SUBMISSION OF THE PEOPLES BUDGET COALITION TO THE STANDING COMMITTEE AND SELECT COMMITTEE ON FINANCE ON THE FISCAL FRAMEWORK AND REVENUE PROPOSALS (BUDGET HEARINGS)

2 March 2011

PEOPLE'S BUDGET COALITION SUBMISSION TO THE BUDGET HEARINGS ON THE FISCAL FRAMEWORK AND REVENUE PROPOSALS

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1. INTRODUCTION

The People's Budget Coalition (PBC) is grateful for the opportunity to present its views on the fiscal framework and revenue proposals of the proposed 2011 budget. The PBC is a civil society coalition comprising the Congress of South African Trade Unions (COSATU), the South African Council of Churches (SACC) and the South African Non-Governmental Organisation Coalition (SANGOCO). This coalition has for the past eleven years tabled proposals on the budget and a participatory budget process. The PBC has for many years been campaigning for the adoption of fiscal and monetary policies that will make a decisive intervention in the battle against unemployment, poverty and inequalities and ensure meaningful redistribution of wealth to the poor.

2. OUR OVERALL APPROACH

We confirm our complete support for Government's five priorities as reaffirmed in the State of the Nation Address, namely education, health, rural development and agrarian reform, taking forward the fight against crime and creating decent work. We believe that it is imperative that Parliament exercise its powers to give effect to these priorities. However, given the serious socio-economic challenges we are not convinced that the current macroeconomic policy and budget is capable of deliver on these.

We have consistently expressed our disappointment about the inappropriate framework that has been adopted by the government since 1996, and which largely remains government's stance today. Despite some welcome shifts this year's budget remains trapped in a conservative, ultra cautious and pro-business mould and therefore it has yet to qualify as a people's budget.

Much emphasis is placed on the adoption of a fiscal policy framework that is so-called counter-cyclical, and which is aimed at "offsetting the effects of the business cycle" in order to ensure that it "contributes to growth and job creation". In line with this approach and based on the perception that currently the "economy is doing well", a contractionary budget is being proposed for the current year and for the medium term.[1]

This ignores the reality that apart from the 1,1 million jobs that were lost as a result of the recession and the accompanying deindustrialisation, there is nothing cyclical about the high rates of unemployment, poverty and inequality in South Africa. These are in fact structural in nature and reflects that the country is facing a major national crisis as outlined below:

- **The persistence and increase in unemployment:** Unemployment among Africans was estimated to be 38% in 1995 and it stood at 45% in 2005. Overall, the unemployment rate in the South African economy was 31% in 1995 and increased to 39% in 2005[1]. Whilst this somehow improved since then, unemployment remains extraordinarily high at 36%.
- **Poverty incidence remains high:** There is no official poverty line for South Africa. Yet, based on measures that are sensitive to household size, one study found that 57% of individuals in South Africa were living below the income poverty line in 2001, and this remained unchanged from 1996[2]. But measures that assume individuals need R322 a month to survive show that individual poverty has declined from 52.5% to 48%[3].

[11] See page 49 of the 2011/12 "Budget Review" on "fiscal policy".

[1] The Role of the Working Class and Organized Labour in Advancing the National Democratic Revolution, ANC Policy Discussion Document, 2007.

[2] Fact Sheet No1—Poverty in South Africa, Human Sciences Research Council, 26 July 2004.

[3] Towards a 15-Year Review, The Presidency, 2009, p.18. R322 a month is said to be a "high poverty line", but a crude calculation shows that this cannot cover items such as cooking oil, soap,

- **Redistribution of income has not occurred and inequalities have worsened:** Besides the decline in the real incomes of African households between 1995 and 2005, income inequality has increased across the board. In 1995, the Gini coefficient stood at 0.64 but it increased to 0.68 in 2008[4]. The share of employees in national income was 56% in 1995 but it had declined to 51% in 2009. The top 10% of the rich accounted for 33 times the income earned by the bottom 10% in 2000[5]. This gap is likely to have worsened, given the fall in the share of employees in national income and the global economic crisis of 2008[6]. Approximately 20% of South Africans earned less than R800 a month in 2002, the situation is worse for Africans. By 2007, approximately 71% of African female-headed households earned less than R800 a month and 59% of these had no income; 58% of African male-headed households earn less than R800 a month and 48% had no income. Even the Minister of Finance has acknowledged that 50% of the population lives on 8% of national income in South Africa[7].
- **Income inequality is still racialised, and has deepened within racial groups**. An average African man earns in the region of R2 400 per month, whilst an average white man earns around R19 000 per month.
- The **means of production and power remain concentrated in white capitalist hands**: Crucial sectors in the economy continue to be dominated by a few large conglomerates with cross directorships.
- The **structure of the economy remains mineral-dependent and is now finance-led**: The economy is still very much reliant on mineral exports for foreign exchange earnings.
- **Control of the economy is still in white hands**: Top management and senior managers continue to be predominantly drawn from the white population. This perpetuates historical networks that determine the probability of promotion and recruitment.
- The **health profile of the population has deteriorated**: The life expectancy of a white South African now stands at 71 years and that of a black South African stands at 48 years, according to the South African Institute of Race Relations Survey (2009).
- The **crisis in education persists and the quality of education is declining**: What is of major concern is that 12-year olds in South Africa perform three times less than 11-year olds in Russia when it comes to reading and 16-year olds in South Africa perform three times less than 14-year olds in Cyprus when it comes to

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sugar, tea, clothes, transport etc. if an individual buys 12.5kg of mealie-meal, 4 full chicken portions and 12 loaves of bread.

[4] Development Indicators 2009, The Presidency, p.25. These are based on Income Expenditure Surveys.

[5] Human Development Report: Fighting Climate Change-Human Solidarity in a Divided World, 2007/08, p.283.

[6] In the Budget Speech 2010, the Minister of Finance notes that in South Africa "income inequality is among the highest in the world; and half of our population survives on 8% of national income". Nevertheless, the policy proposals that are contained in the Budget Review 2010, completely fail to address this problem.

[7] See Budget Speech 2010.

mathematics[8]. Nevertheless, white learners perform in line with the international average in both science and mathematics, which is twice the score of African learners. It is estimated only 3% of the children who enter the schooling system eventually complete with higher grade mathematics, 15% of grade 3 learners pass both numeracy and literacy, 70% of our schools do not have libraries and 60% do not have laboratories, 60% of children are pushed out of the schooling system before they reach grade 12.

3. THE MONEY BILLS AMENDMENT PROCEDURE AND RELATED MATTERS ACT

Section 77 of the South African Constitution enjoins Parliament to promulgate legislation which accords it powers and a defined procedure enabling it to amend money bills, including the budget. Indeed, the PBC supported the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009) as it seeks to implement this constitutional injunction, which in our view was undermined by government since 1996 until the last session of the third democratic Parliament. This is despite our reservations with aspects of this legislation as expressed in our submission during the public hearings. Hence, our support of Act 9 of 2009 allowed us to lift our boycott of public hearings on money bills and related matters and to beginning to participate in the process. Thus, we reiterate our claim that this is a victory of the PBC and our democratic Parliament.

However, as the PBC we are also aware that it is one thing to pass a piece of legislation empowering Parliament to exercise oversight on government regarding money bills and that it is quite another to implement such a legislation in full. In the first instance, from our point of view a key challenge facing Parliament in implementing Act 9 of 2009 is the question of political will. There are two main factors that will determine as to whether Parliament would be geared to fulfil the mandate and demands of this legislation:

- ★ Firstly, it would be the quality or the kind of capacity that would be created in the Parliamentary Budget Office (PBO). In this regard, we are referring to the competence of the personnel that will be hired and the standing that will be accorded to the PBO in the practical operations of Parliament, especially in this committee.

- ★ Secondly, it would be the interaction between the PBO and the Committee itself, both in terms of how the latter is going to use the PBO in engaging Treasury and the kind of scope it will have in taking some initiatives to support the Committee in the process of its engagement with the money bills and exercising oversight on government.

However, since our boycott was in the first instance a response to Parliament’s lack of powers and capacity to intervene on money bills and related matters, now that the requisite legislation has been passed we have taken it upon ourselves as the PBC to

[8] It is due to such realities that the ANC noted in 1969: “We have suffered more than just national humiliation. Our people are deprived of their due in the country's wealth; their skills have been suppressed and poverty and starvation has been their life experience. The correction of these centuries-old economic injustices lies at the very core of our national aspirations”.

support Parliament in its endeavour to implement the provisions of the legislation. Hence, during the public hearings on the Medium Term Budget Policy Statement (MTBPS) last year, as we stated as the PBC, that:

> "it would be helpful if the Standing Committee could shed some light as to where the process is at the moment, because even though the implementation of the legislation and in particular the establishment of the PBO is mentioned as a priority in both the 2009 and 2010 Budget Vote speeches, this is not reflected in the budgetary allocation".

In this connection, we welcome the fact that in the *Estimates of National Expenditure 2011* it is stated that "Parliament will fund the establishment of the Parliamentary Budget Office from its retained earnings in the first two years of the MTEF period". However, we are concerned about the fact that there is no further information even in Parliament's Vote detailing how this surplus account is going to be used in the next two financial years to this end and whether it would be adequate in the first place given the fact that it is estimated that Parliament's surplus account is going to decline at least by a third over the MTEF period. We have previously noted that there was a process underway between the Presiding Officers of both Houses and the administration of Parliament in developing an Action Plan, which amongst other things we believe was intended to facilitate the establishment of the PBO and the appointment of its Director. Again, we reiterate our concern that in terms of the information available to us, the Director of the PBO was scheduled to be appointed by April 2010.

THE DRAFT FISCAL GUIDELINES

It is against the background of our concerns regarding the overall capacity of the legislature to scrutinise the budget, that we note that National Treasury has developed a set of draft fiscal guidelines for discussion at the "request from Parliament". We intend as the PBC to engage with the consultative process on these guidelines once fuller details are made known. However, at the outset we wish to register some concern that these guidelines, which will be informed by the principles of "a counter-fiscal stance, long-term debt sustainability, inter-generational equity" may have the effect of laying implicit parameters on Parliament's powers to amend the fiscal framework.

4. FISCAL AND MONETARY POLICY

THE BUDGET DEFICIT

In our view the philosophy underpinning the fiscal policy framework should be orientated towards targeting social development indicators that are aimed at the promotion of equity and job creation, with the state playing an active and direct role in the economy. In contrast deficit reduction through the "moderation of government spending" may generate an output contraction or deceleration in growth, which tends to lengthen the recession in the labour market and increase structural unemployment.

In line with the adherence to a so-called countercyclical fiscal policy, the budget deficit is forecast to decrease from 5.3% in the current year to 3.8% in the medium term. Given the additional delivery challenges that must now be met, such as the extension of the Child Support Grant (CSG) to children up to the age of 18 years and the need to provide concrete support for IPAP2 in order to promote jobs, the budget deficit raises serious concerns about the constraints that it would place on delivery.

The implications for crowding out much needed social expenditure is illustrated by the fact that the budget projects that the average real growth in government non-interest spending over the next three years is as low as 2.8%. Further real growth in government transfers to households (in the form of social grants) is projected to average only 3.2% in the medium term, despite the acknowledgment in the "Budget Review" that "nearly 15 million people now depend on some form of government grant, and for many households … are the only regular source of income".

Our comments should not be misconstrued as meaning that we are calling for fiscal ill-discipline. However, we do believe that there is space for balance and considered measures that would be more strategically aligned to delivering on Government's social and economic priorities.

MONETARY POLICY

Fiscal discipline constitutes the central pillar of government's macroeconomic and fiscal policy framework which is dominated by a monetary policy that is based on a inflation targeting model. Not only is this inconsistent with an employment-based and redistributive growth path, it also makes the fiscal policy <u>pro</u>-cyclical rather than counter-cyclical. Should inflation forecast rise, interest rates would have to rise in response in such a way as to generate high interest payments on public debt. Consequently a decline in the growth rate would be expected, coupled with a reduction in the tax base, which in turn would compel a decline in government social spending. An inflation-based macroeconomic policy constrains fiscal policy from being aggressive enough to address challenges and backlogs related to social and economic infrastructure and the creation of jobs. At the same time we are not calling for measures that would bring about runaway inflation, which we agree would have serious implications for the poor.

We are strongly opposed to the ongoing implementation of exchange controls relaxation as announced in the 2010 Medium Term Budget Policy Statement (MTBPS), especially when we take to into consideration that whatever limited protection we had against the global financial crisis was associated with the remaining exchange control regulations that were in place. Further relaxation of exchange controls would only place us at risk of increased speculation and general volatility of the Rand. It also has the effect of pre-empting public consultation processes and the finalisation of Government's proposed "New Growth Path" policy document by effecting macroeconomic policy changes that may be difficult to reverse at a later stage.

It is disappointing that while the budget speech noted that countries such as Brazil, South Korea and Thailand introduced measures to counter high capital inflows and currency speculation the Minister was unable to announce anything more decisive than the intention to "monitor the adjustments" made in those countries. It would have been more appropriate to have used this opportunity to introduce taxes on short-term capital inflows and a financial transactions tax.

On the whole we believe that it would be important that the value of the Rand in terms of the exchange rate is protected from the volatilities of the financial markets and that it is strongly orientated towards the creation of jobs.

We acknowledge the importance of supporting initiatives of the South African Reserve Bank (SARB) in buying foreign reserves in order to curb currency speculation and keeping the value of the rand stable. However, we believe that much more is required and would call on Government to initiate a study into innovative measures employed by other countries are actively and aggressively intervening in monetary policy in order to support their own industrial growth and development.

ON TAXES

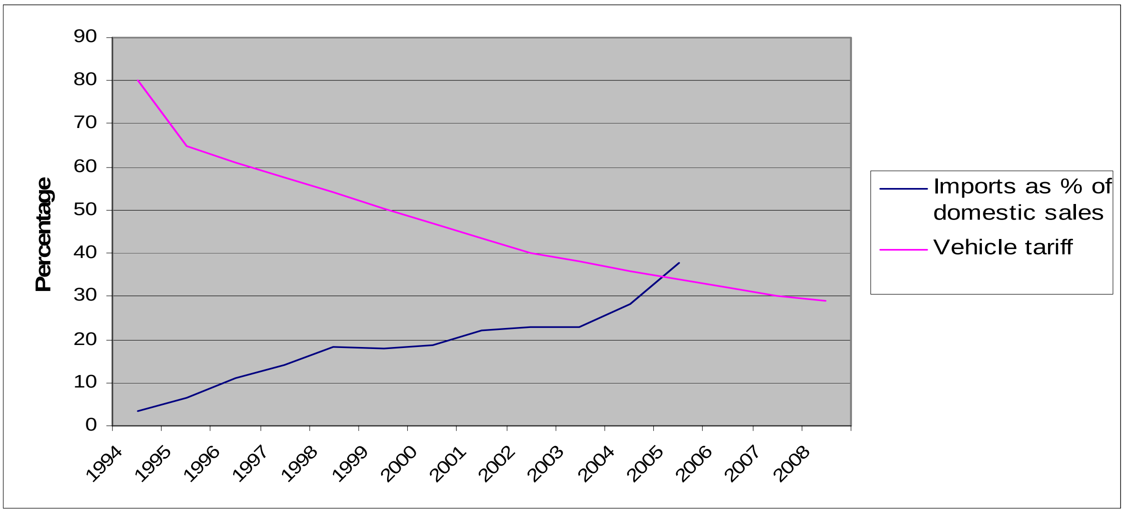
We note that whilst total tax revenue increased for the 2010/11 financial year, this has been disproportionately achieved primarily through the reliance on personal income tax and VAT with corporate income tax revenue performing lower than originally projected. We have consistently maintained that VAT is a regressive tax since it has disproportionate adverse impact on poor people who tend to spend a greater proportion of their already limited incomes on food. We note here that VAT revenue increased by 22.6% from just under R148 billion in 2009/10 to R181,3 billion in 2010/11. This is compared with a decrease in company tax revenue by 1,8% from R134.8 billion in 2009/10 to R132,5 billion in 2010/11. Consistent with these trends, we note that VAT as a percentage of total tax revenue is projected to rise as high as 27.4% over the medium term in comparison to 24,6% that was reflected for 2008/09.

We would have preferred for the budget to disclose a more redistributory tax model that would not only have expanded the range of zero VAT rated goods, but would have introduced a progressive tax system that would target the wealthy, higher income earners as well as taxes on luxury goods especially those that are imported.

i) Ad valorem excise duty

Passenger cars and light commercial vehicles

We welcome government's proposal to increase the maximum nominal ad valorem excise tax rate on passenger cars and light commercial vehicles from 20% to 25%. However, we maintain our call on the Department of Trade and Industry (DTI) to consider raising tariffs on motor vehicles from the applied rates to bound rates to curb the influx of imports – a trend that continues to impede the development of our local automotive industry:



Source: Professor Anthony Black (2008)[i]

Figures released by NAAMSA are a cause for concern: Completely Built units (CBU) Imports as a percentage of the market for cars = 63.4% (2009 figures) [See Annexure 3]. Clearly this reflects that we have not stemmed the tide of imports. As the Rand strengthens, the surge of imports is likely to continue and the consequences of this scenario will certainly have a negative impact on the development of our own industries leading to more job losses.

Monitors

We note government's proposal to reintroduce an ad valorem excise duty on monitors at a flat rate of 7%, effective 1 April 2011. We believe that government should conduct a study on the impact that this might have on our local industry (including job losses) before introducing the proposed excise duty on monitors.

Carbon Tax

Government has indicated that "work on a proposed carbon emission tax is underway and "a schedule for its introduction will be announced in the 2012 Budget" (Budget 2011: p 75)[ii] Government acknowledges that a carbon tax will impact on lower income households and plans to minimize the effect of this on poorer households. However, the PBC believes that Government will have to do more than this and set out, *inter alia*:

- specific measures as to exactly how government is going minimize the impact of a carbon tax on poorer households
- increase free basic electricity
- provide for access to clean energy sources (provision of support or free)
- government must ensure that there is a substantial increase in investments in renewable sources of energy – in the long term the country will reduce its dependency on fossil fuels and redirect its capacity towards the building of a healthier and carbon free environment. The creation of decent jobs must go hand in hand with a clean environment - anything short of this principle will fail.

5. JOBS AND YOUTH UNEMPLOYMENT

We have consistently warned that unemployment, in particular youth unemployment, constitutes the biggest threat to our stability. We have pointed out repeatedly that the country is sitting on a ticking time bomb that is already starting to explode.

Accordingly we welcome the continued focus on addressing unemployment in particular youth unemployment. This is in line with the 2011 State of the Nation Address.

However the measures proposed in the budget fall far short and will simply not address the structural unemployment crisis we face. This budget overall will not help us address the persistent structural weaknesses of our economy. The budget speech (see page 8) projects "steady employment gains of about 2% a year". This will simply not be adequate to meet the government's target of creating 5 million jobs in the next ten years.

Government simply lacks political will to confront the structural crisis we face in relation to youth unemployment. Youth unemployment is not only a structural problem linked to the structural crisis we have pointed out but also to the education crisis. Regardless of the amount of wage subsidies and tax incentives government offers to business, year in year out, it will not address this structural nature of youth unemployment unless it finds the will to confront the structural crisis in our education system.

We remain opposed to youth wage subsidies and believe that government lacks capacity as shown by countless examples to enforce its own laws. The youth wage subsidy will be abused by the unscrupulous employers who will keep an army of young workers permanently and replace secure and better paying full time jobs currently held by older workers. This in return will undermine the government's stated objective of creating decent work, addressing inequalities and poverty.

Further we believe that it is necessary for the Treasury to furnish the empirical basis for its assumptions that 423 000 "new" jobs will be created, with 178 000 of these constituting "net new job creation". This presumes that it is able to predict (or control) employer behaviour and response in manner that does not have adverse consequences for young workers and the general labour market. Our experience would strongly suggest otherwise. Learnerships, for example, have been treated as a cheap source of employment on a "revolving door" basis with many of those that have completed their learnerships not being retained by employers despite there being vacancies. Parallel experiences with migrant workers have also shown how employers have actively discriminated against South Africans, especially in the mining and agricultural sectors, whether to apply differential conditions or even retrench South Africans at higher rate. None of these situations have demonstrated that the net creation of new jobs despite the lower costs to employers.

Further the subsidy assumes that the problem is a pricing of youth labour, and that young workers are paid more than their productivity in the labour market. On this basis government's response is to reduce the cost of labour and boost the demand. Further while Government has argued that the impediment to youth employment is experience they have chosen to rely on an instrument that targets the price or cost of labour. Any experience gained would be completely dependent on employer discretion with little emphasis on a state-driven strategy that affords access to the type and level of skills that would guarantee long-term employability in the labour market.

A fundamental concern for us would mean that this could serve as an incentive for early exit from the education system especially in households facing severe economic pressures. Consider that currently with the absence of a subsidy as much as 60% of all children are already being pushed out of the schooling system.

Noting that the Minister has indicated that the subsidy is still a proposal that must still be considered by NEDLAC and be subject to public consultation, we believe that it would be necessary for Parliament in passing the budget to exclude the R 5 billion youth subsidy from the allocation to the current year. Its inclusion in this 2011/12 budget suggests finality on the proposal to introduce the subsidy and would suggest that the NEDLAC process and other consultation would merely be symbolic.

We continue to support the public employment programme. The R75bn is critical to supporting public employment programmes as a transitional measure towards full and decent employment. It is important that government address many of the shortcomings in the public employment programmes, more specifically the development of skills to support better employability of EPWP and CWP participants.

While we welcome the tax incentive on investment in manufacturing, we remain wary about the impact this may on employment, given our past poor experience on tax incentives and low employment creation. While previous tax incentives emphasized job creation this has not been achieved, with higher investment in capital intensive manufacturing. A clearer job creation criteria linked to an extensive monitoring and evaluation programme will be required for a successful tax incentive.

6. BUDGET VOTES

HEALTH

We welcome the fact that the budget makes available an additional R8 billion to take the first step in establishing the National Health Insurance. In this regard it seeks to establish the health infrastructure grant, to implement a family health approach to primary health care and it makes additional money available for the training of medical doctors and nurses.

However, we do not support any consideration of a general increase in the VAT rate as a mechanism to close the gap of the shortfall in terms of the current estimates of the financing mechanism for the NHI. VAT is a severely regressive tax, imposing it upon the poor in an attempt to fulfil what in our view appears to be an ideological conviction prevalent in the Treasury that “everybody must contribute” goes against the foundational principle of the NHI, i.e. solidarity. We believe that there are various options available such as an earmarked levy on luxury imported items, an imposition of a tax on producers of extreme health hazards such as tobacco, alcohol and other industrial polluters. A combination of these options and other proposals would be acceptable. Certainly, in this most unequal country in the world (and whose inequality is extremely racialised) imposing an additional income tax on those that are at the apex of the income pyramid would be another option that we would favour.

It is important that the Treasury understands that there has to be a redistribution of income from the poor to the rich since the collapse of the Apartheid regime - the share of employees in national income was 56% in 1995, declining to 51% in 2009. Put differently, in 2008 the top 20 directors of JSE-listed companies earned an average of R59 million per annum each. This is against the backdrop of an average earnings of about R34 000 per annum of a worker in the South African economy or more realistically of a situation where approximately 71% of African female-headed households are only earning less than R800 a month.

EDUCATION AND SKILLS DEVELOPMENT

We welcome that education remains the biggest item of expenditure. Many studies reveal that our country is spending more resources on education and health than many developing economies and yet we perform worse than they do as reflected in terms of the quality of education and developing skills and growing the economy.

There are leakages in our system that must be addressed. Adequate Planning, Monitoring and Evaluation must be the cornerstone of an effective and quality education system.

In order to address this problem government should move towards zero budgeting, so that all departments, in particular education and health will track every cent of public money to ensure there is no leakage.

Above all we hope that a more detailed policy statement to address not only the quantity challenge but also the quality challenge will be articulated by the Minister. We are keen to hear how this budget will be distributed so that we can realise the President's ambition to finally do away with mud schools. We also hope that the budget is adequate to ensure students and teachers are properly supported with libraries, laboratories, safer schools, and the unacceptably high pupil-teacher ratios in public schools etc. We welcome and at the same time hope that the R8.3 billion over the MTEF period is adequate to address these massive infrastructure backlogs.

The R14 billion towards FET is in the right step towards free education and much needed skills and development for young people.

However, the R25bn for skills is questionable given the current poor state and functioning of many SETAs. This appears to be just throwing money to the problem. We hope that the budget allocation will help towards SETA restructuring and deliver on much needed skills, particularly for young workers.

We note with concern that no clear provision is made in the budget for qualifying final year students or the exemption of fees for " …students in further Education and Training Colleges who qualify for financial aid.." [9] as indicated in the State of the Nation address.

SOCIAL SECURITY

We continue to urge for the release of government's comprehensive proposals on social security. This is long overdue and requires urgent attention.

We welcome the increased allocations to the grants, although we are concerned that amounts are far too low. The Child Support Grant (CSG) in particular is increased by a mere R20, the benefit of which is reduced by the fact that this increase will be effected on a staggered basis with only R10 being implemented for the first six months from April 2011. Further we note with some perplexity that those receiving foster care grants are receiving a smaller percentage increase (4.4%) than those receiving old age, disability or dependency care grants (5.5%). These differences may be attributed to the fact that Foster Care grants have a higher uptake. Our observation is that this small increase is intended to discourage foster parents from applying for the grant.

This creates severe hardship for families which incur costs for raising a child and this could weaken the social solidarity in communities because government is demonstrating a lack of willingness to support orphaned children.

[9] President of The Republic of SA, State of the Nation Address, 10 February 2011

We welcome the announcement to review the mean-test threshold even though would prefer measures that would ensure a universal access to comprehensive social security.

PUBLIC SERVICE WAGE BILL AND PSCBC

In the Budget Speech the Finance Minister has stirred some sensational newspaper headlines in stating that "the public service salary bill has doubled over the past five years". Thus, deliberately or by default an impression has been created that public service workers' salaries have risen by 100% over the past five years. Nothing could be further from the truth. Below is a table showing wage increases in the public service between 2007 and 2010 against the Consumer Price Inflation, in order to indicate the actual or net rate of wage increase in the public service.

Salary Levels	**2007/8**			**2008/9**			**2009/10**			**2010/11**		
	CPI	% I	**Real I**	CPI	% Inc	**Real I**	CPI	% Inc	**Real I**	CPI	% Inc	**Real I**
3	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	13.0	**5.9**	4.6	7.5	**2.9**
4	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	12.0	**4.9**	4.6	7.5	**2.9**
5	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	12.0	**4.9**	4.6	7.5	**2.9**
6	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	12.0	**4.9**	4.6	7.5	**2.9**
7	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	11.0	**3.9**	4.6	7.5	**2.9**
8	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	11.0	**3.9**	4.6	7.5	**2.9**
9	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	10.5	**3.4**	4.6	7.5	**2.9**
10	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	10.5	**3.4**	4.6	7.5	**2.9**
11	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	10.0	**2.9**	4.6	7.5	**2.9**
12	7.1	7.50	**0.4**	11.5	10.5	**-1**	7.1	10.0	**2.9**	4.6	7.5	**2.9**
Incl.11	7.1	7.50	**0.4**	11.5	11.8	**0.3**	7.1	10.0	**2.9**	4.6	7.5	**2.9**
Incl.12	7.1	7.50	**0.4**	11.5	11.6	**0.1**	7.1	10.0	**2.9**	4.6	7.5	**2.9**

Source: NEHAWU, calculated from Bargaining Agreements 2007-2010

Ironically, in respect of Parliament, Members' Remuneration has grown by 41% in the period between 2007/08 and 2011/12.

We believe that there is a proper forum, i.e. the Public Service Collective Bargaining Chamber (PSCBC) in which these matters should best be examined and deliberated upon between the public sector unions and the employer. So, we do not intend to raise our demands in this process or to negotiate salary increases via Parliament. We only seek to clarify the following:

- ★ Firstly, the public service salary bill has doubled over the past five years as a result of a combination of various factors such as wage increases, the growth of the public service personnel, severance packages, the establishment of a number of new ministries and departments, etc. Still, it is important to indicate that this "doubling" of the public service wage bill does not factor in the rising costs of living or inflation, especially for workers in the lower salary levels. A significant share of this public wage bill disproportionately goes to the management echelon of the public service.

- ★ Secondly, as reflected in the comments of a number of the usual Neoliberal commentators that dominate the airwaves and corporate newspapers, this issue of the public service wage bill tends to be raised as a way of pushing an ideological view that claims that the public service is bloated. This comes out more clearly from the South African Institute of Race Relations (SAIRR) in reference to the current 1.27 million public service workers.

It hardly comes as a surprise to us that the SAIRR conveniently fails to take into account the fact that this figure is approximately 200 000 less than the complement of the public service in 1994, the bulk of which was disproportionally serving a very small minority of the population.

- ★ Thirdly, as a way to avoid unnecessary wage disputes and strikes in the public service, government has committed itself to initiate and complete wage negotiations with labour in the public service before the budget envelop is finalised in February. This is according to the Resolution 6 of 2010 of the PSCBC which settled last year's bitter strike, a strike that comes after the longest public service strike in 2007. Unfortunately, to date this has not happened in the course of the determination of this budget. Indeed, in this budget, the Treasury is already fixing the combined increase of the public service wage bill and the costs of additional employment in the public service to a 6.6% annual growth over the MTEF period. We regret that this projected increase in the public service wage bill is far off the mark in terms of the mandate we are receiving from our members.
- ★ Fourthly, we welcome announcement made during the State of the Nation Address that "government must fill all funded vacant posts". This is a long overdue implementation of Resolution 1 of 2007 agreed at the PSCBC and subsequently Resolution 6 of 2010 of the Public Service Summit.

  In this connection we are happy that for its part Parliament intends to fill in 65 of the current existing 74 vacancies. We hope that the PBO will be included in this exercise. Thus, we look forward to the report of the Department of Performance Monitoring and Evaluation in six months time as promised in the SONA.

TRADE AND INDUSTRY

While we generally support the Industrial Action Plan 2 (IPAP2), we must caution that unless there is sufficient funding for it, it will remain a good programme on paper only. A well funded Industrial Policy, with a strategic Trade Policy supporting it ~~,~~ has the potential of addressing the structural problems in the economy and lead to creation of more decent jobs. Accordingly we emphasise the leading role of the manufacturing sector in any industrial development. We call for the alignment of expenditure to support the prioritised sectors. The 2011/12 Budget targets the following key programmes:[2]

- International Trade and Economic Development (ITED);

[2] See 2011 Estimates of National Expenditure: Trade and Industry, pgs 1-2

- Empowerment and Enterprise Development (EED) which aims at creating an enabling environment for SMMEs and to facilitate the competitiveness of local and provincial economies, to achieve “inclusive shared equity, growth and job creation”;
- Industrial Development (ID) which aims at the development of manufacturing and related sectors of the economy and increase competitiveness in both domestic and export markets;
- Consumer and Corporate Regulation (CCR) which aims at the development of regulatory solutions that facilitate easy access to redress and efficient regulation in the economy;
- The Enterprise Organisation (EO) which aims at stimulating and facilitating the development of sustainable, competitive enterprises through the efficient provision of effective and accessible incentive measures that support national priorities; and
- Trade and Investment South Africa (TISA) aims at increasing export capacity and support direct investment flows through strategies for targeted markets and managing foreign trade offices.

Our initial analysis of the expenditure estimates as contained in the ‘2011 Estimates of National Expenditure on Trade and Industry’ show that between 2007/08 and 2011/12 there has been some improvement in prioritising industrial policy. On average, the budget on the 6 programme areas above increased by about 79.1% in nominal terms. The 2011/12 budget shows some signs that this trend might be reversed. Over the medium term, the expenditure on these trade and industry programmes increases by a mere 10.4% on average. Accordingly we call for more and consistent increases on expenditure, in real terms, on industrial policy programmes to address the high levels of poverty and unemployment in the country. We hope that the average 10.4% increase in expenditure on the core budget programmes of the trade and industry does not show the reversal of the tempo set by the watershed 52nd National Conference of the ANC.

Table 1: Trade and Industry Expenditure Estimates

Programme	2010/11-2011/12	Medium Term	2007/2008-2011/12
International Trade and Economic Development	3.7%	7.9%	66.7%
Empowerment and Enterprise Development	6%	8.3%	-36.2%
Industrial Development	11.4%	17.7%	282.9%
Consumer and Corporate Regulation	18.5%	10.8%	118.5%

The enterprise organization	12.4%	9.4%	35.3%
Trade and investment South Africa	-12.9%	8.5%	7.6%
Average	39.1%	10.4%	79.1%

TRANSPORT

Poor rail infrastructure and investment at an industrial and commuter level remains appalling. The allocation of R80bn over the MTEF will not be sufficient considering the excessive cost of just the Gautrain alone, backlogs in public transport and transport infrastructure. The R2.5bn amount allocated for public transport systems and infrastructure in municipalities is completely inadequate to support inclusive economic growth and development. The rail infrastructure programme is a long-term programme over 18 years whilst immediate interventions are needed.

Further we oppose the creation of high speed passenger rail services within a context where the majority working class continue to be denied safe, affordable and universal access to proper commuter transport services.

ON RURAL DEVELOPMENT:

Government, at all levels, continues to pay “lip service” to rural development and land reform. Should we continue to fail in supporting rural job creation strategies a realistic and well supported local economic development strategy will continue to see the ever increasing migration of young workers from rural areas into the city centre. This will undoubtedly continue to place pressure on infrastructure and risk food security in our country.

ON CRIME AND CORRUPTION:

We welcome the initiatives and budget announcement that would reduce crime and corruption in all spheres of society. In particular, we warmly welcome the steps towards tightly regulating tendering procedures and the appointment of additional police officers. These are important steps in the right direction to combat corruption.

More and visible policing is critical to reducing crime, as well as improving the skills of all investigative units. Lastly, the allocation towards improving technology in policing systems is well received by the PBC.

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Annexure 1: SACC Submission in Support of the PBC

Submission in support of the People's Budget Campaign to the Portfolio Committee on Finance hearings on the 2011 Budget Speech

The South African Council of Churches affirms its ten year alliance with COSATU and SANGOCO in the People's Budget Campaign and thanks the Portfolio Chair for the opportunity to comment on the 2011 Budget Speech. The SACC has for the past ten years been in full support of the PBC's macro-economic framework as an alternative to government's GEAR which was never a convincing vehicle for driving home the RDP strategies for countering poverty, inequality and unemployment as legacies of apartheid socio-economic planning.

Introduction

As stated in the past, the budget is regarded by the SACC not merely as an econometric tool for balancing income and expenditure or measuring fiscal prudence but rather a political and moral choice that should be used for uplifting, caring and including the nation's poor and vulnerable communities – women and children in rural areas – into the nation's economic activity. Over the past decade and a half, the SACC acknowledges that government has faced an enormous battle to deal with poverty and we would agree that much has been done to "push back the frontiers of poverty". However, as the former minister of Social Development remarked "much more still needs to be done." More appropriately, Minister Gordhan has once again indicated that we must be bold to attempt to do "business unusual" by working differently and dealing with our economic challenges "creatively". The SACC agrees with Minister Gordhan that merely measuring our wellbeing by "growing" our GDP as a consumer society and buying into wealthy nations' surpluses is outdated and a harm to be avoided.

Latin American economists (e.g. Brazil and Chile amongst others) are leading the way in targeting the Gini-coefficients of their nations deliberately by narrowing the gap between wealth and poverty to the extent that Brazil, for example, which was once on a par with South Africa (0.69) now reflects a more equal society with a Gini-coefficient of 0,49. Latin American economists have also argued that even though a country may have a significant GDP growth rate, that growth would be negated as a poverty eradication measure if accompanied by an ongoing high Gini-coefficient.

The SACC maintains that the high levels of inequality in South Africa are not only economic and political problems for the poorest. We have long contended that these are the result of moral and spiritual crises at the heart of neo-liberal economic policies – policies that continue to exist through the creation of a super-rich class that impoverishes the middle class and feeds off the poor. The SACC therefore supports Minister Gordhan's attempt to do economics differently and, in so doing, strive more confidently and swiftly toward those social, economic and cultural freedoms envisaged at the dawn of our democracy.

The SACC also believes that a more equal society is a happier society and that attempts at greater equity of resource distribution and redistribution will contribute toward a healthier, more stable, and less violent moral fabric of society. The areas we address are Basic Education, Comprehensive Social Security and The National Health Insurance, Funding for Land and agrarian reform, Macro-economic questions and finally propose the implementation of Tax Justice on Multi National Companies as a means of raising revenue.

Basic Education including Adult Basic Education

"Our progress as a nation can be no swifter than our progress in education. The human mind is our fundamental resource." JF Kennedy Special message to the Congress on Education, 20 Feb. 1961

Education – taking up 21 per cent of government spending – remains government's largest expenditure item. UNCRC (Article 28) and ACRWC (Article 11) and the SA Constitution (s29(1)) all protect the right of all children (0-17) to education but further require the South African government provide a package of care and support to vulnerable children, e.g. food, healthcare, and protection from abuse, neglect, and exploitation. Education cannot be separated from either of these essential rights. While the DoBE has recognized especially that the most affected children are made vulnerable by poverty, disability and/or HIV/AIDS (DoE 2009a: 18), we are surprised that Early Child Development receives only a cursory reference in the Budget Review. ECD lays the foundation for the child's psycho-social development (0-7) and the National Integrated Plan for Early Child Development identified some 2,5-3 million children as priority targets for ECD. The proposal to spend R1, 6 billion in 2010 and increase to R3, 3 billion in 2013 will make a good investment for government expenditure.

The HSRC report indicates, however, that despite the weight of law supporting the child's right to attend school, this does not translate into the child benefiting to his/her full potential. While enrolment in school is relatively high (estimated at 95.4%) there remain large numbers of children (between 7-15 years) who are not attending school. Reasons forwarded for this are discrimination against children with disabilities and against children affected by HIV/AIDS. While 2 million estimated children were orphaned or had lost one either one or both parents, there was a lack of appropriate professional support staff to ensure that such children were not further traumatized.[iii] In 2009, according to DoE, the quality of resources in poorer communities were problematic with only 10 per cent of public schools having libraries stocked, 15,6% having laboratories while 77% had no computers. Most disturbing is the report that apart from overcrowding (the average classroom had just below 40 to 1 ration for learners to teacher), 3603 schools had no electricity supply; 2444 had no water supply; 3422 had no sanitation facilities, while 11 231 still made use of pit latrines. (DoE 2009). The PBC calls for immediate attention to address these shortcomings and makes the following proposals on education spending:

- The No-fee school policy should not be determined by the physical location of the school but instead be instituted according to the level of poverty among children at the school.

- School fee exemption policy should be applied by schools informing parents of their exemption rights. Parents receiving CSG's should be informed of their right not to pay school fees.

- Assistance to poor learners intended to make uniforms more affordable should be increased to provide real material relief.

- Grade R schools should qualify for school fee exemptions at fee paying schools and at no-fee school schools.

- The National School Nutrition Programme should be automatically available for poor learners whether they attend schools in quintiles 2,3,4 and 5 or not. No school should be refused entry to the NSNP.

There is a striking correlation between poverty and educational inequality. In this context the reality remains that academic achievement is skewed in favour of economic class and race. Where aspirations are high in unequal societies, says Wilkinson and Picket[iv], there lies the danger of social frustration and disappointment.

Social Security and National Health Insurance

Total budget revenue, including provincial receipts, and income of social security funds and public entities, is R755 billion, or 13.6 per cent above the 2009/10 estimate. R8.9 billion for social security benefits and social grants; *old age* and *disability grants* increase by R60 to

R1 140 a month and a further R20 to R1 160 a month for those over the age of 75; the *child support grant* will increase to R260 in April and R270 in October. The People's Budget Campaign has since the 2001 expressed dismay at the inability of the State to transform the "patchwork" system of social grants into a Comprehensive Social Security System that would deal holistically with the legacy of extreme poverty. We await discussion proposals for alignment of social security arrangements and retirement savings arrangements will be tabled this year. Noncontributory Social Security arrangements are funded from taxes and are generally redistributive, meaning that they re-distribute and share financial resources mostly from the wealthy to those unable to provide for themselves. Ten years after the release of the Taylor Committee of Inquiry into Comprehensive Social Security, we believe that government owes the public an explanation as to why or why it has not adopted the recommendation of the Report for a Basic Income Gran. Such proposals would ensure that no one or no household would receive social assistance less than a recommended basket of basic goods monthly. Such assistance would contribute instantly toward closing the gap between rich and poor and target poverty and inequality simultaneously.

However, the announcement by the Minister of Finance that the 2011 Budget takes the first steps in implementing national health insurance (NHI) as part of the Minister of Health's 10-point plan for restructuring public health, is warmly welcomed as a step in the right direction of a more equal nation. The PBC proposed a National Health Insurance over the past ten years mainly to deal with the inefficiency of dualistic public and private health systems, the rising administration costs of private medical aid and the unequal spending by the two schemes on health care. To date the private health care system spent R79 billion on approximately 12% of the population while the State spent the same amount on 88% of the population. While the private system uses State hospitals, it does not cover the cost of those suffering from HIV/AIDS, whose costs are absorbed by the State. Total expenditure on the Comprehensive HIV/Aids conditional grant will amount to R26.9 billion over the MTEF period, based on an increase in the number of people on treatment from 1.2 million this year to 2.6 million by 2013/14. The phasing in of National Health Insurance will require substantial reforms to address imbalances across the public and private sectors and expand health professional training. The NHI is a flagship to universal health coverage and must be given the public relations exercise it deserves.

Land and Agrarian Reform

Under Minister Joemat-Petterssen and Minister Nkwinti, government's land reform and agricultural development programmes are focused on rural job creation and poverty education, while expanding agricultural production and improving food security. Additional allocations amounting to R2.2 billion go to these functions, including a further R400 million for the comprehensive agricultural support programme and the land care programme grant and funding to enable a further 5 000 recruits into the National Rural Youth Services corps. Including provincial allocations for agricultural support, a total of R19 billion will be spent on rural development and agriculture in 2011/12, rising to R21 billion in 2013/14.

The PBC notes that it was government's stated aim to redistribute 30% of the 82 million hectares of agricultural land owned by whites in 1994 (i.e. 24.6 million hectares) to black ownership by the end of 2014. According to recent claims by DLA, some 15 million hectares had been redistributed by 2009. The PBC reiterates its earlier calls for policy changes to accelerate land reform and enhance its impact.

- Increase the target for land distribution, even if impossible for the State to achieve, place a higher target in the long term.
- Government should use its powers to expropriate aggressively and appropriately.
- Pay more attention to the needs of marginalized groups such as women, youth and the disables people.
- Commit adequate resources to promote sustainability and especially the success of land reform beneficiaries.

Macro-economic questions

The PBC has advocated for a moderate tax: GDP ratio for the past ten years which for years fell below 25%. Under the guise of countercyclical fiscal policy, this has driven the budget deficit to the extent that less money can be collected for an expansionary budget to cover, say, creative and imaginative social security provisions like a BIG. In 2008, this led to the PBC raising the question of the morality of “Budgeting for a surplus in a time of poverty, inequality and unemployment”. Could Treasury give PBC an indication – morally and practically - how it intends raising the fiscal resources for creating 500 000 decent jobs per annum under such fiscal prudence over the next ten years?

Tax Justice to ensure revenue for poverty eradication

What is Tax Justice?

Tax systems are often deeply unjust. For instance some taxes are disproportionately borne by impoverished communities and in the case of VAT, we say this tax is regressive. In other instances, wealthy companies and individuals are able to avoid making their contributions causing failure of tax systems to provide sufficient resources for the services and infrastructure citizens need. In other instances, tax systems may, through improper administration, fail to stimulate economic development and/or increase good governance.

The problem

African countries currently lose substantial amounts of tax revenue due to corruption, debt servicing, tax incentives, informal economies, and illicit financial flows. To illustrate, Global Financial Integrity (GFI) estimates that between 1970 and 2008, illicit financial flows from Africa are $854 billion (of which $175 billion flowed out of southern Africa), which could have satisfied the continent’s external debt obligations and left a surplus of $600 billion to reduce poverty and stimulate economic growth. GFI further state that what developing countries lose in terms of illicit financial flows is ten times the value they receive in aid. Some of the injustices in current tax systems can be tackled at a **national** level – for example, revenue authorities can be strengthened and domestic policies reformed to be more progressive, so that more corporate and income taxes are collected from those who are able to pay and there is less reliance on VAT (which tends to bears heaviest on the poor). Other issues could be addressed at a **regional or continental** level, for example addressing the ‘race to the bottom’ that results from neighbouring countries engaging in harmful tax competition. Such reforms also require challenging the ‘tax consensus’ pushed by the International Monetary Fund (IMF), World Bank and others over the last two to three decades, as countries have been strongly encouraged to minimise the taxation of foreign investors as well as to reduce trade taxes that were previously (and still are in some countries) important sources of revenue for social spending.

Steps toward implementing tax justice in South Africa

Further leakages of potential tax revenues occur on a grand scale through international tax evasion and avoidance, which is facilitated by financial secrecy. For example, South Africa lost an estimated US$ 1.7 billion through ‘mispriced’ imports and exports to and from the EU and the US, between 2005 and 2007. As South African Finance Minister, Pravin Gordhan, said in his address to the UK parliament in November 2009, “we have allowed the word avoidance to gain too much respectability. It is just a smarter form of evasion.” The People’s Budget campaign believes that instituting a regime of tax justice based on fairer and more transparent accountability by MNC’s could yield substantial income for the promotion of poverty eradication programmes, measures, job creation and equity measures. The SACC together with its international and regional partners for economic and tax justice call for a meeting with Treasury in order to explore the feasibility of implementing tax justice measures in South Africa.

Annexure 2: NUMSA Response to the 2011/2012 Budget

Introduction

A few months ago (27 October 2010 to be precise) the Minister of Finance presented his Medium Term Budget Policy Statement (MTBPS) to Parliament. Today, the 23 February 2011, the Minister tabled the annual Budget for 2011/2012. For NUMSA, the budget holds few surprises and serves to reinforce some of the policy issues that the Minister referred to in the MTBPS. However, NUMSA welcomes the Minister's determination to root out corruption and fraud and to bring to book those involved in procurement irregularities. The Union also welcomes attempts to increase spending on student financial assistance (R14bn) and attempts by the Ministry to engage the banks so that bank charges are fair and affordable.

Macroeconomic Transformation

The Minister has made several references to fiscal and monetary policy stability and believes that the current macroeconomic framework is appropriate. In this context government will continue to use instruments such as inflation targeting, interest rates, amend exchange controls and step up "foreign exchange purchases by the Reserve Bank … to offset upward pressures on the rand" (Budget Speech 2011: p10) In response to calls from COSATU to introduce a set of complimentary measures (like the Financial Transactions Tax and a Tax on capital inflows) the Minister has yet to take decisive steps to discourage currency speculation. Like his predecessor, the Minister appears to be trapped in the logic of GEAR, offering little by way of macroeconomic transformation that would steer the country in the direction of "a growth path towards full employment" – as lobbied for by the Congress of South African Trade Unions (COSATU) and a number of civil society formations that have played a leading role in the campaign to end poverty and eliminate all forms of social inequality.

Decent Work – Employment and Youth Employment Subsidy

The Minister has made several references to the creation of employment and the introduction of a youth employment subsidy (to be tabled for further discussion at NEDLAC), but the Budget is thin on detail when it comes to the implementation of the decent work principle. For COSATU and a number of its affiliates, the principle of decent work is fundamental if we are to seriously address poverty and eliminate all forms of social and economic inequalities.

The National Health Insurance (NHI)

The Minister argues that reforms in the health care system are on track, but that the "fiscal and financial implications of health system reform … will be examined in the year ahead" (Budget Speech 2011: p30) According to the Minister, funding of the NHI will depend on a number of factors, including what he calls a "payroll tax (payable by employers), **an increase in the VAT rate** and a surcharge on individuals income tax" (Budget Speech 2011: p30) In a more detailed submission on the Budget – <u>Social security and health care financing</u>, the Minister says that "implementation of this reform (presumably he is referring to the NHI) will be phased over a period of 14 years" (Budget 2011 <u>Social security and health care financing</u> : p 108)
NUMSA is of the view that any attempts to delay the implementation of the NHI will have serious social and economic consequences for the well being of our people and impede the socio-economic development of our country.

Child Support Grant

NUMSA notes that the Child Support Grant has been increased from R250 to R260 in April and to R270 in October. In our submission to the 2010 Budget we pointed out that the increases to the Child Support Grant must not be lower than inflation:

> While old age and disability grants increased by 6.94%, the child support grant went by only R10.00 (4.2%), by far the most meager increase in the overall budget. NUMSA cannot accept Treasury's argument that the below inflation increase is as a result of "bringing in two million more children" into the social net and believes that this adjustment will hardly make any difference to millions of South Africans living in dire poverty. We call on Treasury to review this paltry increase and make more substantial increases to social grant benefits … the least that Treasury can do is to make inflation related increase adjustments to all social grants. (NUMSA Response to the 2010 Budget)

Servicing the Debt

In his State of the Nation Address (SONA) President Jacob Zuma made reference to the budget deficit:

> The Budget deficit is set to decline from the current 6.7% to between 3 and 4% by 2013.

(SONA, February 2011)

Similar sentiments about managing government debt in a sustainable manner have been expressed in the 2011 Budget. However, reducing the budget deficit by as much as half by 2013 is likely to impact on social spending and government will more than likely reduce its expenditure.

Improving Service Delivery - Local Government Turn Around Strategy (LGTAS)

The issue of service delivery remains on top of our agenda as the country prepares for the next round of municipal elections.

> The Department of Cooperative Government and Traditional Affairs presented a comprehensive Local Government Turn Around Strategy (LGTAS), which was adopted by Cabinet in November 2009, to change the profile and face of local government to respond to the needs of the population. (Parliament of the Republic of South Africa Report of the Ad Hoc Committee on Coordinated Oversight on Service Delivery 8 September 2010: p 12)

The Report of the Ad Hoc Committee on Coordinated Oversight on Service Delivery 8 September 2010 argues that service delivery is not just a local government issue, but that the whole apparatus of national government must take the responsibility of ensuring that our municipalities are managed efficiently and have the necessary financial resources to meet its obligations.

The 2011 Budget must address the allocation of financial resources to local government in the context of the Local Government Turn Around Strategy (LGTAS) and this needs to come out more strongly in the 2011 Budget.

Conclusion

As the Minister correctly pointed out in his opening remarks, the Budget will always remain a site for contestation amongst competing parties and interest groups. NUMSA embraces this challenge and has consistently called for an end to the current macroeconomic framework (GEAR) and for the state to introduce radical changes in fiscal and monetary policy that are in line with the developmental agenda adopted at the Polokwane Conference in 2007 and the ANC Election Manifesto of 2009.

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[i] Professor Black, A. (2008) Current developments in the automotive industry and the future of the MIDP Presentation to Numsa 18 March 2008. Slide 20

[ii] Budget 2011 Revenue Trends and Tax proposals p 75

[iii] Martin P (2010) *Government-funded programmes and services for vulnerable children in South Africa*. Cape Town: HSRC Press.

[iv] Wilkinson Rand Pickett, K, eds. (2010) The Spirit Level: Why Equality is Better for Everyone. London: Penguin Books.