

## People's Budget Campaign response to the 2004/05

### Budget

The People's Budget Campaign is spearheaded by the Congress of South African Trade Unions (COSATU), the South African Council of Churches (SACC), and the South African NGO Coalition (SANGOCO). It is also comprised of a range of civil society organisations.

We welcome the continuation of the expansionary approach adopted by the National Treasury over the past three years. The move towards an integrated approach to development and poverty eradication is also encouraging. Increased spending is essential to deal with the persistent social disparities caused by apartheid and which was fuelled by the fiscal austerity of GEAR.

In this context, we welcome the allocation of resources for the expanded public works programme (EPWP). The EPWP can make a valuable short-term contribution to addressing the alarmingly high levels of unemployment, which has now been acknowledged by government as its primary challenge. However, we are concerned that only R15 billion has been earmarked for the programme over the next five years, with particularly low spending in the social services. This is totally inadequate to address the 31% narrow definition of unemployment.

Lower than anticipated revenue did not prevent the Treasury from giving tax concessions almost exclusively to those who pay personal income tax. We note with great concern that the tax concessions amounting to R75 billion since 1994, represents a significant loss to revenue. Yet, tax concessions granted mainly benefit high-income earners. There is appears to be no consideration of the People's Budget call for the introduction of a tiered VAT system. The tax/GDP ratio over the MTEF remains firmly pegged at 24.6%. We have consistently

called that this ratio be raised to around 29% to acquire much needed resources for social spending - this has not been accommodated.

Low effective corporate taxation rates were raised as a matter of concern in the Budget - we remain mystified as to why government allows these benefits to be granted, especially in light of low gross fixed capital formation, which was expected from the private sector.

In the Budget speech, the example used by the Minister regarding the vulnerability of people in KZN is the very reason for the needs for a safety net - ideally a BIG.

We believe that the simplest, most comprehensive and cost effective strategy to address income poverty would be to introduce a Basic Income Grant. We are pleased that so many of the "tips" sent to Minister Manuel called for the introduction of a BIG. While we regret that the Minister remains reluctant to finance the grant, we are pleased that government continues to expand the social security net. But we recognize that means-tested grants inevitably exclude many of our nation's poorest households. We are pleased by the acknowledgement, in the Department of Social Development budget vote, of the importance of social grants in alleviating poverty. We commend government for the extension of the Child Support Grant to children under the age of 14, even if we have reservations about details of its phased implementation. The budget envisions that close to 10 million individuals will be eligible for social grants by 2006.

We applaud the allocation of R12,4 billion over the next three years for the implementation of a national HIV/AIDS prevention and treatment plan. However, government must move more quickly to make anti-retroviral treatment widely

available through the public health system. Every delay takes an enormous toll in human terms.

Funding for land reform also remains completely inadequate to meet the government's target of redistributing 30% of agricultural land by 2015. Both land reform and housing provision have been hindered by low subsidies, restrictive means tests and the requirement that poor households contribute R2500 in order to benefit is a problem.

We welcome the continued stabilization of the defence budget after the disproportionate increases of the earlier years, due to the arms deal. However, we regret that this year the National Treasury has chosen not to reveal the expected total cost of the package or give information on the pattern of payments. We are also dismayed that government has not yet made any response to the People's Budget Campaign's call to abandon the third optional tranche of the arms package.

Overall, we will continue to call for public participation in formulation of the budget and the Constitutional obligation of tabling a money bill to allow Parliament to amend the budget. This will create the opportunity for oversight by legislature and serious consideration of proposals by civil society.

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