% over the 2013/14 MTEF with average allocations of R65 million in real terms. However, the contentions surrounding this Ministry continue as their function is unclear for government officials outside of this structure as well as for civil society groups. Beyond the structural shifts, there is no clarity on how the MWCPD addresses the identified shortcomings of the former OSW (if at all), nor how this structure will ensure that women's rights are adopted across government departments and spheres. The fact that calls are being made for a Commission on Gender Based Violence is an urgent indicator that the existing gender machinery is not performing optimally and as they are allocated budgets (albeit limited considering that they are required to work with all departments and spheres of government), they still need to be held accountable – at the very least explicitly stating what it is that they do and how it contributes to the attainment of women's rights.

RECOMMENDATION 4:

A key and much needed step is to ensure that once again the analysis of violence perpetrated against women is politicized. More specifically that the analytical lens of 'patriarchy' is reclaimed so that we do not buy into the growing tendency to reduce this analytical reference to an 'unclear concept' and one which is dismissed as 'unhelpful' in understanding the continual violation of women's rights in our country. The reality is that 'patriarchy' makes explicit (a) the ways in which society is structured to reinforce and uphold unequal gendered power relations, (b) the unacceptability of this structure(s) and subsequently (c) the need to create a different structure(s). Only in reclaiming 'patriarchy' as our analytical reference, can we redirect attention to the way in which power is reconstructed in society thereby maintaining the vulnerability of girls and women to violations of their rights.

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4

BUDGET JUSTICE

PUBLIC EDUCATION SPENDING IN SOUTH AFRICA: A CRITICAL ASSESSMENT

SEÁN M MULLER

4.1 INTRODUCTION

Increasing educational access and attainment is critical for economic and social development. In most countries this means increasing government expenditure on education. As noted by Taylor, Fleisch, and Shindler (2008), Fiske and Ladd (2004) have provided a useful way of thinking about different aspects of public education expenditure, all of which have relevance to the idea of "budget justice". Specifically, we can separate concerns into three categories:

1. Equal treatment: has discrimination (based on race or other criteria) been removed from education spending?
2. Equal opportunity: does the education system give students the same opportunities for success regardless of their backgrounds?
3. Adequacy: is education spending sufficient (in amount and use) to ensure the *desired* level of education for all children?

The question of equal treatment is perhaps the easiest to answer because it deals with inputs. Most analyses to date have suggested that South Africa remains very far away from achieving either equal opportunity or adequacy, but that equal treatment has been achieved by virtue of progressive post-apartheid legislation. Our analysis reaches similar conclusions on adequacy and opportunity, but we note that there remain some unresolved concerns about equal treatment particularly relating to personnel expenditure.

Arguably the most important question is the extent to which the failures of the current education system have to do with inadequate financing, or inefficient use of the funds available. To date there has been a view that South African public education spending is high by international standards and therefore failures in outcomes cannot be due to inadequate financing. We find that the international comparisons on which this conclusion is based are problematic and, contrary to the previous literature, South African education spending is not particularly high once the extent of the school-going population is taken into account.

Another popular claim is that personnel expenditure is too high and that this needs to be reduced or "moderated" in order to allow greater expenditure on infrastructure and school running costs. However, the figures available on excessive class sizes suggest *inadequate* spending (in absolute terms) on personnel. Combined with the findings from international benchmarking, this suggests that education expenditure needs to increase in absolute and relative terms, and that only in this way should the proportion used for personnel expenditure be reduced. Suggestions of a "teacher surplus" appear to have always been misplaced when class size is taken into account.

There is ample evidence that bureaucratic inefficiencies and wastage, along with serious problems of accountability at the school level, are a major contributing factor to South Africa's poor educational outcomes. A significant proportion of the budget is effectively wasted in this fashion. However, our analysis suggests that even without this, total education spending is insufficient.

A valuable next step to guide appropriate increases in spending would be a thorough estimate of budget adequacy to ascertain the level of expenditure required in order to ensure that all schools have adequate facilities, enough suitably qualified teachers and sufficient funds for day-to-day expenditures.

4.2 OVERVIEW OF THE EDUCATION SECTOR

The South African basic education system is characterised by high participation levels approaching universal primary and secondary school enrolment, coupled with very poor performance in the aggregate and extreme inequality in resources and outcomes. These characteristics are directly attributable to the historical creation of race-based two-tier education system that was only feasible in as much as it tolerated a very low quality of education, along with the corresponding lack of resources, to the majority of the population.[1] While by the end of apartheid absolute educational expenditure on black South Africans exceeded that on their white counterparts, per capita spending on white students was almost *seven-times* more than on black South Africans.[2]

The challenge under a democratic dispensation has been to remedy the many deficiencies in the system rather than construct a functional system from first principles, a task one senior civil servant compared to "fixing a leaking ship while at sea". Under the Constitution of 1996 education is a responsibility vested in the national and provincial spheres of government, with the latter being primarily responsible for the actual implementation of policy and the operation of public schools in consultation with school governing bodies. This is reflected in the structure of financing of public education, whereby the majority of funds are received by provincial governments directly from the national treasury rather than through the department of basic education. Taylor, Fleisch, and Shindler (2008) note a decrease in real education expenditures in the 1990s, only rising past 1996 levels a decade after the first democratic elections, thereby requiring the system to "do more with less" over that period. Important gains were, however, made in this period in terms of more equitable distribution across provinces.

Two key policy documents are the Department of Basic Education's Strategic Planning Framework for Teacher Education and Development (2011) and the Action Plan to 2014 (2011) which, most notably, sets out a series of performance indicators for the basic education sector up to 2025. Underlying these and other policies are three key pieces of legislation: the National Education Policy Act (NEPA) (1996), National Schools Act (1996) and the Employment of Educators Act (1998). The NEPA provides detailed guidelines, albeit not prescriptions, regarding school management such as the proportion of contact time at various levels and for different subjects. The Schools Act gives detailed guidance on the funding of public schools primarily through the National Norms and Standards for School Funding. The most notable aspect is the classification of schools into quintiles based on community wealth and school need, weighting non-personnel funding towards the poorest quintile schools with weights 35-25-20-15-5 from poorest to richest.

Through such legislation South Africa has moved from a situation of regressive education financing in which a privileged minority received vastly higher levels of funding per capita to progressive public expenditure favouring pupils from poorer backgrounds. Furthermore, there now exists a truly national curriculum along with standardised testing at various grades to complement a standard national senior certificate ("matric") examination at the end of schooling. Unlike many other developing countries, South Africa has for some time achieved gender parity in education access. Accompanying a one-year increase in the entry age for Grade 1, there has been a very rapid expansion of access to pre-school, although this initiative is still relatively under-studied. There have been improvements in school infrastructure as part of broader infrastructure roll-outs, of water and electricity for instance, and greater provision of non-infrastructural resources such as textbooks or workbooks and school meals. Almost nine million school children now receive some form of meal at school on a daily basis.[3]

However, hundreds of schools continue to lack adequate basic facilities such as sufficient numbers of toilets in hygienic condition, structurally sound and well-maintained buildings, electricity, security of the school premises and suitably equipped classrooms. Consequently, legal action has recently been instituted by the civil society group Equal Education against the government in an effort to force the promulgation of a document on basic norms and standards for schools.

1 In fact, Crouch and Vinjevold (2006) and Fedderke, de Kadt, and Luiz (2000) argue that to a lesser extent this trade-off of resources and quality for access was also made in the education system for white South Africans.
2 In this specific case we are using "black" in the narrow sense to refer to the group classified as "African", as opposed to the groups designated as "Coloured" and "Indian", but the broader point applies to those groups as well.
3 According to the Estimates of National Expenditure (2013).

Improvements in educational outcomes are the subject of much debate; while there have been large increases recently in the matric pass rate, concerns have been raised about the quality of these passes. Due to concerns about quality as well as substantial variation in the curriculum, universities have introduced their own pre-admission tests making the "university exemption" granted with the senior certificate something of a notional achievement. Despite high drop-out rates and straining infrastructure, government has been pushing universities to rapidly increase student intake, a policy that may be self-defeating in terms of quality graduates.

In short, progress has been made but it is inconsistent and arguably too slow given the importance of the education system for human and economic development. Serious challenges exist across from pre-primary to tertiary education and, as we will see, while resource shortages hinder further progress there are many other barriers.

4.3 STUDENT OUTCOMES

South Africa has high enrolment rates relative to school-going population compared to other developing countries. The other side of the coin, however, is that the system as a whole may not be equipped to deal with such enrolment levels leading to poor educational outcomes. The form of educational achievement receiving most coverage in the popular press is the matric pass rate. This has fluctuated since 1994 for a variety of reasons relating to changes in curricula and assessment difficulty amongst others, but in recent years has been on upward trend from 63.2% in 2008 to 73.9% in 2011. The statistic is of limited usefulness, however, without considering drop-out rates and the quality of passes. To illustrate: consider that matric enrolment rates alone are only half of Grade 1 enrolment rates 12 years previously, indicating a very high drop-out rate over-and-above a high rate of repetition identified in various studies. A 70% exam pass rate may then indicate an *effective* pass rate for a Grade 1 cohort of 35%.[4]

Years of education attained is a broader measure but Lam, Ardington, and Leibbrandt (2011) draw attention to significant variability in school-level assessment of black African learners as a result of which progression (or repetition) is something of "a lottery". Repetition necessarily leads to additional strain on resources so, Gustafsson (2011) also notes, this kind of evidence raises important questions about the desired rates of progression and whether these are feasible. That study suggests that South Africa's drop-out rates are comparable to other developing countries but that the proportion successfully completing secondary education (i.e. matric) is somewhat lower.

One legitimate reason to focus on matric is that across all studies the economic returns to education (in the form of wages) show a discrete jump at 12 years. Branson and Leibbrandt (2013) confirm the results of many other studies showing a significant wage premium for completed secondary education, though with a substantially larger premium for completed tertiary education. In that regard, rising matric pass rates have been associated with increases in "university exemption" passes and universities have experienced rapid growth in applicants and admissions often outstripping growth in infrastructure and staffing. Concerns about quality have led universities to develop their own admissions tests. Nevertheless, like the schooling system, drop-out rates at the tertiary level are high. In public and policy debates, however, much attention is focused on institutions' performance in superficial international rankings or numbers of PhD graduates, while the more socially (and fiscally) important issue of quality and proportion of passes at lower levels has been relatively neglected.

Perhaps the most disturbing evidence on the quality of the SA education system comes from studies that compare the performance of South African learners to international peers. Howie, Venter, van Staden, Zimmerman, Long, du Toit, Scherman, and Archer (2008) report the reading achievement of Grade 4 and 5 learners in the Progress in International Reading Literacy Study (PIRLS)study, in which SA scored worst of 39 countries despite being ranked 10th by GDP per capita. The results reported by Mullis, Martin, Foy, and Drucker (Mullis et al.) for PIRLS 2011 were only marginally better. Moloi and Chetty (2010) provide a report on the third wave of the Southern and

4 Taylor (2012) suggests that the Grade 2 and Grade 10 to matric "conversion" rates may be increasing, from 28% to 37% for the 1999 and 2001 Grade 2 cohorts and 31% to 35% for the 2006 and 2009 Grade 8 cohorts. However, these figures are subject to some uncertainty because of fluctuation in cohort sizes along with repetition rates.

Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ) study in which performance of Grade 6 learners in reading and mathematics in 2007 is compared to their counterparts from fourteen other countries in East and Southern Africa; average performance of South African students was marginally below the average for all countries while the performance of teachers was at the average.[5] On quantitative skills, South Africa came last of the 45 countries in average student performance in the Trends in Mathematics and Science Study (TIMSS) conducted in 2002 and only did better than Honduras in 2011 - see Mullis, Martin, Foy, and Arora (Mullis et al.). Across all these studies large percentages of South African students fail to even meet the benchmark criteria - for instance, levels of functional illiteracy and innumeracy are more than 30% in the SACMEQ studies. This in turn is hardly surprising given Taylor, Fleisch, and Shindler (2008)'s statement that: "the majority of primary schools [are unable] to provide adequate reading, writing and arithmetic skills to some 80% of the country's learners".

In addition to the above failings, all studies show extreme inequality across educational outcomes of the kind described above. These are strongly associated with race and the socio-economic status of learners along with the historical categorisation of schools. It is evident, then, that the structural inequalities created in the pre-1994 period continue to cast a large shadow over present day outcomes even under a democratic dispensation in which deliberately discriminatory measures have been removed.

4.4 FINANCING: EXTENT, DISTRIBUTION AND EQUITY

The preceding section on outcomes in primary and secondary education clearly indicates that adequacy is not being achieved. Furthermore, all studies of outcomes show that there is a two-tier ("bimodal") schooling system in South Africa, with private schools and the best-resourced public schools having remarkably distinct outcomes from the vast majority of the public schooling system.[6] The majority of South Africans (who are black and come from relatively poor backgrounds) are served by the second system and do not have an equal opportunity to attain a quality education. The issue these findings raise from a budgetary perspective is specifically whether such inequalities and inadequacies can be attributed to inadequate or misdirected spending. To try and get some traction on this question we now turn to an analysis of recent public education expenditure, which also provides a direct answer to the question of spending equity.

4.4.1 Recent education spending

The general perception is that South African spending on public education is high. Table 1 locates education spending within the broader budget framework over the period 2009-2013. It is important to note the distribution of funds across spheres of government, with the bulk of the education budget going directly to provinces via the "equitable share formula". Of the entire amount allocated to provinces in this way, 48% is currently allocated based on educational considerations: the amount is divided across provinces based on their relative populations of school age children and most recent enrolment figures. Provinces are not legally obliged to spend exactly the same proportion of their budgets on education, but for the 2010/11 budget year total audited educational expenditure by provinces was 53% - so very close to the 51% used in the division of revenue formula at that time. In some years there has been significant variation across provinces, usually with less well-managed provinces spending a lower proportion. According the Treasury, the use of school-age population as well as enrolment in the formula: "encourages enrolment at schools, but...penalises provinces that allow retention and repetition" (Division of Revenue Bill, 2011).[7] A concern here is that provinces with higher repetition rates, caused partly by socioeconomic circumstances, may be relatively underfunded.

Within provincial allocations there appears to be consensus across various studies that quintile-based targeting is fairly successful. A recent Organisation of Economic Co-operation and Development (OECD) (2013) report has, however, suggested that targeting may be improved by using student-level data to determine a

5 The report mentioned in text takes a rather optimistic stance on the SACMEQ results, see van der Berg, Taylor, Gustafsson, Spaull, and Armstrong (2011) for one of a number of more critical assessments.
6 See Spaull (2012) for the latest version of this kind of analysis.
7 Population estimates come from the most recently released Census results and enrolment from the DBE's *School Realities Survey* for the preceding year.

TABLE 1

TRENDS IN EDUCATION EXPENDITURE: 2009-2013

		2009 R million	2010 R million	2011 R million	2012 R million	2013 R million
Total expenditure		747 197	805 141	888 523	966 967	1 055 074
GDP		2 452 538	2 735 274	2 973 286	3 209 141	3 520 268
Education spending						
National		7 854	8 678	12 901	16 204	16 344
Provincial	Equitable share	120 814	133 097	127 267	150 247	162 035
	Conditional grants	2 575	7 101	10 546	10 990	12 343
	Indirect transfers	0	0	700	1 277	1 956
Total		131 244	148 876	151 414	178 718	192 678
(2013 Rands)		159 470	171 121	167 865	186 748	192 678
% GDP		5.35%	5.44%	5.09%	5.57%	5.47%
(World Bank)		5.50%	5.98%	-	-	-
% Govt spending		17.56%	18.49%	17.04%	18.48%	18.26%
(World Bank)		16.86%	19.20%	-	-	-
Enrolment		12 214 845	12 260 099	12 283 875	12 379 999	12 379 999
Total population		49 321 000	49 991 000	50 590 000	51 770 561	52 288 267
GDP/capita (2013 Rands)		60 420	62 891	64 098	64 773	67 324
Educ spending per pupil (2013 Rands)		13 055	13 958	13 757	15 085	15 564
Educ spending per pupil/GCP per capita		21.61%	22.19%	21.46%	23.29%	23.12%

Notes:

1 *Author's calculations using Division of Revenue Bills and Estimates of National Expenditure 2009-2013, StatSA CPI data 2013 and World Bank educational statistics database.*

2 *Population for 2013 assumes 1% annual growth rate.*

3 *World Bank statistics included for comparison; in the absence of information on how those figures were reached it is not possible to explain discrepancies.*

school's position. An important caveat is that directing more resources to schools in poorer areas may lead to wastage if those schools are poorly managed.

At the level of national indicators, Taylor, Fleisch, and Shindler (2008) note that: "(real) spending on the average public ordinary school learner was 30% higher in 2007 than it was in 1994"; this trend has continued over the recent period. Over 2009-2013 spending has been a relatively stable proportion of total government expenditure (17.5-18.5%) and of GDP (5-5.5%). The increase in real per student spending from 2009 is somewhat encouraging, but is largely due to increases in conditional grants, the majority of which in 2013 are for school infrastructure (54%) and the school nutrition scheme (42%). Therefore these increases do not reflect an increase in the real funds available for current educational resources.

Although there is much that could be said about the higher education funding landscape, we note here only one major development: that a significant tranche of funding (R1.7billion) has been allocated over the next three years for the building of two new universities in Mpumalanga and the Northern Cape. Although such expansion, particularly into poorer areas of South Africa, could be considered progressive expenditure, in the presence of highly variable tertiary qualifications from existing institutions along with problems in the secondary education qualifications of students being admitted, this appears to be a misdirection of resources. Important efforts are being made to expand the Further Education and Training (FET) colleges that serve as vocational alternatives to schooling from Grade 10.

4.4.2 International comparisons

It has become a matter of "common knowledge" among experts and the general public that South African government spending on education is high by international standards. However, the evidence supporting this belief turns-out to be somewhat sensitive to the measure used.

TABLE 2

INTERNATIONAL COMPARISON OF RESOURCES DEVOTED TO EDUCATION

	Spending per pupil/ GDP per capita	Educ spending/ Total govt		Educ spending/ GDP	
Country	Rank	Percent	Rank	Percent	Rank
SA	**85/152**	**18.06**	**44/168**	**5.28**	**61/177**
Finland	27/152	12.60	114/168	6.20	31/177
Ghana	53/152	24.40	5/168	5.53	43/177
OECD	-	11.99	-	5.34	-
Kenya	40/152	22.35	17/168	6.58	23/177
Korea	51/152	15.27	78/168	4.23	94/177

Notes:

1 Author's calculations based on World Bank education statistics database.

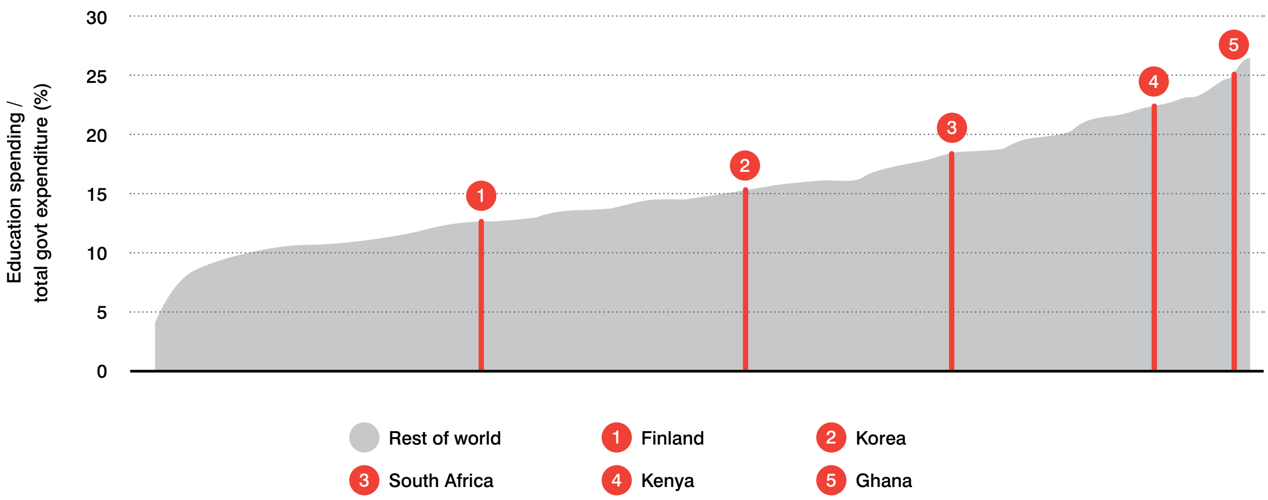
2 To create a large comparison group the median value for each country was taken the period 200-2011.

3 The percent for the first measure omitted because data limitations required using a composite of primary and secondary rankings.

As shown in Table 2, South Africa ranks 44th of 168 countries in the percent of total government spending going to education, but only 85th of 152 countries in the amount spent per pupil (in basic education) relative to GDP per capita.[8] While the former is the measure usually considered, the latter is arguably a better reflection of the societal prioritisation of education as it accounts for demographic patterns. It is interesting, then, to note that compared to, for instance, the OECD average South Africa spends about the same percentage of GDP, six percentage points *more* as a percent of government spending but a full 12 percentage points *less* as measured by GDP per capita per pupil.[9] The implications of using these different measures are also shown in the figures below for 155 countries that had some data on all the relevant variables.[10]

GRAPH 1

EDUCATION SPENDING RELATIVE TO TOTAL GOVERNMENT



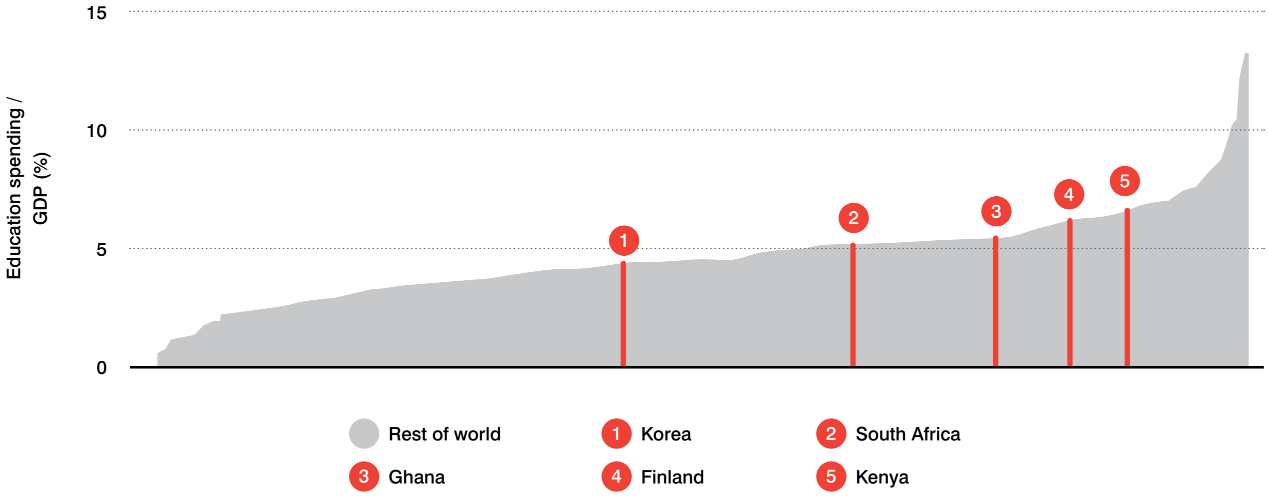
8 For the sub-Saharan countries where data is available, SA ranked 9/34 in GDP percentage but only 17/28 for the per-pupil-per-capita measure. See for instance Sayed and Motala (2012: 674), Taylor et al. (2008: 24) and van der Berg (2007) for studies that refer only to GDP per capita.

9 OECD (2013: 36) appear to make a similar point. Cross-country comparisons are complicated by a number of factors, however, and the issue warrants further analysis.

10 To be specific: for each variable we took the median value of the data available for each country over the period 2000-2010. This allows a large set of comparator countries. Further information on the construction of the graphs is available from the author.

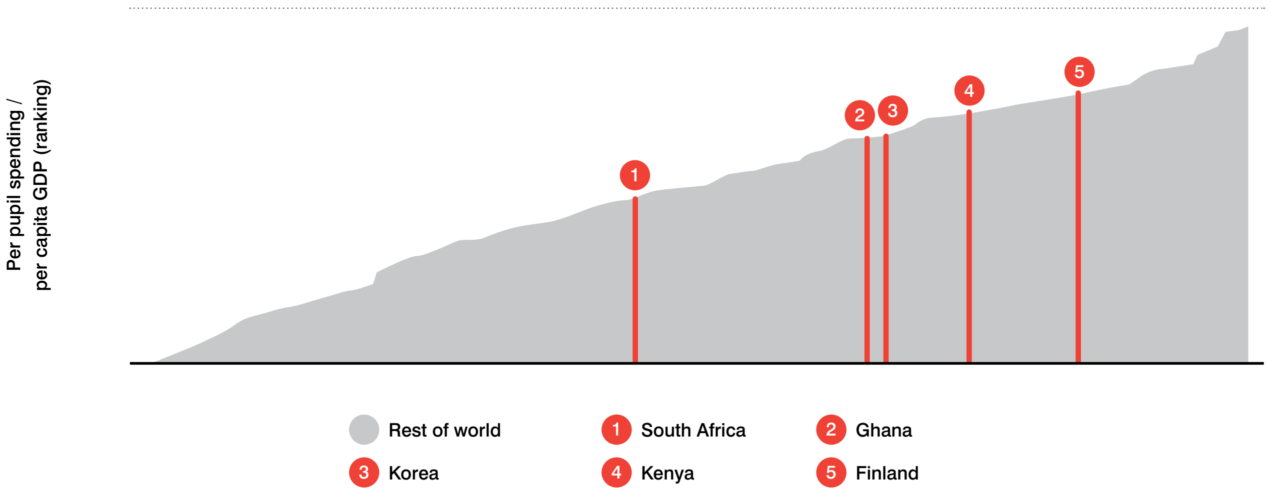
GRAPH 2

EDUCATION SPENDING RELATIVE TO GDP



GRAPH 3

POPULATION-SENSITIVE EXPENDITURE COMPARISON



4.5 THE NATURE OF SPENDING AND SERVICE DELIVERY

The high-level picture given above is complicated by a number of issues relating to distribution, need and efficiency. There are at least five key issues: no-fee schools, class sizes, teacher supply and personnel spending, classroom resources and infrastructure backlogs.

NO-FEE SCHOOLS

Under a 2006 amendment to the National Norms and Standards for School Funding prescribed by the Schools Act, no-fee schools may be designated as such by virtue of their position in the quintiles previously described and in principle schools can also apply for such designation. Figures in Sayed and Motala (2012) indicate that 55% of schools had no-fee status in 2008 and this is reported to have risen to 60% in 2010. The determination of "adequate" resources for such schools therefore has a significant effect on the extent of resources budgeted for education *and* the distribution of those within the system. It is important to note also that a change to no-fee status need not imply an increase in the resources that schools receive, and in terms of *effect* one might argue that conceptually the policy may be thought of more as a social transfer to parents than an increase in education spending per se. This is a positive step since a major concern in many countries has been that fees may discourage or prevent poor families from sending children to school. However, a number of studies have questioned whether the resources under the no-fee policy are adequate, and to date, sufficiently thorough school-level analyses are not yet available to address this question. A related concern raised by Sayed and Motala (2012) is that while schools are freed of the responsibility of collecting fees, they are made more reliant on administrative systems for disbursement of funds and thus more vulnerable to mismanagement of those systems.

PERSONNEL EXPENDITURE

The no-fee provision only affects non-personnel expenditure, which is noteworthy given that personnel expenditure is now estimated at 80% of total expenditure, having been over 85% in the mid-1990s (Taylor et al., 2008). At the same time, personnel expenditure is one area where concerns remain as regards the progressiveness of public funding: the public sector salary-contribution for teachers in fee-charging schools is the same as for no-fee schools. The increase in the pay scale associated with qualifications may also be regressive in as much as wealthier schools attract better-qualified teachers. Furthermore, the formula used to calculate the number of "effective posts" for a given schedule makes generous provision for subjects that are not part of the core curriculum, such as music (maximum ideal class size of 6), that may have a somewhat regressive effect in funding terms. These problems may be off-set to a limited degree by the use of provincial funds (up to 5%) for so-called "redress posts", allocated using the quintile weighting mentioned previously, but we are unaware of any studies that have weighed-up the relative effects of these factors.

One problematic narrative emerging from concerns about the distribution of funding for personnel is that personnel costs per se (rather than the formula for distributing them) are inherently problematic and efforts should be made to reduce the proportion spent on educator salaries. For example, OECD (2013) call for a "rebalancing of the budget" away from personnel costs. Unless this is to take place through a large increase in overall funding this advice seems misplaced for reasons we now examine.

CLASS SIZES AND TEACHER SUPPLY

Class sizes and learner-educator ratios have been declining since 1994 but remain high. The Department of Basic Education's Macro Indicators report (2011) shows an average of 36-38 when excluding independent schools. This itself masks extreme situations, reflected in the stated objective in the 2013 budget to ensure that: "77 percent of learners are in classes with not more than 45 learners per class" (Estimates of National Exenditure, 2013 p.325). In other words: more than 23% of learners are currently in classes of 45 or more. "Ideal maximum class sizes" well below this are stated, by subject, in the Employment of Educators Act. The SACMEQ III study indicates that in 2007 55% of students were in classes with more than 40 students. There are interminable debates about class size effects in the academic literature, but there appears to be some agreement that class sizes above 40 are harmful to learning and that larger classes are likely to exacerbate other problems in the learning environment, whether teacher workload, student behavioural problems or inadequate facilities.

In relation to issues regarding personnel expenditure it is notable that excessive class sizes arise primarily from inadequate numbers of teachers and insufficient funding, exacerbated by problems in the national distribution of teachers relative to subject and vacant posts.

This in turn raises two issues: teacher supply and teacher quality. While Carnoy, Chisolm, et al. (2008) suggest that in an earlier period there was no aggregate under-supply of teachers, DBE (2011c) find that while there may have been a teacher surplus in the early to mid-1990s, there have been persistent shortages in specialist subjects (most notably mathematics and science) and the situation has now reversed with the attrition rate exceeding the number of newly trained teachers in most years. One might also note that the notion of a "teacher surplus" is incongruous in the context of excessive class sizes: it would make more sense to talk of underfunding of teacher posts. When one considers the extent of teachers' workloads (inadequate numbers of free periods to do planning, and marking commitments due to large classes and lack of administrative support staff) the true extent of underfunding is likely to be substantial.

Both the above reports acknowledge that teacher quality is hard to gauge and after the necessary abolition of apartheid-era inspection mechanisms, unions have resisted the introduction of teacher observation or testing mechanisms under the new democratic dispensation. The SACMEQ III study is one of the first to examine teacher knowledge, though not actual teaching performance, in a large sample and found South African teachers to be above the regional average in subject knowledge on the same tests written by their students. This is a weak measure, however, and many experts agree that teacher quality is likely to be a significant contributor to poor outcomes.[11] Concerns have also been raised regarding high absenteeism rates, not necessarily in the aggregate but in the sense that a significant number of schools have absenteeism rates greater than 20%. Some evidence suggests that absenteeism is correlated with a lack of teacher content knowledge. The failure of the vast majority of schools to keep up-to-date attendance registers is also a factor. While a number of initiatives have been introduced to assist with "professional development" (an issue somewhat easier to gain consensus on) it remains to be seen whether this is an adequate response to the above problems with a small but significant subset of teachers.

The tension between a perception of large numbers of inadequately competent teachers in the education system and a desperate need to attract more and better candidates into the teaching profession has arguably been the most intractable problem in post-apartheid education policy. The primary initiative in place is a bursary scheme for prospective teachers, known as *Funza Lushaka*, due to allocate 14,500 bursaries in the 2013/14 budget year and produce approximately 4,000 graduates.[12] Some concerns have been raised regarding successful placement of graduates and a number of studies allude to difficulties for young teachers in obtaining jobs, even when they are better qualified than existing teachers. These difficulties seem at odds with the fact that the number of teachers produced by the Funza Lushaka scheme remains inadequate to compensate even for annual attrition, but this apparent contradiction reflects bureaucratic, geographical and subject-related obstacles to successful teacher placement rather than problems with the scheme per se. Relatedly, those trained under the scheme are subject to the same concerns about quality as other teachers, since funded candidates can attend any certified training institution. Leaving aside these concerns about the broader system, the project as a whole has received positive reviews to date.

CLASSROOM RESOURCES

In terms of the day-to-day running of schools materials and resources such as stationery, textbooks/workbooks and photocopiers, SACMEQ III shows high inequality across provinces in access to basic resources in 2000, but with significant improvements in some of these (e.g. an increase in schools with photocopiers from 48% to 78%—although no information on servicing or inputs) by 2007. In a few years, there has been a significant prioritisation of such expenditures; the number of students receiving workbooks jumped from 2.8 million in 2011/12, when this was first introduced as a performance indicator, to 10.3 million in 2012/13. However, receiving a workbook does not mean receiving all required books and there appear to be large gaps in provisions for certain grades and subjects, with significant variation across provinces.

INFRASTRUCTURE

With the court case referred to previously, school infrastructure has received a great deal of public attention

11 A number of studies show large increases in the proportion of teachers holding formal qualifications but in the absence of thorough quality control across providers, such achievements are of little comfort. More revealing perhaps is that, with many caveats, the baseline percentage given in DBE (2011a) for teachers attaining minimum standards on subject knowledge in 2009 is 41%.

12 The broad objective of the scheme is to provide support to: "at least 25% of initial teacher education students" (DBE, 2011b).

and, as noted, is the subject of significant conditional grants in recent budgets. It is notable, however, that in the education performance indicators in the Budget it is recorded that the: "percentage of public schools complying with basic level of school infrastructure" was 92% in 2012 and expected to increase to 96% in 2013 and 100% by 2014. This optimism is somewhat at odds with the picture presented in the supporting documents to the Equal Education court case.[12] One aspect of contestation is what constitutes an adequate "basic standard" and whether these are enforceable. It is notable that many poorer provinces score poorly on the "building conditions" measure in the SACMEQ study for 2007. At the same time, it is useful to distinguish different categories of infrastructure. On the one hand, the evidence indicates that 10-15% of schools lack complete basics such as electricity, water, sanitation facilities and security; a small proportion of schools but with extremely poor infrastructure. On the other hand, over 80% of schools do not have at least one of: libraries, science laboratories or information and communication technology (ICT) facilities. The latter two may not be "basic" facilities by some definitions but their absence is certainly a major impediment to the teaching of a modern curriculum and will require very large sums (no estimates appear to yet exist) to roll-out at such a scale.[13]

4.6 THE CONCLUSION: TOWARD QUALITY UNIVERSAL EDUCATION

The failure of the South African education system to provide a large proportion of students with an adequate level of education (in terms of achievement rather than years of learning) is due to a confluence of historical and current factors. While detailed government plans for the education sector exist, the orientation of at least parts of these is problematic. What emerges from the above analysis is that two particular "nettles" are not being grasped. First, the issue of teacher quality in the existing and incoming cohorts needs to be better-understood in order for appropriate solutions to be developed. For example, in some cases early retirement may be preferable to interminable, failed attempts at professional development. Instead, recent public statements by two government ministers have focused on punitive measures, premised on distrust, such as imposing rigid teacher dress codes and installing biometric clock-in systems, contradicting the stated desire, in the National Development Plan and elsewhere, to attract new entrants to the profession. There also appears to be an inclination to downplay the extent of teacher shortages, failing to consider that many more posts need to be created to address problems of large classes and excessive teacher workloads.

This leads to the second issue, that the provision of quality education to all, including educational resources for the national curriculum, requires much more funding than is currently available. More nuanced international benchmarking taking into account population suggests South Africa is not as high a spender as often thought; while international comparisons are inherently crude, this may suggest the feasibility of higher levels of spending. Estimating the extent of funding required in order to meet desired levels of resource provision, even if these are not immediately achievable, would be an extremely useful exercise. In the interim, serious consideration needs to be given to finding additional funds in the face of other competing demands on the fiscus, while at the same time reducing the extent to which the current system squanders funds through bureaucratic inefficiencies, unacceptably bad learning environments, poorly managed schools, inadequately qualified or absent teachers and excessive grade repetition.

The challenges for the South African education system are vast and not solely resource related but, echoing the findings of Taylor, Fleisch, and Shindler (2008), sufficient resources remain essential for achieving the desired outcomes. The above analysis suggests that a larger education budget is required in order to provide all South African children with a decent education, the absence of which is arguably, if indirectly, the source of many other serious social problems.

12 See for instance Education (Education).

13 A recent OECD (2013) report has claimed that the provision of ICT and library facilities can entirely off-set the effects of poor students' socioeconomic status; this contradicts virtually all of the entire education and economics of education literature - not to mention simple intuition - and is almost certainly due to problematic econometric methodology.

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5

BUDGET JUSTICE

HEALTH CARE FINANCING REFORM IN SOUTH AFRICA: EQUITY, SOCIAL JUSTICE AND THE NHI

DAYGAN EAGAR

5.1 INTRODUCTION

"It is very expensive to give bad medical care to poor people in a rich country."

Paul Farmer

In 1994 South Africa ostensibly emerged out of 300 years of white domination where economic and social policy all served to sustain inequality. The new democratically elected government held the promise of greater equality, greater access to basic services and a "better life for all".

This promise was signalled by the introduction of the Reconstruction and Development Plan (RDP), hailed as South Africa's socio-economic development plan that would reverse social and economic inequity through the alleviation of poverty, the redistribution of the countries wealth and the provision of basic social services; all the while achieving sustained economic growth (Cameron, 1996).

This commitment to economic equality and social justice was to be short lived though. In 1996, in pursuit of full integration into the global economy, South Africa introduced the Growth, Employment and Redistribution programme (GEAR) as its macroeconomic policy.

GEAR heralded the move towards neoliberal economic principals that would see the opening up of the economy and the substantial slowing of social sector spending in an effort to slash its budget deficit. It was touted as providing a platform for both economic growth and redistribution through the market and the liberalisation of the economy. Instead, South Africa's pursuit of neo-liberal macroeconomic policy has acted to broaden inequality further (Van Der Berg, 2010). South Africa now has the most unequal society in the world.[1]

GEAR also brought with it the introduction of austerity measures that were reminiscent of those implemented as part of structural adjustment programmes imposed on many developing nations in the 1990's in accordance with the Bretton Woods Institutions' loan conditionalities. This at a time where the entrenched inequities in access to health, education, sanitation, water and electricity demanded policies that would see significant increases in social sector investment and the redistribution of much of the countries wealth.

5.2 FOSTERING INEQUITY: HEALTH CARE AS AN EXAMPLE OF STRUCTURAL INEQUALITY

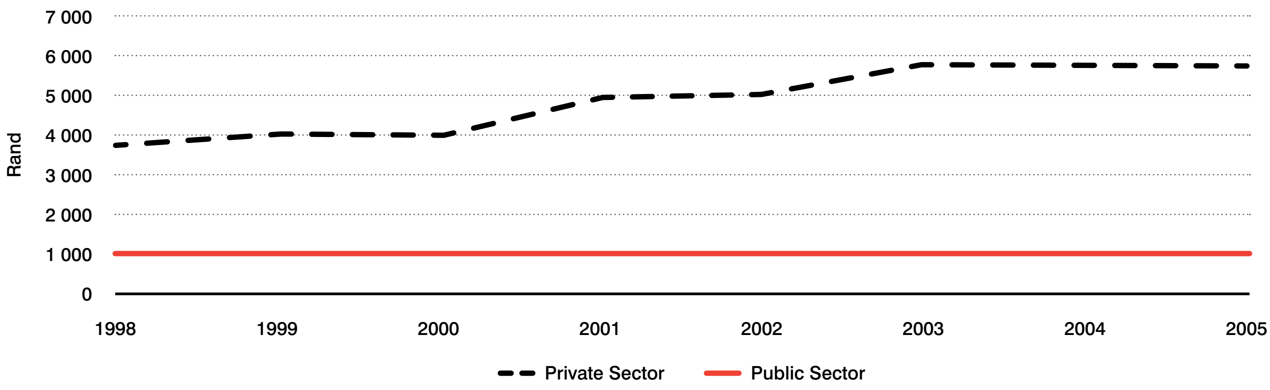
In a review of social sector spending during the first five years of GEAR, van Zyl and van der Westhuizen (2003) show that as a percentage of GDP expenditure in all social sectors decreased from 33.8% of total expenditure to less than 27%. Health was particularly hard hit in this regard as public sector health spending declined from 4.5% in 1996/97 to less than 3% in 2000/01.

In contrast, expenditure in the private sector health expenditure had increased dramatically over the same period. According to data provided by Mcintyre and van den Heever (2007: 75) real per capita expenditure in the private sector increased from approximately R3800 per person in 1998 to approximately R5800 per person in 2005 (graph 1).

1 Data on economic inequality in South Africa recently published by the World Bank reveals that in 2010 South Africa had a Gini coefficient of 63.1 where a score of 0 is perfect equality and 100 is perfect inequality. Further disaggregation of this data reveals that more than 63% of all income is held by the wealthiest 20% of the population while the poorest 20% only hold 2.7% of income.

GRAPH 1

PRIVATE VS PUBLIC REAL PER CAPITA HEALTH EXPENDITURE 1998-2005



Data source: Mcintyre and van den Heever (2007: 75)

These trends in expenditure are in many ways symptomatic of the widening chasm between the wealth and the poor in South Africa. Rather than eroding differences in access to health care fostered during apartheid, South Africa's macro-economic policy under GEAR had actually entrenched inequity.

The impact of inequity on health in South Africa is demonstrated by the seeming contradiction between expenditure on health care and the quality of outcomes achieved.[2] Despite spending a relatively high proportion of its GDP on health care, approximately 8.9% (World Health Organisation, 2012), South Africa performs extremely poorly on key health outcomes when compared to many other middle-income countries (Table 1).

TABLE 1

HEALTH OUTCOMES VERSUS HEALTH EXPENDITURE AS A % GDP

Country	Health care expenditure as % of GDP, 2010	Life expectancy at birth (both sexes)	Under five child mortality, deaths per 1000 live births	Maternal mortality ratio (per 100 000 live births)
South Africa	8.9	54	57	300
High Income Countries				
Australia	8.7	82	5	7
Canada	11.3	81	6	12
Denmark	11.1	79	4	12
Japan	9.5	83	3	5
United Kingdom	9.6	80	5	12
Middle Income Countries				
Brazil	9.0	73	19	56
Botswana	8.3	61	48	160
Chile	8.0	79	9	25
Cuba	10.6	78	6	73
Malaysia	4.4	73	6	29
Thailand	3.9	70	13	48

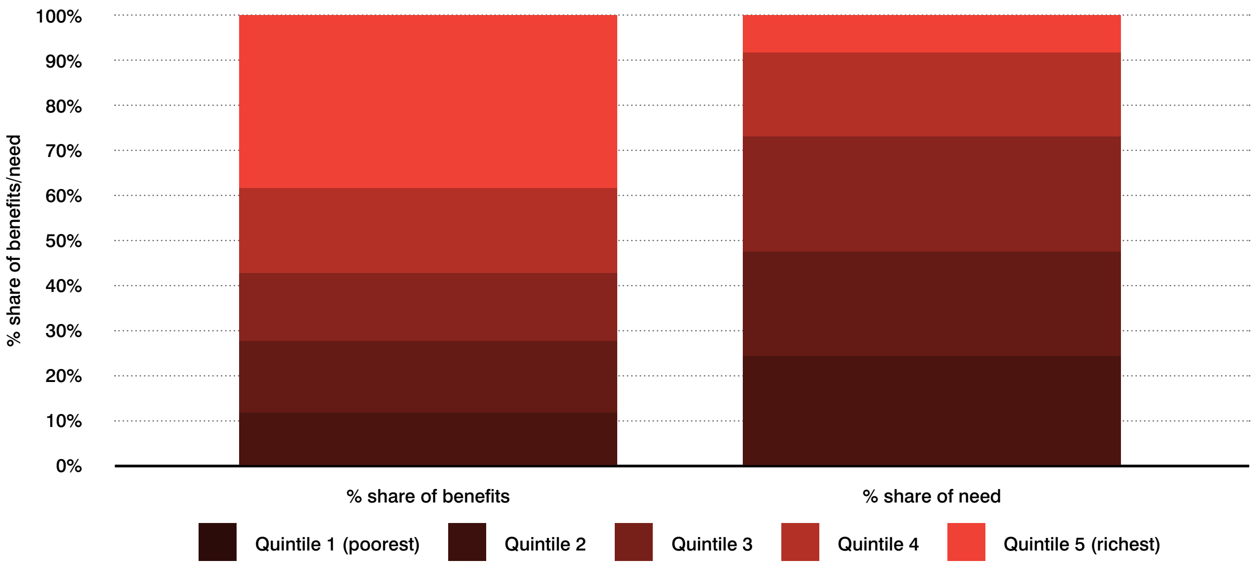
Data source: WHO Global Health Observatory, 2010 (table adapted from McIntyre and Thiede, 2007: 36)

2 In fact there is a growing body of research that shows that this kind of inequity, both in health care and society more broadly, is as important determining health outcomes as socioeconomic status (Bentley, 2004 see also Goldberg et al., 2007; Marmot, 2007; Sen, 2002 and Wilkinson and Marmot, 2003).

In terms of access to health care the relationship is clear. Research recently published by Ataguba and Mcintyre (2012) on access to health care in South Africa provides striking evidence for this. They found that the country's wealthiest quintile receives approximately 38% of all health care benefits—largely through a well-resourced private sector—while accounting for less than 10% of need (graph 2). The inverse is true of the poorest quintile, which constitutes approximately 25% of the need for healthcare but receives only marginally more than 10% of health benefits in a poorly functioning public system (Ataguba and McIntyre, 2012).

GRAPH 1

SHARE OF BENEFITS VS. SHARE OF NEED



Source: Ataguba and McIntyre, 2012: 142

The inequities in access to benefits between these two systems becomes even more apparent if we consider that in 2011 per capita expenditure for medical aid scheme members was R11 150 (Council for Medical Schemes, 2013) while per capita expenditure in the public sector only totalled approximately R 2750.

Despite these clear inequities in expenditure the government itself plays an active role in sustaining inequities in expenditure. In terms of the current tax regimen the government subsidises private medical aid scheme membership by allowing taxpayers to claim tax back for contributions to schemes. Figures provided by the National Treasury reveal that in the 2008/09 financial year alone the fiscal cost of these subsidies was R16.7 billion (National Treasury, 2011).

Even though this system has been reformed to ensure greater equity between taxpayers through a shift to a system of tax credits that are the same regardless of tax-bracket, it fails to address inequities between those who earn enough to pay tax and those who do not (see Eagar, 2011 for an analysis of the tax treatment of medical scheme membership).

5.3 TOO EXPENSIVE TO CARE: THE PRIVATE HEALTH CARE SYSTEM

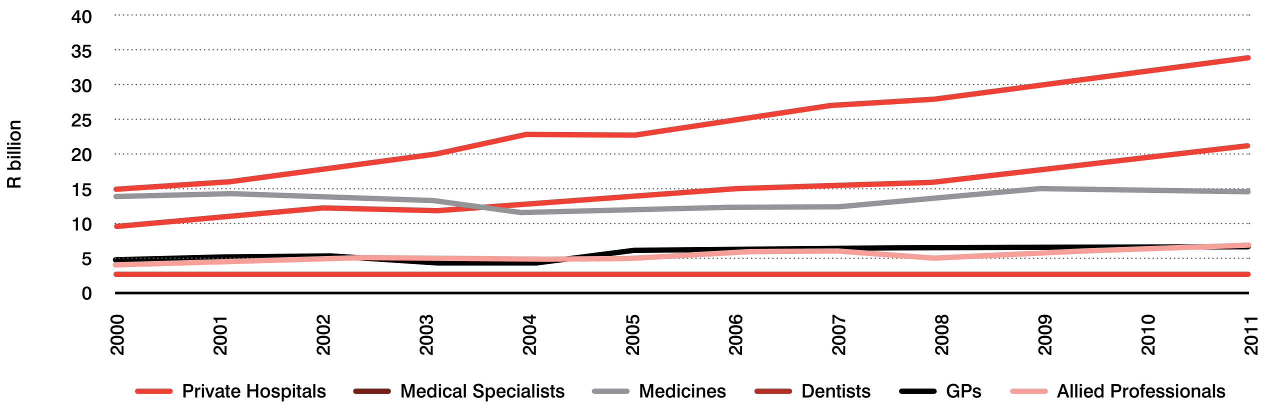
Access to health care in the private sector is largely driven by membership to medical aid schemes and the benefits available to scheme members. At present there are approximately 8.5 million medical scheme beneficiaries in South Africa (Council for Medical Schemes, 2013).

Despite the fact that scheme membership has increased by more than 26% between 2001 and 2011 (ibid), the long-long term sustainability of medical aid schemes, and access to the private sector for their beneficiaries, is increasingly coming into question. The cost of purchasing medical aid continues to increase well beyond inflation each year and well beyond increases in real income for most members (Council for Medical Schemes, 2013: 32).[3]

These dramatic increases in the cost of medical scheme membership have been largely driven by an increase in the number and cost of hospital admissions and the overuse of technology and specialists. (Council for Medical Schemes, 2008).[4] Trends that continue to force medical schemes to increase contributions beyond inflation and curtail the benefits members can expect to receive.

GRAPH 4

EXPENDITURE TREND IN THE PRIVATE SECTOR 2000-2011



Data Source: Council for Medical Schemes Annual Report 2011/12

These trends have been allowed to continue largely due to the power of private providers' ability to resist meaningful regulation and attempts at price control. While amendments to the Medical Schemes Act in 1998 have resulted in important reforms to the functioning of medical aid schemes (e.g. the introduction of Prescribed Minimum Benefits and the control of risk based selection), there have been no similarly effective reforms in the private provider segment of the sector to control. In fact, the private hospital sector has been highly effective in resisting attempts at reforms aimed at cost containment and regulation.[5]

Another major barrier has been the lack of competition in the private health care sector, particularly the private hospital sector. The private hospital sector is dominated by three groups (Netcare, Medi-Clinic and Life Health care) that account for more than three-quarters of all

3 During this period increases to medical scheme contributions have been, on average, 3.9 percentage points higher than inflation (CPI) year-on-year.

4 The CMS (2008: 24) explains that of the 65% real per capita cost increase between 2000 and 2006 only 5.5% and 5.4% can be explained by increases in nursing costs and aging respectively. They go on to explain that medical scheme members undergoing treatment for HIV and AIDS at the time only accounted for 1% of all scheme members, most of whom were being treated outside of the hospital setting. They conclude that approximately 54% of the increase cannot be explained by demographic or burden of disease changes.

5 This has been demonstrated by the scrapping of the National Health Reference Price List in 2010 after a court case involving the Hospital Association of South Africa (representing the private hospital sector) and the Minister of health. By ensuring that the NHRPL was made null and void, the HASA managed to ensure that attempts to regulate prices in the private sector were thrown into disarray.

hospital beds in the country (Mortensen, 2009). The persistence of these “market power imbalances” has meant that there is little incentive for these groups to bring down and control prices (Council for Medical Schemes, 2008: 26).

Without stringent government regulation of the private sector there is no reason to believe that access to private health care for the majority of South African’s is going to improve. If anything, the lack of regulation of private provision, particularly hospitals and specialists, will continue to drive up costs, forcing many people, who have traditionally had access to private care, into the public sector which is already unable to effectively and efficiently deliver services to all patients in need.

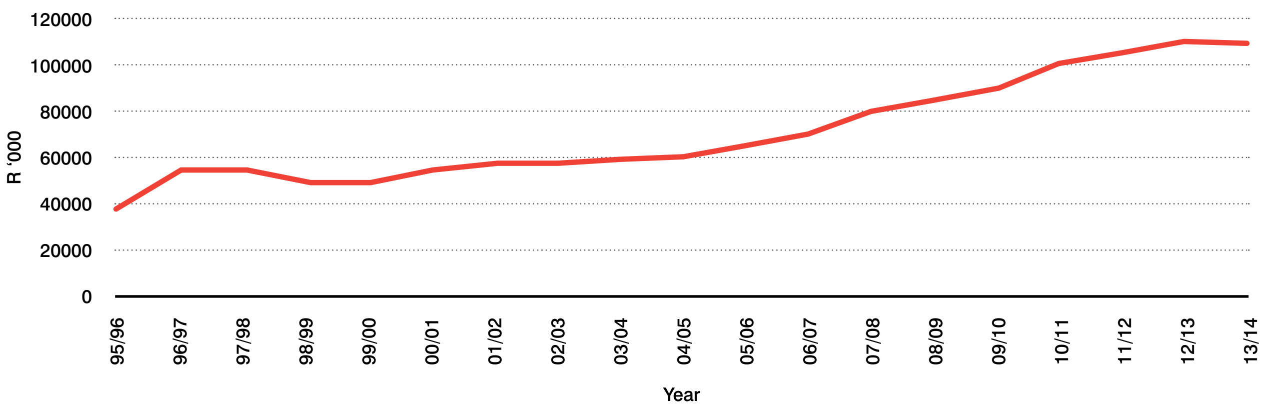
5.4 FINANCING THE PUBLIC HEALTH CARE SYSTEM: TOO INEFFICIENT TO CARE

The slowing of social sector spending with the introduction of GEAR in 1996 was particularly bad for the financing of the public health sector. As a share of total government expenditure, public health spending declined from 13.2% in 1996/97 to 11.1% in 2001/02. As a percentage of GDP this represented a decline from 4.66% to 2.99% in the same period (van Zyl and van der Westhuizen, 2003).

Since 2006, however, this trend has been reversed and there have been sustained year-on-year increases in public sector health spending. The 2011/12 South African Health Review, published by the Health Systems Trust (HST), provides some striking data in this regard. Between 2006/07 and 2011/12 the total spent on health care in the public system has increased from R62.58 billion to R110.01 billion, which represents a real average increase of 6% year on year (Graph 5).

GRAPH 5

PUBLIC SECTOR EXPENDITURE TRENDS: 1995/96-2013/14



Data Source: South African Health Review (2011). Chapter3: Health Financing.

Public health care spending has increased from 3.2% of GDP in 1997/98 to 4.1% in 2011/12 and is expected to reach parity with the private sector by 2014/15. Per capita spending in the public sector has also increased markedly from approximately R1600 per person per annum to approximately R2600 per person per annum in 2011/12. This represents an annual average real increase of 5.6% (South African Health Revue, 2011: 34).

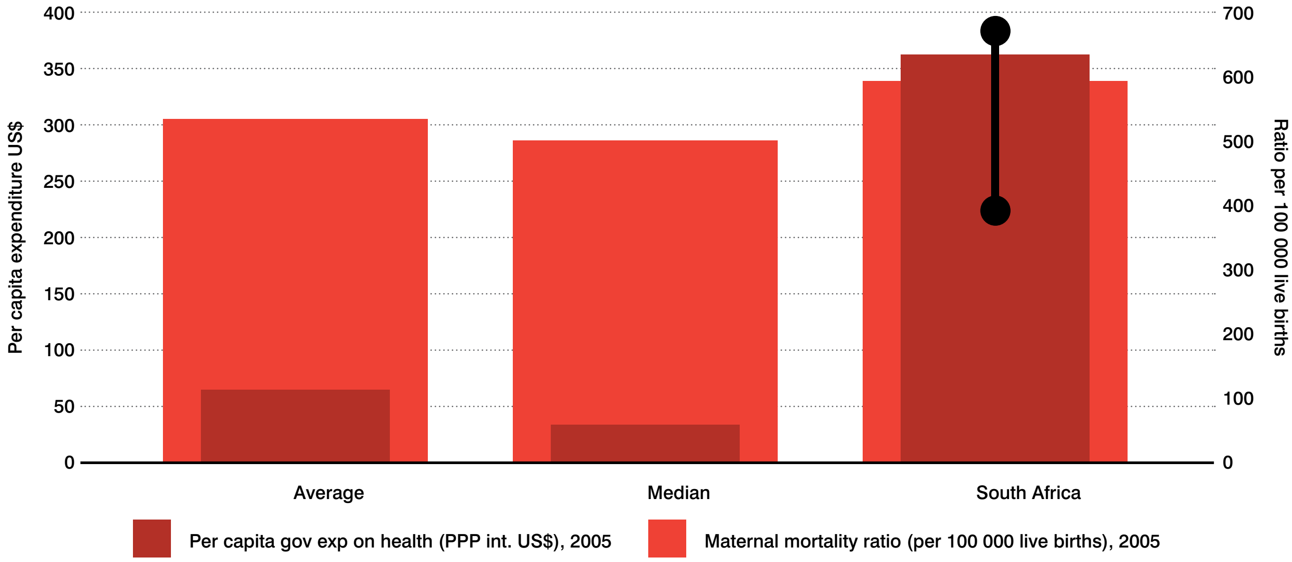
A substantial part of this increase in spending can be attributed to the government’s turnaround in its commitment to the response to HIV and AIDS as well as increased spending on infrastructure and human resources. Since 2006/07 public sector spending on HIV and AIDS has nearly doubled from R12.32 billion to approximately R21.11 billion for 2011/12 (South African Health Revue, 2011: 39).

There is tentative evidence that suggests these increases, particularly on the response to HIV and AIDS, have started to deliver some positive results. The Rapid Mortality Surveillance Report published by the Medical Research Council in 2012 has shown that life expectancy in South Africa had increased form 54 years to 60 years between 2005 and 2011 (Bradshaw *et al.,* 2012).

These improvements in life expectancy can be misleading though. Beyond HIV and AIDS, there is little evidence to suggest that there have generally been improvements in health care that are consistent with levels of investment. When compared to countries with a similar per capita public health expenditure and similar per capita GDP, South Africa performs extremely poorly on key health indicators (van den Heever, 2012). For example, South Africa's maternal mortality ratio per 1000 live births in 2005 was nearly six times higher than countries with similar per capita public health expenditure (graph 6).

GRAPH 6

PER CAPITA GOVERNMENT EXPENDITURE VS. MATERNAL MORTALITY



Source: Van den Heever (2012)

This trend reiterates the need to look beyond how much is being allocated and to start understanding how this money is being spent and where.

5.4.1 Systemic weaknesses in the public system

The public health system, particularly at the provincial level, continues to perform extremely poorly in terms of how it manages and deploys resources available to it. Annual Audits of provincial departments by the Auditor General of South Africa (AGSA), as well as special investigations by other statutory bodies (e.g. Special Investigations Unit, Human Rights Commission and Legislature oversight committees), continue to reveal that provincial departments of health are chronic offenders when it comes to the mismanagement and misuse of public funds.

A particularly telling investigation was undertaken in 2009 when former Minister of Health, Barbra Hogan, established the Integrated Support Team (IST) to investigate the causes of on-going financial mismanagement within provincial departments of health (National Department of Health, 2009). The investigation found that while there were some differences between provinces, almost all shared several fundamental weaknesses in their public resource management systems. These issues included, amongst others:

- A severe shortage of qualified financial management and administrative staff, resulting in chronic mismanagement and a failure to adhere to even basic requirements of the Public Finance Management Act;
- Weak public resource management systems, including Personnel and Salaries System and the Basic Accounting systems that were out-of-date and not managed properly ;
- Monitoring and Evaluation systems that were dysfunctional and not used for planning and budgeting; and
- Unfunded and underfunded mandates relating mainly to the way in which personnel were being employed and paid, which was largely responsible for a public health budget deficit of more than R7.5 billion by the end of 2008/09.

Weaknesses in the public resources management systems of provincial departments have also created an environment conducive to corruption. While it is difficult to quantify the cost of corruption for health care, a recent investigation by South Africa's Special Investigations Unit (SIU) in to the Eastern Cape Department of Health revealed in that province alone more than R800 million was lost through corruption between 2008 and 2010 alone (Kimberly, 2012).

5.4.2 Inequity in the public system: The rural urban divide

The inequities between the public and private sectors are well known and have been the subject of debate for many years. An issue that has received little attention, but is nonetheless just as important, has been the government's inability to effectively address the historical inequities in the financing of the public health sector (Coovadia *et al,* 2009).

Apartheid and its policies of separate development left massive gaps in health infrastructure across the country. While urban health infrastructure, which served mainly white communities, was well resourced, there was little or no investment in health infrastructure in rural areas and urban townships occupied mainly by black Africans (Stuckler *et al.,* 2012).

Since the fall of apartheid little has been done to implement health care reforms and policy that adequately deal with persistent inequities based on geography and income (Gilson and McIntyre, 2007). While the National government has introduced an equitable share formula with the aim of improving equity in the allocation of resources between provinces, this has been unsuccessful in contributing to equity in public health care.

One of the major shortcomings of this formula is that even though various variables based on need are used, these are countered by the fact that a variable based on provincial contributions to GDP mean that wealthy, largely urban provinces still benefit from the formula's economic component.

There are also problems in the way equitable share allocations are managed at the provincial level. Even though there is a health component in the allocation formula to provinces, provincial governments still have discretion in how they allocate resources between provincial departments (Rao and Khumalo, no date: 15). This form of fiscal federalism means that even if the formula was particularly good in terms of health equity, in the absence of a provincial equitable share formula, there is little in the way of policy or regulation that requires provinces to equity as a consideration in resource allocation processes.

Data on Primary Health Care (PHC) expenditure within the public health sector published in the District Health Barometer for 2011/12 (Health Systems Trust, 2013) clearly demonstrates the persistence of inequities between rural and urban settings in South Africa.

Even though Primary Health Care (PHC) expenditure per capita (uninsured person) continues to steadily increase, from R291 in 2004/05 to R684 in 2011/12, there remain significant disparities between provinces. Limpopo and Mpumalanga, which are both largely rural provinces, have the lowest PHC per capita expenditure of R589 and R571 respectively. Other rural provinces such as KwaZulu-Natal and the Eastern Cape fall below the national average at R658 and R646 respectively. Provinces with large urban populations such as Gauteng and the Western Cape have significantly higher per capita spending of R760 and R798 respectively (DHB, 2012).

Not only do inequities exist in PHC expenditure between provinces, significant inequities persist within provinces too. A particularly clear example of this has been expenditure within the Eastern Cape. Provincial PHC expenditure per capita (uninsured population) by district in 2011/12 was significantly higher in the provinces two largely urban districts than its rural districts. The Nelson Mandela Bay Metro and Buffalo City districts expenditure on PHC was R928 and R747 per capita in 2011/12. PHC per Capita expenditure in Rural Districts such as Cacadu

(R629), Amatole (R622), OR Tambo (R595) and Alfred Nzo (R385) was well below the urban districts and the national average (DHB, 2012).

The most significant challenge, however, is that none of the reforms to public resource management processes and systems has been able to properly deal with the absorptive capacity (ability to spend based on available infrastructure and ability to attract and retain staff, for example) of provinces, provincial health systems, and underserved districts (McIntyre, 2012).

In an effort to assess the impact public resource management reforms has had on the absorptive capacity of provinces, Stuckler *et al* (2011) undertook an in-depth analysis of public health expenditure that found that: "by 2007, the provinces of South Africa with the greatest health burdens, least economic resources and largest black populations received the smallest shares of national public health care funds" (Stuckler *et al,* 2011: 167).

As Stuckler *et al* (2011: 165) argues, this is likely due to the Treasury's (at the national and provincial level) persistence in ensuring resources are allocated to where they will actually be spent somewhat efficiently. Unfortunately this practice continues despite the fact that it actually maintains the "infrastructure-inequality trap" where provinces with low levels of absorptive capacity are not given the resources necessary to generate the capacity to spend.

5.5 IN PURSUIT OF EQUITY: THE RIGHT TO HEALTH IN SOUTH AFRICA AND THE NHI

There is little disagreement that health is a fundamental component in the pursuit of all basic human rights. This is recognised in most international human rights instruments including, amongst others, the Universal Declaration of Human Rights (UDHR), Declaration on the Right to Development (DRD), the African Charter on Human and Peoples Rights (ACHPR) and, in particular, the International Covenant on Economic Social, and Cultural Rights (ICESCR).[6]

Even though South Africa has signed but not ratified some of these instruments, such as the ICESCR, the right to health is nonetheless explicitly provided for in the country's Constitution (Act 108 of 1996). Section 27 (1)(a) of the Constitution states that: "Everyone has the right to have access to health care services, including reproductive health care". Sub-section 2 then explicitly assigns the responsibility for the realization of this right to the state when it demands, "The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights."

In general, South Africa continues to do fairly well in securing the legislative space for the promotion and protection of the right to access to a full range of health care services. Beyond the Constitution there are a number of important pieces of legislation and policy documents that build on Section 27 and give guidance on the structure and functioning of the health system. These include:

- The National Health Act 61 of 2003[7]
- The Choice on Termination of Pregnancy Act 92 of 1996
- The Health Professions Act 56 of 1974
- The Medicines Related Substances Act 101 of 1965
- The Medical Schemes Act 33 of 2005
- The Nursing Act 33 of 2005
- The Traditional Health Practitioners Act 22 of 2007
- The Public Finance Management Act 1 of 1999

Much of this legislation has been used to good effect to test and give substance to the right to health. We need only look at the various Constitutional battles on the right to health, including Soobramoney v Minster of

6 The ICESCR makes it clear that the responsibility for the fulfilment of this right falls squarely on the shoulders of the state (Article 12). Comment 14, which gives more substance to the rights contained in Article 12 of the ICESCR, then identifies a number of core obligations of the state, which include the essential elements of "availability, accessibility, acceptability and quality".

7 Arguably the most important piece of legislation in this regard is the National Health Act (61 of 2003). The NHA sets the foundation for the structure and functioning of the health System including: the rights and duties of users and health care personnel, the structure of the public system, the responsibilities of private providers and their relationship with the public system and oversight of the provision of health care in both the public and private sectors.

Health (1997) and Minister of Health v Treatment Action Campaign (2002) to see that this right continues to be given life in the law even where government and popular opinion are not in support of what is being fought for.

Where South Africa continues to fail in terms of the realisation of this right, however, is to deal with the social and structural inequalities that continue to act against a significant portion of our population having the means and opportunities to access that right. From adequate nutrition to healthcare, access is in no small way still dependant on ones ability to pay and where one lives.

Since 1994 there have been no substantive redistributive policies that have promoted equity in the economy and society more broadly. In fact, as I have already argued, government policy and its direction in support of neo-liberal ideology have actually acted against any potential for true redistribution. Even South Africa's TAX policy, which is arguably the easiest way of redistributing wealth, has largely failed in this basic function (see Forslund, 2012).

For far too long has the state used the "within available resources" clause to justify why it has failed to fulfil its mandate. We have seen this argument deployed in every arena where health rights (and other socioeconomic rights for that matter) have been contested. In some instances the state has been unsuccessful in this approach (the TAC PMTCT case is an example here) but in general, this clause acts as a restriction on the right to health.

Yet if we understand and accept that in terms of the South African Constitution the fulfilment of the right to health is the obligation of the state, then we must reinterpret these clauses in this spirit. "Within available resources" should be interpreted as placing an obligation to take reasonable measures to ensure that it deploys the resources that are available in the country to ensure that everyone has an equal right to access health care.

As I have argued throughout this paper, the availability of resources really is not the main issue in South Africa. The data shows that we have enough to start progressing towards universal access and we most certainly have enough to start making substantial strides in the short term. What has been in short supply, however, is the acceptance that this is an obligation and then the political will to take the policy and legislative steps necessary to fulfil this obligation.

To achieve the fulfilment of this obligation it is incumbent on the state to implement policies and reforms that will achieve redistribution in a way that improves both access to health care for all and the efficiency and effectiveness of the care provided.

5.5.1 National Health Insurance as mechanism for health care reform in South Africa

Debates around the need for healthcare reform in South Africa are not new and predate democracy by half a century. In 1944 the Gluckman Commission published a report on health care reform in the country that recommended the introduction of a national health system, funded through a health tax, which would be free to all South Africans at the point of service delivery. While there was initially some commitment to many of the reforms these were never implemented and largely fell off the political agenda when the National party came in to power in 1948 (Dhai, 2011).

It would not be until 1994, with the publication of the ANC's Health plan for South Africa, that there would be any serious discussion of the reorganising of the health system. This plan envisioned a progressive shift to a system that provided universal access through the implementation of a number of key reforms including mandatory membership of social health insurance schemes for all employed individuals and their dependants, with the aim of broadening access to this system over time.

Between 1994 and 2009 there have been a number of failed attempts to start a process of reform. At least three special commissions had been established during this period to explore various options for reform, including:

- Committee of Enquiry on National Health Insurance (1995);
- The Social Health Insurance Working Group (1997); and
- The Committee of Enquiry into Comprehensive Social Security for South Africa (2002)

More recently, in 2009, a Ministerial Advisory Committee (MAC) was established to take forward the resolutions of the ANC's national conference in Polokwane in 2007 (Ibid).

Their process resulted in the production of an NHI "green paper" that was published for public comment in August 2011. This Green Paper outlined what the government was proposing as the basis for reform. Even though the substance of this document will undoubtedly change substantially in the wake of sustained criticism, a commitment to the production of a White Paper and the launch of 11 NHI pilot Districts around the country seems to indicate that for the first time there is a real commitment to far reaching reform.

While the NHI process remains opaque in the absence of the White Paper, it is clear that the basis for reform will be to foster greater equity in the provision of health care through mechanisms that will draw on a number of key objectives including:

1 To provide improved access to quality health services to all South Africans, irrespective of whether they are employed or not;
2 To pool risks and funds so that equity and social solidarity will be achieved through the creation of a single fund;
3 To procure services on behalf of the entire population and to efficiently mobilise and control key financial resources, and
4 To strengthen the public health sector so as to improve health systems performance.

The Green Paper did outline number of reforms that would be put in place to achieve these objectives but it is not clear, at the time of writing, how these will change in the White Paper and during implementation.

That said, underlying objectives of the NHI should remain and this should be the basis against which any proposed reforms are assessed based on what we know about the current challenges in health care in South Africa.

First and foremost we need to acknowledge that the availability of resources, particularly financial resources, are not the most significant barrier to good quality health care in South Africa. The real barriers to care emerge out of structural inequality that has its origins in apartheid but that is sustained through neo-liberal macroeconomic policy that has failed to result in the redistribution of wealth. For health care this has meant that access to care and the quality of care available is both a function of ones ability to pay and where one lives.

Any reforms under the banner of the NHI should therefore strive to deal with these structural issues through mechanisms that result in greater equity and the redistribution of resources. This does not automatically mean we need to compromise on quality of care but rather how it is provided and financed to improve efficiency and effectiveness. There are three key elements that need to be addressed when doing this.

(I) POOLING OF RISK AND FUNDS

As the NHI green paper suggests, there must be a single pool of funds that facilitate cross-subsidisation from wealthy to poor, young to old and healthy to sick. This would require significant reforms in how revenue is collected pooled.

This would necessitate the restructuring of the medical aid scheme industry and the elimination of the multitude of separate medical schemes with the creation of a single fund.

That said, there might be an argument for medical schemes to be included as administrators who manage patients and payments on behalf of the NHI fund. While this could reduce the risk of corruption inherent in having a single administrator, the fees charged by administrators should be carefully regulated with any profit as a result of efficiency gains and not profiteering.

Contributions to the scheme must be based on ability to pay. For cross-subsidization to work contributions must be progressive and based on income. This would also mean that increases to Value Added Tax, as a regressive tax, must not be used to generate revenue. This would also necessitate the scrapping of tax deductions or tax credits for medical scheme membership.

(II) PURCHASING OF SERVICES FROM THE PUBLIC AND PRIVATE SECTOR

In the short to medium term it would not be possible or even desirable to do away with private providers. Their infrastructure and expertise in management of care should be used for the benefit for all. It is, however, necessary to carefully consider how this could be done in a way that reduces costs in the private sector and makes use of its capacity in a way that resolves issues of overuse of expensive equipment, unnecessary hospitalisation and the use of specialists when services should be provided at the Primary Health Care level (PHC).

This will be resolved, in part, by having a single purchaser who could make use of economies of scale and negotiating power to ensure that care is provided at the lowest possible price without compromising on quality. To be clear, while medical aid scheme administrators could provide administrative services and process payments, they should not act as many smaller purchasers of services.

It will also require extensive regulation of the private provider sector based on an assessment of what are the main cost drivers in this sector and how they could be controlled. The governments proposed inquiry into the private health care market is a critical step in doing this and must be properly formulated and implemented.

To avoid the risk of further entrenching inequity in provision based on geography, it is essential that new accreditation of providers, particularly at the hospital level, is based on an assessment of need within the proposed area of provision.

(III) ENSURING EFFICIENCY AND QUALITY IN PROVISION

If the private sector has taught us anything it is that quality as defined by access to technology and specialised hospital-centric care can be highly inefficient and is inaccessible to those who need care most.

It is essential that specialised care at hospitals is carefully rationed based on a thorough assessment of urgency, need and what would ensure greatest improvement in health outcomes at the population level.

Prevention, early detection and proper management of care at the PHC level must form the core of the health care system and referral to higher levels of care must be based on good medical evidence. Referrals must be based on necessity and not in the interest of convenience or profit for providers.

Payment of providers must be made through mechanisms that promote efficiency and cost containment such as capitation and diagnostic related groups. There are obviously trade-offs with all payment mechanisms but quality of care can never be one of them. It is imperative that whatever mechanisms used are based on both need of the population served and performance in achieving particular outcomes. This is tricky but should be non-negotiable.

The most significant short term to medium term challenge for the NHI, however, will be to resolve the entrenched inefficiencies and issues of quality in the public sector. There is little doubt that pockets of excellence remain but widespread public resource mismanagement and the inability of the public sector to attract and retain dedicated health care professionals continue to be significant barriers to access.

Far-reaching reforms in the way in which the public system is administered and services are delivered must be made. Public health care administration must be rationalised and evolved to the district level. Provinces should still play a role in oversight but districts must be responsible for service provision and, until the NHI is up-and-running, the administration of budgets and expenditure. The public system needs leadership that is responsive and accountable to the people they serve. Administration from provincial centres remains highly inefficient, un-responsive to health care workers and unaccountable to users.

5.6 CONCLUSION

Since 1994 South Africa has largely failed to deal with the entrenched inequalities fostered by apartheid. Despite having what is broadly regarded as the most progressive constitution in the world, there have been few, if any, significant policy and legislative attempts at redistributing South Africa's wealth between the wealthy (still largely white) and the poor (still largely black). If anything, inequality and economic inequity continue to grow, driven by the persistence of neo-liberal macroeconomic policy that privileges economic growth over social sector investment.

The failure of our health system(s) to deliver on the promise of SECTION27 of the Constitution provides ample evidence of how South Africa's approach to social and economic justice has failed.

South Africa arguably spends enough on health care to make significant strides in improving the health of its population; yet it performs extremely poorly in this regard. The best explanation for this is that persistent social and economic inequities translate into inequities in access to health. If you have money you can purchase good care in a private system; if not, you are forced to seek care in a poorly resourced and managed public system.

The private sector is not a shining example of health care though. It is inefficient and is becoming increasingly inaccessible to many people in the working and even middle classes. If left unchecked by regulation, this system will be unsustainable in the near future

Even though the public system is underfunded when compared to the private sector, there is no doubt that it continues to underperform relative to investment. Hundreds of millions of Rand are lost each year due to chronic and widespread public resource mismanagement and corruption. This is money that could and should be used to dramatically improve health outcomes.

This is particularly important for health care in rural areas, which continues to suffer from the legacy of apartheids separate development and resource allocation processes that have served to sustain an "inequality-infrastructure trap".

Despite the ANC's initial commitment to substantial health care reform, as articulated in its 1994 Health Plan for South Africa, we are only now starting to see any real progress in designing policy and reform that could start to fix the system in a way that promotes greater equity and access to care for all.

In the absence of a White Paper, proposed health reforms through the implementation of "NHI" remain more unclear now than with its first policy iteration in the form of the Green Paper published in 2011. Despite this lack of clarity, it would be safe to say the underlying principles of universal access, efficiency and equity still hold true.

The successful implementation of the NHI as far reaching health care reform does not only have implications for health. It is the first real opportunity to pursue social justice through the large-scale redistribution of South Africa's resources. It is not only the health of South Africa's population that is at stake here, it is also the health of the nation.

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6

BUDGET JUSTICE

BUDGET FOR THE PEOPLE!

6.1 INTRODUCTION

As the Minister of Finance Pravin Gordhan prepares to give his 2013 Budget speech, let him remember that the wealth of South Africa belongs to all. Government must collect taxes and spend money to ensure that everyone lives a life of dignity.

We call on Finance Minister Pravin Gordhan and the Executive to ensure that government raises and spends public money in a manner that respects universal human rights and contributes to sustainable economic and social development. In other words, as was the case in 1994 and is still the case in 2013, there is an urgent need to reprioritize existing budget resources and service delivery from services to middle-class and rich South Africa towards services for working-class, low-income and poor members of the population.

6.2 A SUMMARY OF OUR DEMANDS FOR BUDGET 2013/14

- **We call on the government to develop a budget that truly can address structural inequality and poverty, and create an environment for ecological development.** In the first place this entails abandoning the 25% tax revenue to GDP ratio and deficit hawkishness that have been the standard since democracy.
- **We call on the government to fund this budget through a just redistribution strategy.** A strategy that increases taxes for rich individuals and corporations, clamps down on tax-dodgers, and broadens the tax base by addressing inequality.
- **We call for an open and accountable budget that recognizes the right to know, gives meaning to participatory democracy, and prioritizes the realization of the promises of the constitution.**

To this end:

- We call for a budget that directly creates decent jobs through a climate change adaptation and mitigation strategy. **In the light of SA's energy intensive economy and the urgent need for transition to a low carbon economy, the state must play a decisive role in building a renewable energy industry, rapidly expanding public transport, retrofitting public buildings and promoting small-scale organic agriculture. Many South Africans would be happy to see their tax money being spent to these ends.**
- **We call for a budget that realizes the right to free education by abandoning school fees and expanding school infrastructure and ensuring appropriately funded maintenance programs.**
- **We call for a budget that realizes the right to health by creating the fiscal space for an expansive and efficient national health system** including the National Health Insurance (NHI) program with sufficient human and administrative resources.
- **We call for a budget to strengthen the social welfare system on which so many rely for survival by a social solidarity strategy that increases grants above official inflation, ends the under-spending in the UIF, and increases basic service allocations.**
- **We call for a budget that fully acknowledges the crisis of violence against women and develops a strategic response to it.** This entails: expanding resources and GBV training for relevant government departments, welfare organizations, and the justice system; providing funds for the professional empowerment of women and sexual 'minorities'; and implementing mechanisms to ensure effective monitoring and evaluation of government responses.

6.3 WHAT THE 2013 BUDGET SHOULD ADDRESS

"We dream about a South Africa of full employment, non-violence and equality for all women and men. We dream about a South Africa where everyone can afford quality health care. We dream about a South Africa where everyone has a home and no one is evicted. We dream of a land where those that grow our food have enough to eat. We dream about a South Africa with a government that takes the threat from climate change seriously and realizes that millions of new jobs are needed to protect our environment. We know that this can be achieved. We know that everyone who wants a job can get a job if wealth and income are distributed differently and if priorities are set right.
A JUST BUDGET IS ONE OF THE TOOLS"

Call for Budget Justice 2012

A CALL FOR A SUFFICIENTLY FUNDED PUBLIC SECTOR

In last year's budget speech, Finance Minister Pravin Gordhan said that "tax revenue stabilising at about one-quarter of GDP" is one of five "key features of the budget framework" and a tax revenue to GDP ratio of about 25 percent was set for the next three years in the Budget Review. This political decision, repeated again for the first time since the 1996 GEAR document, limits the ability of the state to achieve social cohesion. It undermines the government's ability to support economic development and to create employment as well as reduce poverty and inequality. We hope that this unnecessary and short-sighted policy rule will be abandoned this year. Contrary to the statement made in the MTBPS last year, there is an urgent need to "increase available funds beyond the 2012 budget baseline". We note with concern the likely knock-on effects that the adopted policy will have on national and provincial departments, which are already struggling to finance essential services such as education and health. Indeed, even in the short run, the adopted policy will hinder the much needed health system reforms of which the NHI is core component. A demarcated tax to GDP ratio should not be a part of the budget framework.

THE ISSUE OF THE BUDGET DEFICIT

The failure to tax the rich and big corporations adequately is the main cause of exorbitant budget deficits and state debts globally. Government's attempts to bring the budget deficit down to 3 percent of GDP and its reduction of the total public debt were features of last year's budget speech. To continue this policy in 2013 will not address the development aspirations expressed in the National Development Plan. Marikana, De Doorns and Zandela showed the moral costs of not addressing the living conditions of the majority. Failing to create a stable social environment also results in short term economic consequences. To continue this policy is more problematic than to abandon a 3 percent budget deficit dogma copied from the European Union.

THE PROSPECT FOR TAX INCREASES

There has been much speculation in the media that the Finance Minister may, in this budget speech, announce an increase of the tax rate to 42 percent for personal incomes above R617,000 and even to 45 percent for incomes above R1 million. These tax rates were abolished 12 years ago. A majority South Africans would certainly welcome their reintroduction. Even with the current low levels of tax compliance among high income earners, observers have estimated that this would increase the tax revenue by more than R10 billion.

THE NARROW TAX BASE FALLACY

But tax compliance could be better. In 2011, SA Revenue Service (SARS) recorded only 2100 tax paying individuals with a taxable income above R5 million per year. These people paid R7.1 billion in personal income tax. In comparison, contacting just one financial institution in 2011, the SA Revenue Service found 30 000 individuals who saved one million rand every year. According to Wealth Insight (Business Report 11/12), the number of "High Net Worth Individuals" living in the country was 44 700 that year.

By forcing tens of thousands of rich tax dodgers to pay tax, the Government could change the nature of the budget completely without increasing tax rates. Still, this would increase the number of people paying income tax only marginally. Those who complain about the narrow tax base are often the same people who are supporting a system that keeps the vast majority of wage earners below the tax threshold of R64 000 per year. The so called "narrow tax base" is a direct consequence of the extreme income inequality in the country, but high income earners want to both have their cake and eat it.

6.4 A CALL FOR A BUDGET TO PROMOTE DECENT SERVICES, BASIC NEEDS,PUBLIC JOBS, AND TO CONFRONT CLIMATE CHANGE

The State of Local Governance Reports of the Good Governance Learning Network (www.ggln.org.za) have shown in more ways than one that the service delivery protests do not necessarily occur in places where there is greatest poverty and hardship, but in places where inequality is most visible. A democratic government must have the capacity to deliver decent services that meet basic needs to realize the Constitutional guarantee of dignity. **We call on Government to avoid using the budget as a tool for furthering neo-liberal corporatisation and privatisation – policies that perpetuate inequality, poverty and unemployment.** Climate change hits the poor hardest and climate change jobs programmes can help to mitigate this problem.

To this end, we would like to draw the government's attention to some examples of necessary interventions and required budget prioritisation. For all the talk about infrastructure investments, we need a massive investment programme for decent housing, school buildings, health centres and local clinics, meeting peoples' needs for quality health and education. Spending on health and education is an investment in the future.

A BUDGET THAT REALISES THE RIGHT TO FREE AND BASIC EDUCATION

We need libraries and schools equipped with books and qualified staff. Age restrictions on learnerships must be taken away so that people can catch up on what they missed in schools or when losing a job. Completely unrealistic registration fees demanded everywhere by public schools, whether legal or illegal, make a mockery of the promise of free education for all children. Such fees keep thousands of children away from school. Moreover, free school uniforms in public schools would put learners on more equal footing, lift a heavy burden from the budget of poor households, and give work to our textile industry.

A BUDGET THAT REALISES THE RIGHT TO HEALTH

It is long overdue for the Treasury to present how the reformed public health system and the National Health Insurance (NHI) will be financed, what the nature of the transition is, and its goals. The conditional grants given to administration and management systems only in the so-called NHI pilot projects give rise to deep concerns. **Actual health service delivery, medicine, facilities and equipment should be prioritised** rather than being **excluded from the additional provisions,** as is now surprisingly the case.

Now is the time for the Finance Minister to speak out on the NHI. A first discussion paper was promised in April 2012. **We demand the Right to Know.**

There are already important initiatives such as primary health care reengineering, aimed at reversing amongst the world's worst maternal, and child mortality outcomes. But stipends for community health workers that are below the minimum remuneration for domestic workers are unacceptable. Community health workers could be the back-bone of a reformed public health system. **Their work must be recognised and should be earning a living wage of at least between R3 200 and R 4 200. There must be a plan for their integration into the National Health System and the NHI.**

The health sector needs to boost its entire human resource base, from management to service delivery capacity. It is only through this base that tight budgets could yield desired public health outcomes. In addition, more transparency is required on the actual expenditures in the health sector, including progress reports on the NHI pilot sites, with clear detail on how the NHI Conditional Grants have been spent.

A BUDGET THAT FIGHTS CLIMATE CHANGE AND CREATES JOBS

We note with alarm the government's continued lack of resolve in change South Africa's carbon intensive energy path. Research done by the One Million Climate Jobs campaign indicates that tens of thousands of jobs could be created if the Treasury applies itself to more creative incentives for state and citizen led investment in renewable energy and climate adaptation. We urge the government to reconsider, not only the energy mix, but also to apply the "polluter pays" principle in line with global climate justice guidelines. Without concerted action, South Africa's twin scourges - high unemployment and escalating carbon emissions - will merely become a tax on future generations.

To fight climate change and unemployment in one blow, the government could expand the successful Community Works Programme to a massive public works programme that pays at least the minimum wages for a corresponding job. The public works programmes must create public assets that protect our environment like building and retrofitting environmentally sound houses and providing safe, reliable public transport as an alternative to private cars.

In essence: We must **move the country away from fossil fuel dependence!** We must invest in renewable energy! We must put an end to fossil fuel subsidies, including an end for subsidies to new fossil fuel explorations, such as fracking.

Climate change also makes it even more imperative to put in place a budget that tackles inequality and poverty head on, invests in public goods and protects ecological systems that support all life (including human). The challenges presented by climate change include increased water and food insecurity, higher fuel and electricity prices, and loss of jobs in some sectors (with the potential for job creation in other sectors). This includes investments in water infrastructure that respond to the urgency of climate change, and increasing funds to regulate and enforce the protection of water resources. This is particularly important to counter the adverse impacts of mining and other polluting industries.

The protection of South Africa's scarce water resources is one example of where climate jobs must be created. We must **invest in water infrastructure that responds to the urgency of climate change.** This includes the installation of waste-water treatment works, investment in infrastructure and maintenance that is energy efficient, uses renewable energy (e.g. biogas digesters), reduces distance that water travels and is resistant to storms, sea surges, sea-level rise, as well as investment in rainwater harvesting and sustainable farming methods.

A BUDGET THAT PROMOTES FOOD SECURITY

Though South Africa may be 'food secure' on the average at the national level, a shocking disparity exists between those who can and cannot access sufficient, nutritious food. **In July 2003 the Heads of State of the African Union, pledged to devote 10% of their national budgets towards agriculture.** For 2012/13 South Africa's national agricultural budget was R5.8 billion, or 0.6% of total state expenditure. The agricultural budgets of South Africa's 9 provinces raise the total to R 21.6 Billion, or 2.2% of the total state expenditure. Although this is an improvement, **there is still a long way to go.**

Even if this target is met, how the money is used is of equal importance. Numerous global authorities, including the UN, have recommended **a shift in agricultural production and policy, towards agro-ecology.** The Department of Agriculture, Forestry and Fisheries has initiated a process for an agro-ecology policy. **A significant allocation of funds towards this, and to supporting agro-ecology efforts already underway on the ground both in urban and rural areas, should be an urgent priority.**

THE FISCAL AND ENVIRONMENTAL DANGERS OF NUCLEAR POWER AND FRACKING

The proposed expenditure on new nuclear energy projects is unprecedented in South Africa's history and will impact the national economy over the coming decades, constraining the use of public funds in critical areas like health and education. Initial estimates of the costs for the proposed "nuclear fleet" are already in excess of R1 trillion. If the project costs more than budgeted for, as is likely, it will cause an increase the nation's budget deficit and national debt. With this in mind, we call for the following:

The Department of Energy must complete an accurate cost analysis of the proposed procurement of energy from nuclear power before this program is approved.

Given the absence of comprehensive information about the cost of the nuclear program, Parliament will be unable to discharge its constitutional obligation to promote effective financial management of the executive. In consequence, **Parliament should take steps to make the process transparent, in line with the constitution.** We need to heed lessons from the arms deal in this respect.

The effective suppression of renewable energy and the short-sighted promotion of expensive technologies with long term risks such as nuclear contamination does not support the principle of "sustainability and inter-generational fairness". Future generations will be forced to manage the side-effects of this choice. **It is vital that the planned carbon tax is introduced as soon as possible as this will have a material influence on long-term energy planning.**

In general, we call for a re-examination and more widespread consultation regarding both fracking and nuclear energy. The importance of this is underscored by the increasing water scarcity conditions in South Africa, and the ruinous impacts of fracking in other parts of the world. Other governments around the world have moved entirely away from nuclear energy after Fukushima.

A BUDGET THAT PROTECTS SOCIAL WELFARE AND INSURANCE

In the 2012/13 Budget Review, the Treasury claimed that they were increasing child care grants, disability grants and pensions at the rate of inflation. This was not true, even when comparing with the aggregate rate of inflation reported by StatsSA. However, higher price increases on food, public transport and electricity, make inflation much higher for the poor and the working class. StatsSA also provides the inflation rate that Treasury should be using when increasing social grants. **We call on the Treasury to increase social grants at the inflation rate reported by StatsSA for the poorest 20 percent of households.**

In view of the lack of social solidarity and cohesion needed to address apartheid-era divisions, and in a situation where the gulf between rich and poor is growing, the debate about a Basic Income Grant (BIG) for all must receive adequate attention. We would welcome such an announcement in the Budget Speech. A BIG could replace some of the current costly administrative systems and introduce the notion of universality and *Ubuntu* in our fragile welfare systems.

The yearly R8 billion under spending of the Unemployment Insurance Fund - projected for years to come in the 2012 Budget Review - must come to an end. The UIF is not a tax. Workers are paying for insurance, not for the money to be hoarded or used for other purposes. The money must be paid out to those insured. The same goes for the 3 billion budgeted surplus of the compensation fund. **We call on Treasury to pay out support to the disabled and others who have applied and require it.**

The budget must ensure necessary resources for working class and unemployed women, hardest hit by economic inequity. **This should include larger free electricity and water allocations per month.** Instead of increasing electricity prices every year, the government should use the budget to ensure every household receives 200kWh free electricity.

A GENDER RESPONSIVE BUDGET

The start of 2013 has again proved that patriarchal violence against women and children must be addressed directly in the budget. This violence is especially acute in areas where communities are hit by poverty and unemployment. We call on the Finance Minister to ensure that the 2013/2014 budget is responsive to gender inequalities.

More than 55,097 rapes were reported to the police in 2009/10. This is alarming, but still the Medical Research Council suggests that only one in 25 rapes is actually reported. Sonke Gender Justice in alliance with others in the gender sector have called for the establishment of a fund to ensure that the many excellent projects operating across the country get the support they need for sustained action.

The 2012/13 budget documents of four key national departments, namely Social Development, Policing, Justice and Health all failed to reflect how they will specifically address violence against women and children. There has continued to be minimal attention given to this violence within the MTBPS as well as in the recent State of the Nation Address. **The lack of prioritisation at the planning/strategic level clearly translates into lack of prioritisation at a budgetary level.** This is of grave concern. Organisations equipped to deal with this violence have reportedly shut down and/or downsized due to lack of adequate funds. Government's budgets must explicitly indicate how much money is being provided to: (i) ensure that welfare organisations are well resourced and supported to deal with the aftermath of such violence; (ii) equip public health and justice services to respond to such violence and also (iii) put in place stringent performance monitoring and reporting mechanisms for ensuring accountability with respect to the state's response to violence against women.

In addition, the budget must:

- provide funds earmarked for economic and professional empowerment of women and sexual 'minorities'.
- allocate funds to ensure gender justice for women, children and sexual 'minorities' in the criminal-justice system. These allocations must assist in encouraging complaints, provide support during court processes, and ensure fair outcomes by removing barriers to access from women and children.
- allocate funds for compulsory gender sensitivity and anti-violence training of ALL men and women employed by government.

6.5 A CALL FOR A BUDGET THAT PROMOTES ACCOUNTABLE, EFFECTIVE, DEMOCRATIC AND PARTICIPATORY GOVERNMENT

We welcome the repeated promises made by the government to clamp down on corruption and wasteful public spending. Such practices undermine the legitimacy of taxation. They also lead to a crisis of the democratic institutions. We are sure that the Finance Minister, like his predecessors, will reiterate government's long standing commitment to fighting corruption and waste in his budget speech. This still is an on-going battle.

Corruption is mainly concentrated in the excessively large tender system. This is where private sector price collusion and profiteering intersect with resource-starved local government entities. This is why state officials must be prohibited from engaging in private business with the state and in bidding for tenders. But this is also why a small state, further tax cuts and restraining the capacity of the state are not part of the solution. Such a policy exacerbates the problem.

As an essential part of this battle, the government must abandon its elite organisational culture. As the recent National Energy Regulator (NERSA) hearings have shown, policy making around energy access for the poor takes place with almost complete disregard for inputs from the poor themselves. In line with our constitution, public participation should be actively promoted in all budgetary allocations of this nature. The people must be involved in our own development. We are citizens of a democracy and not passive 'consumers' who wait for corporate services. **Give life to participatory democracy!** Allocate funds for interested and affected people to participate in policy, legislative and governance processes that affect their lives! Provide real support for communities to engage meaningfully in catchment management forums. If the integrated development plan (IDP) processes are sufficiently localized and adequately involve local communities, the problem of housing would no doubt be prioritised on the IDP agendas.

Indeed, it is instead the corporate culture of government that has fostered ridiculous remuneration of public servants, and that underpins the plundering of government resources ideologically. We need to break with this culture. We need clear mechanisms to deal with corruption. There must be serious consequences for those who steal public money from the people.

In this context, we also recognise that South Africa is currently one of the world leaders in budget transparency with respect to the public availability, timeliness, and comprehensiveness of its national and provincial budget reports. However, the same cannot be said for the availability of more disaggregated budget information. In particular, communities struggle to obtain specific budget information about their local clinics or schools. We demand greater transparency across our budgeting process. **People have the right to know and we are deeply concerned that the amended Secrecy Bill may further limit our access to information vital to shaping the spending priorities of Government.**

6.6 A CALL TO GIVE LIFE TO THE PROMISE OF THE DEMOCRATIC CONSTITUTION

If we are to realise the promise of our democratic Constitution, then the government must stop systemic under spending. They must roll back the years of neo-liberal corporatization, privatization, and the resulting under capacity in the public sector. A democratic government must have the capacity to deliver decent services that meet basic needs to enable the Constitutional guarantee of dignity and to confront the epic threat of climate change. The government must create the many thousands of public sector jobs required to meet these demands and put a moratorium on all tenders that drain the budgets and corrupt our officials.

6.7 CONTACTS

Africa Centre for Biosafety
Gareth Jones (081 493 4323)

Alternative Information Development Centre
Dick Forslund (079 912 3372)

Million Climate Jobs Campaign
Christelle Terreblanche (083 232 4134)

People's Health Movement South Africa
Thoko Madonko (083 710 3440)

Sonke Gneder Justice Network
Sisonke Msimang (081 039 3267)

World Aids Campaign
Rukia Cornelius (079 896 0401)

Environmental Monitoring Group
Zukiswa Nomwa (079 821 7085)

ENDORSED BY THE FOLLOWING ORGANISATIONS:

1 Africa Centre for Biosafety
2 Black Sash
3 Alternative Information Development Centre
4 Community Care Worker Forum
5 Centre for Civil Society Project on Economic Justice
6 Democratic Left Front
7 Earthlife Africa Cape Town
8 ECOPEACE
9 Economic Justice Network
10 Environmental Monitoring Group
11 Engender
12 GroundWorks
13 Institute for Zero Waste in Africa
14 Kairos SA
15 On Par Development
16 People's Health Movement South Africa
17 Progressive Youth Movement
18 Right2Know
19 Mannenburg Development Community Structure
20 Mandela Park Backyarders
21 Million Climate Jobs Campaign
22 Sangoco Western Cape
23 Socio-Economic Rights Institute of South Africa
24 Sonke Gender Justice Network
25 Wellness Foundation
26 World Aids Campaign
27 WFD
28 Western Cape Backyarders Network

***Please note:** Endorsements were still coming in after the release of the call – the published call will ensure that all organisations are represented.*

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