

**SECTION27 is disappointed by yet another Medium Term Budget Policy Statement that fails to consider the human costs of austerity**

**Summary of analysis**

- [Civil society's hopes](#) for a new outlook that prioritises the realisation of socio-economic rights for all in South Africa were dashed in new Finance Minister Enoch Gogondwana's first Medium Term Budget Statement, which continues to make the poor bear the brunt of fiscal consolidation.
- Government plans to slash funding for health care by -13.7% and basic education by -9.1% in real terms over the next three financial years.
- More of the R250 billion expected tax windfall over the Medium Term Expenditure Framework (MTEF) should have been used to avoid these devastating cuts.
- Despite claiming this is a "redistributive" budget, this 2021 MTBPS fails to plan for the type of future envisaged by the South African constitution in which everyone has access to quality health care, basic education and other socio-economic rights.

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The 2021 Medium Term [Budget Policy](#) Statement (MTBPS) presented to Parliament on 11 November reaffirmed the government's commitment to austerity, despite higher than anticipated economic growth and the substantial tax windfall provided by a commodity boom. While these factors substantially improved the outlook for public debt and debt service costs, with gross public debt no longer expected to breach the 80% of GDP mark, only half of the additional R120 billion in revenue for 2021/22 was used for non-interest expenditure. Of the additional R59 billion that was allocated, the Finance Minister was quick to remind us that this was only for temporary measures and not a permanent increase in expenditure. The "temporary" measures include the extension of the COVID-19 Social Relief of Distress Grant (R26.7 billion), the 2020/21 wage settlement with public sector unions (R20.5 billion), the President's temporary employment initiative (R11.0 billion) and the July 2021 public violence (combined R7.2 billion to SASRIA, business support, SANDF and SAPS).

As a result of these temporary measures non-interest expenditure grows by 3.8% in real terms this financial year. However, the long-term negative outlook for social spending remains. The MTBPS forecasts a massive R189.3 billion real cut to non-interest expenditure in 2022/23, and a further R58.6 billion cut in 2023/24. These cuts assume no new spending on social grants and a public sector wage freeze. Therefore, the basic education sector must brace for a -5.4% real cut in funding next year, while the public health sector faces an even larger -8.8% reduction in funding.

***The budget is becoming less and less “pro-poor”***

New Finance Minister Enoch Godongwana’s blithe claims that the budget is “pro-poor” because 60% of available funds are allocated to “social wage” items such as health, housing, education, social grants and local government services, belies the fact that in real terms, per capita spending on these areas, with the exception of social grants since the COVID-19 pandemic, has been decreasing in recent years, as SECTION27 and the Budget Justice Coalition have [documented](#). Moreover, Minister Godongwana’s statement begs the question: if 60% of the government’s budget wasn’t spent on these critical areas, what would it be spent on? The reality is that the budget has been eating into basic education and health care rights in recent years, and this trend is set to continue until government achieves the austerity holy grail of a primary budget surplus, which it expects in 2024/25.

| <b>Table 1. Real per capita funding trends</b>   |                |                |                              |                |                |                |
|--|----------------|----------------|------------------------------|----------------|----------------|----------------|
| <b>R billion</b>                                 | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b>               | <b>2023/24</b> | <b>2024/25</b> | <b>2021/22</b> |
|  | <b>Outcome</b> | <b>Revised</b> | <b>Medium-term estimates</b> |                |                | <b>-</b>       |
|  |                |                |                              |                |                | <b>2024/25</b> |
| Consolidated non-interest expenditure per capita | R30,033        | R30,750        | R27,266                      | R25,971        | R25,700        | -R5,051        |
| Annual % change                                  | 1.8%           | 2.4%           | -11.3%                       | -4.7%          | -1.0%          | -16.4%         |
| Basic education budget per learner               | R21,259        | R21,357        | R19,950                      | R18,898        | R18,693        | -R2,664        |
| Annual % change                                  | -2.9%          | 0.5%           | -6.6%                        | -5.3%          | -1.1%          | -12.5%         |

|   |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|
| Health budget per public health care user | R5,202 | R5,197 | R4,633 | R4,284 | R4,198 | -R999  |
| Annual % change                           | 4.9%   | -0.1%  | -10.9% | -7.5%  | -2.0%  | -19.2% |

*Source: National Treasury and own calculations, including estimated projections of population size, school enrolment and public health users based on the average of previous years' increases.*

The table shows that, while per capita non-interest expenditure has increased slightly in 2020/21 and 2021/22 to deal with the COVID-19 pandemic and its economic consequences, MTBPS projects a massive decline in government spending for the duration of the MTEF. In total, **non-interest expenditure is projected to decline by R5,051 per person in South Africa between 2021/22 and 2024/25.** These are budget cuts of proportions not seen before in our post-apartheid democracy. In total, **per learner funding for basic education is set to decline by 12.5% over the MTEF, or R2 664 per learner,** adversely impacting learning outcomes for millions of learners, something which the MTBPS calously accepts. **The 49 million public health care users face an even greater decline in funding for health services of 19.2% or almost R1 000 per health care user between 2021/22 and 2024/25.**

SECTION27 does not believe that budget cuts of this magnitude are viable in the context of mass poverty and joblessness that has resulted from years of neglect, state capture and failed macro-economic policies.

***SECTION27 believes that the budget is unconstitutional***

SECTION27 believes that government's austerity measures fail to meet constitutional muster because:

- Cuts to socio-economic rights continue to be implemented despite improved macro-economic conditions and an increasing pool of available resources.
- Alternatives to spending cuts as the primary means of reducing public debt, such as tax reforms and the redistribution of high incomes and excessive wealth, are not adequately being considered by government, if they are being considered at all.

- The negative consequences of budget cuts on peoples hard-won socio-economic rights are ignored. The cuts are in fact discriminatory because they hurt low-income groups reliant on adequate government services the most.

***Alternatives to austerity must be considered for the February 2022 budget***

There is still time for government to change course and reverse the devastating cuts planned to and potential rights-regressions in basic education and healthcare expenditure. We urge the government to consider alternative ways of managing public debt, to shift the burden of fiscal consolidation from the backs of the poorest households to the top 10% of income and wealth holders through the tax system since they are the ones who can afford to make sacrifices to help improve our fiscal outlook. And where budget cuts are considered necessary, we demand that human rights impact assessments are conducted, with the participation of affected stakeholders, to determine how the impact of such cuts on people's fundamental rights can be minimised or avoided altogether.

***Funding for health care services***

| <b>Table 2. Consolidated health spending, constant 2021/22 Rands</b> |                |                |                              |                |                |                |
|--|----------------|----------------|------------------------------|----------------|----------------|----------------|
|  | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b>               | <b>2023/24</b> | <b>2024/25</b> | <b>2021/22</b> |
| <b>R billion</b>   | <b>Outcome</b> | <b>Revised</b> | <b>Medium-term estimates</b> |                |                | <b>-</b>       |
|  |                |                |                              |                |                | <b>2024/25</b> |
| Health   | R255.6         | R259.0         | R236.2                       | R223.3         | R223.6         | -R35.4         |
| Annual % change  | 7.3%           | 1.3%           | -8.8%                        | -5.5%          | 0.1%           | -13.7%         |

Funding for health care services increases slightly by 1.3% in real terms the current financial year, mainly due to the purchase and rollout of COVID-19 vaccines. However, over the MTEF, health funding decreases by a massive -13.7%, a significantly higher reduction than was planned in the February 2021 budget.

The continued slashing of the health budget in the context of an ongoing health crisis demonstrates an alarming disregard for the health and lives of the population.

We welcome the additional R2.3 billion allocated to purchasing COVID-19 vaccines to sustain the rollout programme. However, we are concerned that the addition comes at the cost of reducing crucial investments in other areas of the health budget, such as the HIV, TB, Malaria and community outreach grant to provinces. Treasury admits:

*“At the beginning of the COVID-19 pandemic, there was a decrease in the number of patients receiving antiretroviral treatment, but this number has since increased to almost 5.2 million. Although this is still short of the annual target of 5.7 million...the department [of health] aims to reach the target by the end of the year and has supported provinces in developing plans to ensure that this is achieved” (2021 Adjusted Estimates of National Expenditure, pg 158.)*

SECTION27 worries that the diminished funding to provinces, both through the equitable share and through conditional grants, and the lack of information on concrete plans to assist provinces to meet their targets amidst budget constraints, will result in this crucial HIV/AIDS target being missed.

SECTION27 notes the much-needed reallocation of R167 million to the mental health and oncology services of the HIV, TB, malaria and community outreach grant for the 2021/22 financial year. In terms of mental health, following the Life Esidimeni tragedy, the South African Human Rights Commission [found](#) that the “prolonged and systemic neglect” of mental health services had its roots in “the lack of resourcing and technical capacity”.

Similarly, with respect to public sector oncology, lack of sufficient staff, radiation equipment, medicines and specialised care have led to substantial backlogs, with some waiting lists spanning several years to access treatment for time-sensitive cancers. The fire at Charlotte Maxeke Johannesburg Academic Hospital in April 2021, the only hospital in Gauteng capable of offering radiation oncology, exacerbated pressures on public sector cancer care, and substantive funding will be required in order to mitigate the backlogs in treatment and meet the heavy demand for these services. It is also important that infrastructure be maintained and upgraded so that oncology wards are fully compliant with safety standards.

Despite these reallocations, more investment in mental health and oncology services is required to address the existing systemic fault lines in the delivery of these services. Mental

health and oncology need to be independent line items in a budget, as opposed to being shifted around from grant to grant year-on-year.

We note with concern, however, that this MTBPS does little to build the equitable and dignified health system for all envisioned by National Health Insurance. Instead of learning from the pandemic and building capacity to strengthen efforts to bridge public and private healthcare, the document states “At present... there is insufficient capacity in the health sector to work substantively on national health insurance” (p.55). Government needs to go beyond debt management and crisis budgeting and start building the future that is envisaged by the South African constitution.

### ***Funding for basic education***

| <b>Table 3. Consolidated basic education spending, constant 2021/22 Rands</b> |                |                |                              |                |                |                |
|---|----------------|----------------|------------------------------|----------------|----------------|----------------|
|   | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b>               | <b>2023/24</b> | <b>2024/25</b> | <b>2021/22</b> |
| <b>R billion</b>  | <b>Outcome</b> | <b>Revised</b> | <b>Medium-term estimates</b> |                |                | <b>2024/25</b> |
| Basic education   | <b>R276.8</b>  | R281.8         | <b>R266.6</b>                | <b>R255.7</b>  | R256.1         | <b>-R25.7</b>  |
| Annual % change   | <b>-1.7%</b>   | 1.8%           | <b>-5.4%</b>                 | <b>-4.1%</b>   | 0.1%           | <b>-9.1%</b>   |

Spending on basic education, another area where investment is crucial to ensure active citizens and capable job seekers, is also set to decrease substantially in the medium term. Total spending on basic education is set to be R25.7 billion lower by 2024/25 compared to the current 2021/22 financial year. Like in health, government is planning radical austerity in funding basic education for the next three years.

While some funds for basic education were recovered for 2021/2022 after severe slashes in the Covid-19 Supplementary Budget, for school infrastructure, in particular, spending is set to decrease from 2021/2022 to 2023/2024, increasing again only in 2024/2025. Treasury averages this to be an increase of 1.2% in spending for basic education over the period of 2021/2022 - 2024/2025. But in real terms, this will amount to a devastating decrease in spending on basic education of -9.1% between 2021/2022 and 2024/2025. This continues a

pattern over the past decade of [deprioritising](#) basic education funding, at the expense of a generation of learners, parents and teachers.

According to the MTBPS, provinces have chosen not to fill vacant teaching posts in order to reduce the amount of money spent on compensation. Alongside a [burgeoning teacher retirement wave looming](#), classroom sizes may be set to increase due to the lack of teachers in the system. Further, because of COVID-19 related educational disruptions, negative effects on learning outcomes are anticipated. Government should be spending more money, not less, to minimise the impact of the pandemic on learners by ensuring adequate catch up this year and the next.

In terms of school infrastructure, the MTBPS states that the COVID-19 pandemic and disruptions in economic activity have delayed government's progress in ensuring safe and adequate school infrastructure.

SECTIO27 welcomes that funding for Early Childhood Development is being transferred from the Department of Social Development to the Basic Education Department in 2022/2023. We look forward to engaging with plans for the absorption of ECD into the DBE's mandate and urge government to support this historically undersupported sector with proper planning and budgeting going forward.

SECTION remains disappointed that government continues to ignore the fact that health, basic education and economic development, as evidenced so directly by the COVID-19 pandemic, are intrinsically linked. Investments in healthcare and basic education need to be understood as necessary investments in human, rights, socio-economic development and economic growth. Regressions on progress made to fulfil socio-economic rights must be prevented at all costs and we urge Minister Gogondwana's administration to meet its constitutional obligations to fulfil, respect and promote the socio-economic rights of all in South Africa.