SUBMISSIONS TO THE SELECT AND STANDING COMMITTEES ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL [B 22—2022]

Prepared by SECTION27 (4 November 2022)

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

SUBMISSION	RECOMMENDATION
● Analysis from our submission demonstrates that both the basic education and healthcare sectors will *experience real reductions in funding in terms over the medium term*. By our calculation, real spending per public health care user is set to decline by R610 in 2023/24, while spending per learner in public schools will drop by a massive R1 260.	● Expenditure allocations to health care and basic education must align with combined CPI inflation and service user growth. This equates to budget growth of 6.8% in 2022/23, 4.6% in 2023/24 and 4.6% in 2024/25 plus an additional 1.2% for service user growth in health and 1.4% growth in enrolled learners in basic education. ● Parliament should reject further cuts to overall basic education and health care funding until it is satisfied that government has undertaken participatory human rights impact assessments of its decisions to cut funding for fundamental rights. These assessments must show that such measures are necessary and justified and have been taken with all constitutional implications considered.
● Despite numerous policy commitments to *Gender Responsive budgeting*, a feminist analysis of this year's Division of Revenue Amendment Bill reveals a worrying lack of gender analysis and allocations. Gender sensitive budgeting is important for transformation, sustainable development and the realisation of government's human rights obligations.	● Parliament must insist that the Division of Revenue Amendment Bill and related documents adhere to the Cabinet approved Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing Framework (GRPBMEAF). ● Treasury must abide by the Financial and Fiscal Commission (FFC)'s recommendations addressing gender inequality in this year's DoRAB.
Healthcare expenditure proposals ● Promises to reduce shortages of headcounts of healthcare personnel are unlikely to be upheld with reductions to the *provincial equitable share* in real terms this year, and in nominal and real terms in the years to come. Given the 2.2% growth in healthcare users yearly, this will put healthcare workers under additional strain and	● Allocations to compensation budgets should keep up not only with inflation, but projected increases in demand for healthcare services. ● A clear, balanced and reasonable political position to be agreed upon and articulated on the proposed way forward regarding the public wage bill and the lagging headcounts. ● Either ring-fenced relief should be granted to ensure that health facilities affected by floods

potentially lead to more medicolegal claims laid against the departments of health. ● Although 85 healthcare facilities were damaged in floods in KZN earlier this year, the MTBPS does not allocate any money to help renovate and repair health infrastructure in the province. The budget also fails to prepare healthcare infrastructure for climate resiliency, with no additional funding allocated to the health facility revitalisation grant. ● Despite Treasury recognising that funding is required to address these backlogs in cancer treatment, a commitment is made to partly reverse the real reduction in provincial health budgets "to address service backlogs such as for surgery, oncology" in the 2023 Budget which may be too late for some of the patients who have been on the waiting list to receiving services.	can be repaired or the Healthcare Facility Revitalisation grant should be adjusted upwards to account for impact of extreme weather events in KZN and the Eastern Cape. ● Patients reliant on time-sensitive oncology treatments cannot wait until the February budget for bottlenecks in cancer care to be resolved; we submit that immediate plans and budgets must be developed to fix problems in cancer care.
Basic education expenditure proposals ● Reductions to the *provincial equitable share* in real terms this year, and in nominal and real terms in the years to come means that there will be fewer posts available for teachers, resulting in classroom overcrowding. ● Increases of R116.8 million to the *education infrastructure grant* to offer relief to flood-hit schools in KZN and EC are welcome, but calculations indicate that this may only assist less than half of the impacted schools. Further allocations are needed not only to reach all the flood-affected schools in the two provinces, but to ensure that previous years' reductions to education infrastructure spending are reversed and support school infrastructure climate resiliency. ● While the MTBPS commits to increased funding to improve and expand ECD in the provinces, the DoRAB does not reflect these upward adjustments to the grant. ● We welcome the expansion of the National School Nutrition Programme (NSNP) to some quintile 4 and 5 schools.	● We recommend that Parliament rejects proposed real term cuts to basic education sector funding in the current financial year and the MTEF. These cuts will hamper the ability of provinces to deliver improved public schooling, infrastructure, provide adequate portions of nutritious meals to learners daily, and rollout quality and universal early childhood development programmes. ● We also submit that teaching posts be protected and expanded, coupled with additional support to be allocated to the Funza Lushaka Bursary to counteract the burgeoning teacher retirement crisis. ● Increased allocations to the *education infrastructure grant (Schedule 4, Part A, page 5)*, in addition to rectifying historical reductions in spending to education infrastructure, must be increased further to support all disaster-struck schools. ● We further submit that the NSNP be linked to *food* inflation, estimated at an annual 8.5% average.

Introduction

SECTION27 welcomes the opportunity to make submissions on the 2022 Division of Revenue Amendment Bill to the Standing and Select Committees on Appropriations. Our submission will centre on the impacts of the adjustments (or lack thereof) to areas impacting the right to basic education contained in Section 29 of the Constitution and the right of access to health care services contained in Section 27 of the Constitution. Considering the context of a worsening climate crisis, we further make recommendations that relate to the impact of climate change on basic education and healthcare in the country. We will also consider the importance of viewing these areas and the Division of Revenue Amendment Bill as a whole through a gendered lens to ensure that everyone benefits equally from this resource allocation as well as reducing existing manifestations of systemic gender inequality.

In addition to these written submissions, SECTION27 requests permission to make oral presentations before Parliament on 11 November 2022.

SECTION27 recognises the power this Bill and spending policy overall have to advance these human rights, particularly as the country recovers from the Covid-19 pandemic and attempts to weather a volatile global environment. Unfortunately, the MTBPS and DoRB are characterised by year-on-year increases to basic education and health care funding that do not keep pace with population growth over the medium term. We echo the argument made by the Budget Justice Coalition in their Submission to the Finance Committees on the MTBPS that the aggressive fiscal consolidation path aimed at stabilising debt has been at the expense of social spending areas, resulting in the most marginalised communities shouldering ever greater burdens. To remedy this, we recommend that Parliament insists that if cuts to social spending must be made, that they must be based on transparent and participatory human rights impact assessments which demonstrate that the reductions will not increase inequality and undermine people's rights to access quality basic education and healthcare services.

The United Nations Committee on Economic, Social and Cultural Rights (CESCR) echoes these concerns. The CESCR released its binding Concluding Observations on South Africa's implementation of economic and social rights in October 2018 and stated that it was "concerned that [South Africa] has introduced austerity measures to relieve the debt level". Further, the Committee recommended that the country increase the level of funding in social security, health and education, and review its fiscal policy and re-examine its growth model in order to move towards a more inclusive development pathway. In the fragile socio-economic context, the provinces face, it is crucial that budgets are allocated to protect the access to quality basic education and healthcare.

Gender-Responsive Budgeting

The gap between women and men in the cycle of poverty has widened in the past decade, a phenomenon commonly referred to as "the feminization of poverty". In response, President Ramaphosa announced at the G7 Leaders' Summit in June this year that South Africa would inculcate gender-responsive budgeting in our processes. In 2019, Cabinet approved the Gender Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing Framework (GRPBMEAF) which gave the National Treasury the mandate to lead in this area.

Sadly, the adjustments and amendments to the Division of Revenue Bill overlook the gender implications of the budget, consistent with the MTBPS and Budget for 2022, with no mention outside of one reference to Gender-based violence. Adjustments to the provincial equitable share and conditional grants are not made in a gender responsive manner, nor reflected on through a gendered lens. Furthermore, budget policy and legislation that is not gender responsive may overlook how adversely affected Black women in particular are to social spending cuts owing to poverty's racialised nature in this country; Black women are over-represented in low-income households. We reiterate the belief that the national budget is capable of redressing gender inequality by protecting the human rights of the most vulnerable groups in South Africa and ensuring that Black women are not persistently trapped in a vicious cycle of poverty.

An example of the gendered impact of the budget is the health goods and services. Although overall stockout levels are much lower than when Stop Stockout Project started monitoring stockouts in 2013, contraceptives accounted for 40% of medicine stockouts. We highlight this matter because high levels of contraceptive stockouts affect women and girls directly and their ability to access sexual and reproductive healthcare services which is a constitutionally protected right.

The National Development Plan 2030 (NDP) envisions a country where gender inequality is overcome. A Division of Revenue Bill that is not amended to recognise gender implications fails to advance the nation in achieving this goal.

The Department of Women, Youth and People with Disabilities (DWYPWD) has expressed that weaknesses in gender mainstreaming across government departments prevent the state from addressing these problems. The Division of Revenue Amendment Bill could be legislation that fights social reproduction where impoverished Black women disproportionately bear the burden of budget cuts. Instead, it continues to avoid or ignore gender, prioritising the most marginalised in times of fiscal constraint, and realising the rights of the most vulnerable groups in South Africa.

Gender sensitive funding allocations have ripple effects that extend beyond gender equality. National Treasury along with the International Monetary Fund (IMF) recognised last year that effective gender responsive budgeting may result in other vulnerable groups being prioritised in the country, bolstering learnings from effective gender responsive budgeting towards budgets that are sensitive to people with disabilities and youth, moving the country closer to achieving the NDP.

Provincial equitable share continues to be reduced in real terms

Minister Godongwana promised in his speech that the MTBPS would “enhance the quality of public services such as education and health”. Yet no additional funding is provided to the provincial equitable share (PES), which funds the provinces core functions including health care and basic education. This means that the provincial equitable share increases from R544.8 billion in 2021/22 to R560.8 billion in 2022/23. In nominal terms this is only a 2.9% increase compared to the previous financial year. This is well below CPI inflation of 6.8% and population growth of 1.4%.

This downward spending trend on the PES continues in 2023/24 with a *nominal* cut to the PES pencilled in of -0.8%, reducing the PES to R556.4 billion. This blatant austerity in funding to the provinces should be rejected on the basis that the quality of provincial service delivery will almost certainly decline as a result, and the cuts are in direct contrast to the Minister's rhetoric in his speech.

We recommend that the PES increase at least in line with CPI inflation and population growth so that its value is not eroded.

Some but not all conditional grants keep up with CPI inflation

In total, spending on conditional grant allocations to provinces, many of which fund critical aspects of basic education and health care, increased by 6.8%, from R116.0 billion in 2021/22 to R123.7 billion in 2022/23. This is well below combined CPI inflation and population growth of 8.2%. This downward pressure on conditional grant allocations to provinces also continues in 2023/24, with a 3.5% nominal increase pencilled in, while combined CPI inflation and population growth are projected to be 6.1%.

We recommend that conditional grants to provinces increase at least in line with CPI inflation and population growth so that their real value is not eroded.

Healthcare Expenditure

Without additional PES funding, we will see more patients being turned away from healthcare facilities due to a lack of healthcare workers and medical goods and services over the next three years.

SECTION27 made a submission on the 2022 Division of Revenue Bill, lamenting the real terms average reduction in funding for healthcare of -4.3%. This meant that in February, the spending per healthcare user was cut from R5 267 in 2021/22, to R5 036 per user in 2022/23, and then very sharply down to R4 538 per user in 2023/24, and R4 465 in 2024/25 (in constant 2022/23 Rands). We raised concern that this meant that the healthcare sector’s ability to recover from COVID-19 as well as to bolster the quality of care available to 71% of the population by redressing the pre-existing structural issues that plague the sector, is limited. With the CPI inflation projections for 2022/23 increased to 6.8%%, these real cuts only become more pronounced.

Unfortunately, the Division of Revenue Amendment Bill does not propose upwards adjustments to remedy this. Overall, real spending per public healthcare user is set to decline by R610 in 2023/24. The National Tertiary Services Grant remains unadjusted, exacerbating the real terms cuts and restricting the provision of tertiary health services. Worryingly, the Communicable and Non-communicable Diseases programme overall receives a downward adjustment of R1,1 million. We implore Parliament to consider the future impact on health and the economy of an under-capacitated health care system, buckling under the weight of backlogs caused by the COVID-19 pandemic.

We recommend that healthcare allocations to the provinces increase at least in line with CPI inflation and growing public healthcare users to maintain the real value.

Health Facility Revitalisation Grant

The Health Facility Revitalisation Grant serves to assist in accelerating the construction, maintenance and rehabilitation of new and existing infrastructure in health and enhance capacity to deliver health infrastructure. Earlier this year, SECTION27 made submissions that The Division of Revenue Bill had proposed painful cuts to the Health Facility Revitalisation Grant allocations in all the provinces in the next year, excluding the Northern Cape and the Western Cape and that the aforementioned increases were below inflation. We argued that this was averse to the healthcare system as the allocations are unlikely to equip the provinces to meet the infrastructure backlogs in the provinces, which predate the COVID-19 pandemic. Unfortunately, the Division of Revenue Amendment Bill proposes no upward adjustments to this grant to remedy this, this in spite of rising inflation rates.

Moreover, this lack of adjustment occurs as the country shoulders extreme weather events, which National Treasury notes in the MTBPS. The country therefore needs to improve its resilience to these events. While the Education Infrastructure Grant (EIG) received a welcomed increased allocation of R116.8 million for repairs to schools, neither the MTBPS 2022 nor the Division of Revenue Amendment Bill recognises this damage with the Health Facility Revitalisation Grant receiving no adjustment to its funding.

For example in KZN, around 85 health facilities were destroyed by the flood. Despite this level of destruction, the province's department of health received no additional funds from Treasury and were forced to re-prioritise an estimated R200 million of its funds intended for other health priorities. The Eastern Cape also had 12 health facilities destroyed but no explicit additional allocations as per this MTBPS to support recovery of these facilities.

In the National Budget, tabled in February this year, the Health Facility Revitalisation Grant increased by 5.2% (R349 million). The 2022/2023 CPI inflation rate, now revised to 6,8% according to the MTBPS, results in an increase of only R8 million in real terms. With no adjustments to this grant planned in 2023/24, the government will be less equipped over the medium term to spend on health infrastructure - jeopardising the ability of the State to adapt to the effect of the climate crisis. This is even more worrying when we consider the pressure placed on the system as a result of the Covid-19 pandemic which has exacerbated the existing challenges faced by our public health system.

The MTBPS recognises the need for South Africa to "improve its resilience to extreme weather" and that "support for climate mitigation and adaptation measures will increasingly feature in the budget policy in the period ahead". This MTBPS offers little clarity to this, with no allocations over the medium-term expenditure framework granted for climate resiliency in the health sector. The failure to do so will mean that there will be continued reliance on disaster relief or the re-prioritising of dedicated funds to cater for loss and damage, which is costly and unsustainable, and does little to mitigate the predicted damaging onslaught of climate change on health infrastructure and systems.

Either ring-fenced relief should be granted to ensure that health facilities affected by floods can be repaired or the Healthcare Facility Revitalisation grant should be adjusted upwards to account for impact of extreme weather events in KZN and the Eastern Cape.

Healthcare Personnel

Despite the MTBPS's stance that medium-term spending increases are targeted at, among other things, retaining health workers appointed during the COVID-19 pandemic, SECTION27 notes outside of the Public Entities, Management and Laboratories line item receiving an upward adjustment of R1,1 million, the Division of Revenue Amendment Bill makes no changes in the allocation to the 'Human Resources for Health' sub-programme for the current financial year. Rather, it defers any additional funding commitment to 2023/2024, particularly for increasing their headcounts. This deferral is likely to exacerbate the chronic human resource shortages currently being experienced in healthcare facilities across the provinces.

Earlier this year, SECTION27 submitted that the 2022 budget proposed a 1.2% increase in compensation of healthcare employees over the next three years when accounting for inflation. In the February budget, National Treasury recognised that cuts to the health personnel budget may "limit the ability of provincial health departments to employ more frontline staff". Since then, Health Minister Joe Phaahla raised concerns that the shortage of health-care workers was threatening the quality and sustainability of health systems in Africa and worldwide.

For example, in the MTBPS, between 2015/16 and the current financial year, for nursing staff there has been a marginal annual growth in average headcount of 1.4%. However, over the same period, the ratio of nursing staff to the uninsured population has decreased (0.3% average annual decline). This means that the nursing workforce is being placed under an increased burden to provide for an ever-increasing uninsured population. This does not bode well for the quality of healthcare services and will in turn adversely affect users' right to health and potentially increase the risk of medical negligence incidents.

In the case of the headcount of medical and dental practitioners, and specialists and pharmacists, between 2015/16 and the current financial year, the MTBPS shows an increase in both their headcount (average annual growth of 3.5%) and their ratio against the uninsured population (1.8% average annual growth). This could be attributed to a number of factors including how, at a provincial level, with the pressure occasioned by the increase in the public wage bill, cost containment measures have been adopted like slowing down recruitment and only making appointments for critical posts (such as specialists) whilst simultaneously trying to protect essential line items.

Overall, the public wage bill in health has retained a stable share of the overall health budget. The increases in pay for health workers have been possible because of a relatively stagnated workforce, which has had to absorb the increased pressure placed on them. With the growth in the health sector headcount, in response to the COVID-19 pandemic, there is now a marked increase in the health workforce. According to the MTBPS, between 2015/16 and the current financial year, the public sector salaries and wages for health increased by 7.6% whilst the headcount only by 1.0%. This demonstrates that the headcount lags hopelessly behind the increases in salaries and wages. Without adjustments to the allocation of salaries and wages in the MTBPS, this creates an untenable situation where the increases in spending on health personnel, in response to the COVID-19, are in jeopardy of being reversed or reduced even below pre-pandemic levels.

The MTBPS considers the high-levels of medico-legal claims a subnational government risk. The impact of this inability to hire, particularly in maternity wards in hospitals which cannot afford to hire the bare minimum staff needed to operate, effectively translates into higher medico-legal claims against the state. The gender implications are palpable as illustrated by Chris Hani Baragwanath Hospital's medical negligence claims stemming from the maternity unit, amounting to nearly R1 billion.

The MTBPS's stance on the public wage bill is concerning. The MTBPS refrains from pre-empting the outcome of the public sector wage negotiation process and simply makes no provision for such increases in the 2023/24 year. It does, however, provide that any increases would need to remain within the available fiscal resources. In fact, between the current financial year and the next, there is an estimated annual decline of 0.8% in the public sector wage bill in health. The MTBPS notes that any higher-than-budgeted increase would put a strain on fiscal resources. In this zero-sum game, public health care users are the biggest losers. Government must arrive at a clear and balanced political and fiscal proposition in which the needs of public service users are balanced with the purported need to reduce debt service costs.

We call on a clear, balanced and reasonable political position to be agreed upon and articulated on the proposed way forward regarding the public wage bill and the lagging headcounts.

District Health Programmes Grant: HIV and TB

SECTION27 lamented that the allocations made in the Division of Revenue Bill in February 2022 ignored the underperformance on important HIV indicators, with government acknowledging that the target of 5.7 million people living with HIV remaining on treatment by the end of 2022 is "unlikely to be achieved". Thus, we welcome the MTBPS's refocus in the health sector on core health services and addressing accumulated backlogs occasioned by the response to the COVID-19 pandemic. We note, however, that such a refocus is not evident in the adjusted figures reflected in the Division of Revenue Amendment Bill for the current financial year.

In the 2022/23 budget, the HIV, TB and STI component of the District Health Services expenditure shows an average annual decline of 3,4% in the MTEF. In the Division of Revenue Amendment Bill, there is no adjustment to the HIV, AIDS and STI sub-programme's allocation (used for policy formulation, coordination and monitoring and evaluation of HIV and STI programmes) nor is there an adjustment to the allocation to District Health Services (formerly known as the HIV, TB, Malaria and Community Outreach conditional grant). There has also been no adjustment to the TB management sub-programme's allocation, which is responsible for the formulation of policy, guidelines and norms and standards on TB. Instead, again, the MTBPS defers its commitment to allocate additional funds to the 2023 budget to address services backlogs including for antiretroviral treatment and TB screening and treatment.

SECTION27 notes that Treasury's failure to make adjustments to the MTBPS occurs despite the clear indication that they are not on track to meet their goal set in the Budget Review in February 2022 of retaining 5.7m patients on antiretroviral therapy (ART) by the end of 2022/23. Having only retained 5.3m patients in the first half of the financial year, instead of adjusting the allocation to pursue the initial goal, the MTBPS shifts the goalposts by adjusting this figure down to 5.5m. With regard to Treasury's goals on TB screening and treatment, regrettably, none are evident from the MTBPS.

What is more concerning about the failure to make adjustments insofar as HIV is concerned is that the reality on the ground is not consistent with government's policy choice. The Thembisa model (version 4.5), a mathematical model of South Africa's HIV pandemic, shows that there is mixed progress towards the country's achievements of its 95-95-95 targets set by UNAIDS. Regarding the first target to get 95% of persons living with HIV (PLHIV) diagnosed, progress has been good with many provinces achieving around 93%. Good progress has also been made toward the third target of getting 95% of persons on ART virally suppressed.

Disappointingly, regarding the second target of 95% of people diagnosed with HIV being put on ART, progress has generally been poor across provinces with ART take-up varying between 59% in the Western Cape and 79% in KwaZulu-Natal. In addition to this, from as early as 2019, the Medium-Term Review of the National Strategic Plan on HIV, TB and STIs 2017-2022, had already shown that the country was not on track to meeting its ART uptake goals. According to the 2022 ENE, by March 2021 the number of PLHIV accessing ART stood at 5.1m, and the objective was to increase this number to 6,7m by March 2025.[9] In the light of the MTBPS's failure to make adjustments, despite its trajectory towards not achieving its own goal on ART uptake, the current state of affairs on the ground cries out for an adjustment that was both needed and justifiable. If the State seriously intends to address the HIV pandemic, renewed efforts are needed to increase the uptake of ART in PLHIV, and these efforts would begin with immediately allocating resources accordingly.

We cannot escape the reality that sex workers, men who have sex with men, and women are disproportionately reflected in the country's HIV statistics. Their overrepresentation is attributable to a number of social determinants of health that include age, sexual practices, socio-economic status, and risk of experiencing sexual violence. An average annual decline of 3.4% in the MTEF in the HIV, TB and STI component of the District Health Services [10] will likely affect these high-risk and key populations most. Advances in science, particularly on the prevention of HIV infection, through oral pre-exposure prophylaxis (PrEP) and, more recently, through a long-acting injectable PrEP are critical interventions to stem the tide of infections. But until these scientific advances become universally accessible to all, and provision is made in HIV-related budget allocations, tangible reductions in new HIV infections will continue to plague us.

We recommend that the Division of Revenue Amendment Bill makes upwards adjustments to the District Health Programmes Grant to equip the provinces to achieve HIV/AIDS and TB targets and protect the right to healthcare for people in the country affected by this.

District Health Programmes Grant: Oncology

According to the Breast Health Foundation, there is a waiting list of up to five years for radiation treatment in the public sector and many more people unfortunately die before they are diagnosed. While the MTBPS 2022 recognises services backlogs in oncology, funding adjustments to the District Health Programmes Grant does not reflect this. At best there have been no adjustments made towards oncology services in the MTBPS and at worst, there have been downward adjustments made in the funding of oncology. Despite Treasury recognising that funding is required to address these backlogs in cancer treatment, a commitment is made to partly reverse the real reduction in provincial health budgets and to provide funds "to address service backlogs such as for surgery, oncology, antiretroviral treatment and tuberculosis screening and treatment" in the 2023 Budget.

The deferral of an adjustment to oncology funding demonstrates an ignorance of the impact of delays in cancer treatment for patients diagnosed with cancer. The backlog in oncology services includes approximately three thousand patients who are awaiting radiation oncology services in Gauteng alone and have been waiting for the past three years. Radiation oncology is a time-sensitive treatment that must be given within a short window following surgery and/or chemotherapy. For example, in breast cancer, the international best practice and domestically recognized guidelines provide that radiation oncology treatment must be received within three months of surgery, failing which, there is a significant risk of recurrence. An adjustment of the oncology budget to address the backlog in oncology services in 2023 will be too late for some of the patients who have been on the waiting list to receive radiation oncology services for three years.

In the 2022 Budget statement, it was announced that mental health and oncology funding would be shifted to the district health programme grant. There have been no adjustments to the district health services grant in the medium term, nor have there been any adjustments to the National Health Insurance Fund grant, both of which hold funding used for oncology. Concerningly, there is a downward adjustment to the budget for non-communicable diseases by about R1 million.

While the non-communicable diseases sub-programme services a number of diseases, it also includes funding for oncology. Therefore, the best-case scenario is that there are no adjustments made to the funding for oncology, and the worst-case scenario is that the funding towards oncology has been adjusted down by up to R1 million. In these circumstances, the recognition by Treasury that additional funding is required to deal with oncology backlogs is futile in the face of no adjustments or a downward adjustment in the medium term.

SECTION27 recommends that immediate plans and budgets must be developed to fix problems in cancer care to resolve bottlenecks in cancer care and relieve the suffering of patients reliant on time-sensitive oncology treatments.

National Health Insurance Grant: Mental Health

There has been no adjustment in the Division of Revenue Amendment Bill for mental health under the NHI grant, once again side-lining this under-supported service. This is despite the public health systems having a treatment gap of around 92% for people living with mental disorders, epilepsy and intellectual disabilities. Before the COVID-19 pandemic, only 1 in 10 people living with a mental illness were able to access mental health care. Life Esidimeni and many other documented incidents of neglect and abuse are examples of the consequences of failing to adequately invest in mental healthcare service provision.

The lack of sufficient budget allocation to mental health services is a definitive barrier to access, resulting in the failure to upscale community-based healthcare services and shortages of human resources in the public sector. For example, in 2021, the Minister of Health, Dr Joe Phaahla, admitted that insufficient budget allocation for mental health services has led to a shortage of psychiatrists in the public sector. Currently the situation is that 25% of psychiatrists are in the public sector, while 75% are in the private sector.

However, we are encouraged that in February, mental health services components of the district health programmes grant for communicable and non-communicable disease shifted to the national health insurance grant (NHI), as part of the preparatory work for national health insurance. This resulted in a R299.4 million nominal increase to the baseline over the medium term. The funds are intended to strengthen mental healthcare service delivery in primary health care and community mental health services and enable provinces to contract much needed healthcare professionals. Nevertheless, it remains unclear how these funds will be protected over the medium-term.

We recommend that Parliament direct Treasury to ensure that disbursements for health conditional grants must, at the very least, keep up with the costs of inflation and the projected growing numbers of public healthcare users so that our healthcare system can meet the demands placed on it.

Basic Education Expenditure

SECTION27 welcomes the additional R3.1 billion added to consolidated expenditure on basic education in 2022/23 compared with the February budget estimates. This increased expenditure will, notably, help facilitate the expansion of the NSNP to some quintile 4 and 5 schools and offer relief to flood-hit schools in KZN and the Eastern Cape.

However, SECTION27 notes with concern that these upward revisions do not make up for the real terms cut to basic education funding approved by Parliament in the February 2022 budget. In 2022/23, with the revised budget, consolidated basic education spending increased by 6.1% in nominal terms compared to 2021/22, which is below CPI inflation of 6.8%. Nor does the allocation keep up with the demand for public education in terms of the number of enrolled learners, which we expect to increase by an average of 1.4% annually.

When considering inflation specific to the basic education sector, estimated as 8.5% over the past decade, the vision for basic education funding put forward by the MTPBS over next three years of only a 3.0% nominal average increase, falls sorely short. When considering the expected growth in enrolment of learners coupled with this inflation, funding for basic education in real terms will decline per capita each year over the next 3 years. This continues to trend in devaluing public education in South Africa since 2009, when spending per learner average, R20 000 per learner per year, which has since been reduced to an average of R16 500 per learner per year, according to research by the Public Economy Project at the University of the Witwatersrand.

We believe that Parliament as a whole should reject the ongoing cuts to public education funding.

Education Infrastructure Grant (EIG)

The Constitution protects everyone's right to a basic education. In addition, this right is unqualified and immediately realisable, and government is obligated to protect this right even in times of fiscal constraint. An important component of the right to basic education is ensuring that schools have the proper infrastructure they need to operate safely and effectively. In this regard, increased allocations to public school infrastructure are welcome.

The education infrastructure grant will see additional funding of R116.8 million (Eastern Cape: R22 million and KwaZulu-Natal: R95 million) in 2022/23 to assist with the repair and maintenance of schools affected by floods in KZN and the Eastern Cape [Schedule 4, Part A - p.5 of the Bill under consideration]. While emergency relief is desperately needed at schools in the province, our analysis indicates that this help underestimates the extent of the problem. October 2022 data from the Department of Basic Education shows that on average, school maintenance or repair projects cost R26 million per school, which would mean that the additional funding could only support 9 repair projects. Furthermore, an August 2022 progress report by the Auditor General on the implementation of repairs of schools damaged by the floods in KZN identified 356 schools needing repairs, and estimated the total cost of these repairs to be R235 375 838,23. At this average cost, the MTBPS only allocates enough additional funding to support 177 repair projects at flood impacted schools. Ultimately, this additional expenditure will only meet half of the reported need for school repairs and refurbishments.

Floods like the one that was experienced by KZN and EC in April 2022, and other extreme weather events, will become more and more common as time goes on. This is the second flood that has impacted KZN within the past 24 months. SECTION27 works with schools in Limpopo that have been affected by extreme weather events, and the conditions of infrastructure at these schools interfere with teaching and learning. At these schools, including Ndzalama Primary School, Bvuma Primary School, Chameti Secondary School and Dingamanzi Primary School, weather events have all impacted school infrastructure and have contributed to classroom overcrowding and poor educational outcomes. Although all of these schools have infrastructure which does not comply with school infrastructure regulations, projects to upgrade, repair or refurbish their infrastructure were all suspended during Covid-19 and have not been resumed since. Continued extreme weather events only makes the infrastructure at these schools even more dangerous and unconducive to effective learning.

This Division of Revenue Amendment Bill, while making rhetorical undertakings about climate change, fails to prepare the education sector for serious infrastructure deterioration due to climate change. The relief granted to flood-hit schools in this MTBPS is a band aid on what will become a much more widespread and pernicious problem in schools across the country if climate change is not mitigated and adapted to. It also fails to address the historical backlogs concerning infrastructure, which climate change will only make worse.

Although the High Court of South Africa described the persistence of pit latrines in Limpopo schools as a “national emergency”, the crisis of unsafe school sanitation is not treated with the same gravity by Treasury. No mention is made in this MTBPS about how education authorities in Limpopo are expected to fund the provision of mobile toilets to schools without any appropriate sanitation, as ordered by the high court last year. In terms of the revised plan for the eradication of pit toilets, the LDoE promised to provide mobile toilets to all Priority 1 Schools in the 2022 academic year. In September this year only 92 such schools had been provided with mobile toilets. 4 Mobile Toilets have been provided to each of these schools which in most cases is insufficient for the numbers of learners enrolled at the schools. In October this year SECTION27 threatened to bring an urgent application in respect of other Priority 1 schools that had not received any mobile toilets. There are at least 66 such schools without mobile toilets. Over the medium term it is crucial that allocations be devoted specifically for interim mobile toilet solutions, and permanent sanitation projects.

Earlier this year, we reflected on South Africa's education system in the face of increasing occurrence of extreme weather events stating that for schools to be climate resilient, it is important that financial resources are directed to equipping them in this manner. The MTBPS recognises the need for South Africa to "improve its resilience to extreme weather" and that "support for climate mitigation and adaptation measures will increasingly feature in the budget policy in the period ahead". However, in the funding allocated in this mini budget, little is devoted in reality to counteract the impacts of climate change on education infrastructure.

We call on increased allocations to the education infrastructure grant (Schedule 4, Part A, page 5) to further support *all* disaster-struck schools.

Education Personnel Funding

Aware of the relationship between fewer teachers, increased class sizes and poor educational outcomes, SECTION27 welcomes this year's MTBPS's commitments to address teacher shortages. The mini-budget promises to "address shortfalls in compensation budgets in provincial education". It continues: "Over the medium term, provincial education budgets will stabilise as funding is added for compensation of employees to fill teacher vacancies and reduce class sizes, supporting improved learning outcomes."

However, the detail provided by Treasury does not clearly indicate how the basic education sector will be supported to actually hire more educators. No changes have been made to the provincial equitable share formula or its basic education component, which determines the allocations used for social spending wages at the provincial level. What is more, the provincial equitable share will decrease in real terms in 2022/23 and in nominal and real terms at the outer band of the medium term. This will severely constrain provinces' ability to hire more teachers and address classroom overcrowding. Increases to the average sizes of classes is directly linked to government's decision to consolidate spending through cutting the public sector wage bill.

SECTION27 works with a number of schools in Limpopo which experience overcrowding. While this is in part due to insufficient numbers of safe classrooms and other infrastructure, the lack of adequate numbers of teachers is a crucial concern. Overcrowding leads to poor learner performance, with teachers unable to pay individual attention to learners, and learners struggling to concentrate in crowded classrooms.

In February of 2021, Treasury recognised that restrictions it imposed on compensation for educators would "negatively affect learning outcomes" as class sizes got larger. In February 2022, Treasury urged provinces to reduce compensation budgets which it acknowledged could "result in fewer teachers and increased class sizes in some provinces."

The MTBPS reports average class sizes of 31.4 learners to each educator in 2021/2022. According to the MTBPS, average class sizes have increased since 2018/19. But recent research from the Southern Centre for Inequality Studies estimates that class sizes were higher, at 37 learners per teacher in 2021, and research from Research on Socioeconomic Policy (RESEP) unit of the University of Stellenbosch calling South Africa's class sizes "exceptionally large" by international standards.

Research also shows that a worrying teacher retirement wave is expected for the basic education sector. Rates of teacher retirement and attrition will overwhelm the numbers of new teachers entering the system within 10 years, and in order to replace teachers leaving the profession, higher education institutions will need to almost double the output of graduates entering schools as educators (currently approximately 30,000 new teachers enter the system every year, but 59,034 new teachers will be needed annually by 2030).

The Funza Lushaka bursary, which aims to attract students to the teaching profession, outperformed its targets for 2022 and awarded nearly 12,000 students bursaries. Despite this success, the current number of students receiving bursaries to become teachers is less than the lower band of estimates of annual teacher retirement provided by the DBE in May 2022 (who estimate that the sector loses 18 000 – 22 000 teachers a year). This number of bursaries is also less than a quarter of what will be needed by 2030 according to RESEP. The MTBPS does not offer clear projections for how it aims to develop new educator reserves to meet the expected demand over the medium and long term.

The DBE has announced 255,000 new posts for teacher assistants as Phase IV of the Presidential Youth Employment Initiative, which started in 2020. Although evaluations of the initiative have shown promising outcomes for learning, teacher assistants do not substitute trained educators. The MTBPS is unclear on longer-term goals for this initiative and whether teacher assistants will be upskilled to become professional educators to support the increasing demand for teachers.

We submit that teaching posts be protected and expanded, coupled with additional support to be allocated to the Funza Lushaka Bursary to counteract the burgeoning teacher retirement crisis.

Early Childhood Development Grant

In our submission on the Division of Revenue Bill 2022, we raised our concerns that only three provinces experience increases in the provincial equitable share in the ECD grant and that these increases are only marginal and below inflation over the medium term. This meant that there would be less money to subsidise ECD in a context where the ECD function shifts from the Department of Social Development to the Department of Basic Education. We were particularly concerned about the cuts to the Free State's share (14%), Mpumalanga (8,55%) and the Western Cape (8,25%) and argued that while the 2022 Basic Education Laws Amendment Bill proposes that Grade R becomes compulsory, this is likely impossible if ECD grant allocations continue to decrease at this rate. For government to ensure higher ECD attendance at quality ECD centres, funding for the sector must increase radically.

Thus, we welcome the MTBPS's commitment to allocate increased funding to improve and expand early childhood development services in the provinces. However, the Division of Revenue

Amendment Bill does not reflect these upward adjustments to the grant, leaving the provinces in the same position of fewer financial resources to subsidise ECD and construct the low-cost pilot ECD centres. Earlier this year, saddening reports of ECD centres being unable to reopen and closing down owing to staff retrenchments and delays in paying out their stimulus packages. Last week, ECD practitioners in the North West complained that the transfer from Social Development to Basic Education Department has worsened the poor management of their ECD Centres and that they had not received their grants since the migration.

Maintaining these budget cuts has gendered implications. Reducing access to ECD services has been found to aggravate the burden of care on women, reflecting a lack of gender sensitivity in the Division of Revenue Amendment Bill and failure to address the root causes of gender inequality in South Africa.

This MTBPS offers little clarity on how the long-awaited function shift of early childhood development (ECD) from the Department of Social Development to the Basic Education department will be managed. While funding has been "added" to "build its oversight and monitoring capacity", the amount of funding for ECD is unclear. Whether this meets the demand for this crucial service, and whether funding has been allocated sustainably to the function, is unclear.

We call on the Division of Revenue Amendment Bill to reflect the commitment to increased allocation to the ECD grant to equip a successful transition to DBE and to protect and increase the access to ECD services in the country.

National School Nutrition Programme Grant (NSNP)

The expansion of the NSNP to learners in some quintiles 4 and 5 schools is a long-awaited and celebrated move. The need for the programme by learners in quintile 4 and 5 schools shows the increasingly depressed economic conditions of many families in the country. The MTBPS, however, lacks clarity on how government plans to continue funding the NSNP sustainably with food price inflation increasing 11.3% year on year, and considering the expected increases of learner enrolments over the medium term, while ensuring that meal quality or quantity is not compromised.

SECTION27 is concerned that if food prices increase at a similar rate over the next 3 years, the NSNP will not be adequately funded to carry the cost of meals to all qualifying learners. The Department of Basic Education has remarked that the NSNP is able to produce nutritious food affordably due to economies of scale and local supply chains. However, planning and implementation of the NSNP must account for potential shocks to food prices so that the quality of food or size of portions offered to learners is not sacrificed. Thus, we call for, at minimum, food inflation linkages to the NSNP Grant.

Furthermore, the NSNP funding is directly linked to gender responsive budgeting. There remains significant disparity in poverty levels between population groups in South Africa, with women being the most vulnerable. Due to cultural norms and patriarchy, women are more likely to be caring for children. Below food inflation increases to the NSNP therefore mean that women fill the gap, particularly through the child support grant and SRD grant, which are already eroded in value owing to non-inflation linked increases.

We recommend the Division of Revenue Amendment Bill reflects adjustments to the food inflation linked NSNP increases.

Conclusion

The Division of Revenue Amendment Bill is an opportunity for the state to rectify and redress cuts to healthcare and education that threaten the provinces' ability to provide and protect these Constitutional Rights, particularly in a post-Covid 19 recovery context and a time of a worsening climate crisis and realise the vision of the NDP in time. Thus, SECTION27 reiterates its call for human rights impact assessments (as called for by civil society organisations) be undertaken to inform and precede any proposed budget cuts, even if these cuts are a result of real-terms decreases. Such assessments would enable the government to better understand the impact of austerity on people's enjoyment of socio-economic rights and provide valuable information on how to mitigate the unequal impact of these cuts, especially in a post-recovery context. We also call on Parliament to amplify its call to the public sector to address gender inequality through gender budgeting.

ABOUT SECTION27
SECTION27 is a public interest law centre that seeks to achieve substantive equality and social justice in South Africa. Guided by the principles of the Constitution, SECTION27 uses law, advocacy, legal literacy, research and community mobilisation to achieve access to healthcare services and basic education. SECTION27 aims to achieve structural change and accountability to ensure the dignity and equality of everyone. - http://section27.org.za/