

Cost-cutting measures widely impacts poverty line



National Treasury offices in PRETORIA. Picture: Bongani Shilubane

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The Budget Justice Coalition (BJC) has noted with great concern the communication by National Treasury in late August to all government departments instructing them to implement austerity measures as part of its policy of fiscal consolidation. This is an unprecedented directive that undermines democratic processes.

Civic organisations that are part of the Budget Justice Coalition include the Alternative Information and Development Centre (AIDC), the Children's Institute at UCT, Corruption Watch, the Dullah Omar Institute at UWC, Equal Education, Equal Education Law Centre, the Institute for Economic Justice, Oxfam SA

The group said in a media release that “these sudden, immediate measures will only serve to widen the gap between those who are hungry and live below the food poverty line and those who are wealthy. We caution that these budget cuts will have long-term detrimental effects on the economy and the progressive realisation of socio-economic rights protected by the South African Constitution. Moreover, the measures will further impede the state’s ability to increase much-needed capacity in key areas, such as crime prevention, health, education, social development and early childhood services.”

“While these budget cuts are likely to be felt by all, the gendered nature of poverty, inequality and unemployment means that this approach to the budget will further entrench gender inequality in a context where women already fill the gap caused by austerity measures with their unpaid care work,” it added.

Furthermore, it said that The National Treasury has led a fear campaign regarding an immediate fiscal crisis. This serves to create an environment of panic in order to ram through these unpopular and unnecessary budget cuts. As a result, stifling progress on key policy reforms such as, among others, National Health Insurance and a universal basic income.

BJC has called for greater transparency from the National Treasury about the government's financial situation. They also call on the Treasury to acknowledge the true cost of austerity and how they have been weighed these against the options of raising additional revenue. It is not addressed in the 30 August 2023 Statement how the proposed cuts will deepen the country's socio-economic crisis.

The BJC has recommended that Treasury implement the following measures:

Table of all available measures to raise additional revenue, including increasing taxes on wealth, removing tax breaks on high-income earners, and adjustments to corporate income tax.

Create a framework that includes participatory human rights impact assessments, including child-centred and gendered analyses of spending

identified, with the aim of receiving and implementing proposed policy changes;

It also urged Treasury to engage publicly on all proposed budgetary options for Parliament to exercise appropriate oversight. Where budget adjustments are to be made, they must advance development objectives and rights realisation. Legislators have a constitutional duty to examine and offer possible alternatives to the current financial situation, and such decisions should not be taken unilaterally.

“As the government prepares for the upcoming Medium Term Budget Policy Statement (MTBPS), it is an opportunity to consider alternatives to cost containment measures that disproportionately impact the most vulnerable sectors of society. Furthermore, the upcoming 2024 elections should serve as a strong reminder that the public requires a government that works for and not against the realisation of constitutional rights and one that stimulates the economy,” it concluded.

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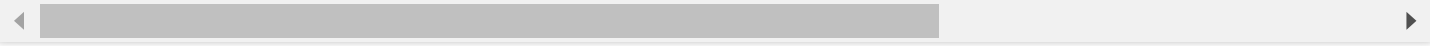
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