

# SOUTH AFRICA

INPUT TO THE HIGH-LEVEL POLITICAL FORUM 2019 — VOLUNTARY NATIONAL REVIEW



## IS DOMESTIC RESOURCE MOBILIZATION REDUCING INEQUALITY?

*Despite major progress in social outcomes since the end of apartheid in 1994, South Africa remains the most economically unequal country in the world. On the country's Voluntary National Review of its progress towards the Sustainable Development Goals at the 2019 High-Level Political Forum (HLPF), this factsheet presents findings which suggest that South Africa is not taking the right policy and budgetary steps to reduce inequality, realize social and economic rights and achieve its sustainable development commitments.*

**South Africa is the most economically unequal country in the world, and this inequality has grown in the last decade.** In 2014, the income share of the top 1% of earners was 20%, an increase of 11 percentage points since the end of apartheid. Wealth inequality is even more staggering: the wealthiest 10% of the population holds 90–95% of the country's wealth. This makes progress towards Goal 10 especially urgent and challenging, but also threatens achievement of goals and targets across the 2030 Agenda.

**Poverty rates (Goal 1) have increased in recent years and reflect ingrained inequalities.** In 2015, over half (55.5%) of the population lived below the official national upper bound poverty line (UBPL), up from 53.2% in 2011. In 2015, 52.7% of poor individuals in South Africa were female, whereas males accounted for 47.3% of the poor. There remains significant disparity in poverty levels between population groups in South Africa.

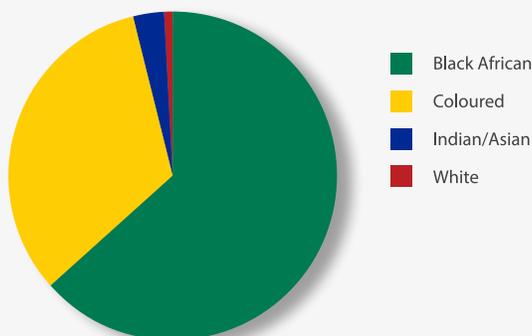
**Compounding these challenges of poverty and systemic inequality is the fact that the South African government has adopted fiscal austerity in recent years.** Austerity has taken the form of cuts in government expenditures and regressive tax changes (such as a VAT increase, which disproportionately impacts poor households), which present a growing threat to the fulfillment of social and economic rights commitments at the heart of the South African Constitution, as well as the SDGs.

### STATISTICAL SNAPSHOTS on SELECT SDGS

<b>Goal 1 Poverty</b>	Approximately 3 million people were pushed into poverty between 2011 and 2015. Poverty is higher for women, and for black South Africans. Black African children, who constitute 85.4% of the child population, account for 94.1% of all poor children.
<b>Goal 3 Health</b>	Spending on health is declining in real terms, overall and per uninsured person. National and provincial spending on health care was cut by -0.1% in real terms in 2018/19 (National Treasury, 2018). (target 3.c).
<b>Goal 4 Education</b>	Spending per learner has declined by 8% in real terms since 2010. 78% of Grade 4 learners cannot read for meaning.
<b>Goal 8 Work</b>	In the second quarter of 2018, the expanded unemployment rate was 37%, with the youth unemployment rate at 67%. (target 8.5).
<b>Goal 10 Inequality</b>	South Africa is the most economically unequal country in the world. The wealthiest 10% of the population holds 90–95% of the country's wealth.
<b>Goal 16 Governance</b>	According to the Department of Economic Development, corruption costs South Africa no less than R27 billion (approx USD 1.9 billion) per year (target 16.5). South Africa lost USD 107 billion to illicit financial flows between 2005 and 2014, according to Global Financial Integrity (target 16.4).
<b>Goal 17 Financing</b>	The tax system is not progressive enough and recent reforms have exacerbated the problem. For instance, personal income tax rates have plunged since 1999. The corporate income tax rate was 50% in 1990 and is only 28% today, while wealth is significantly undertaxed.

FIGURE 1

Percentage distribution of people living below the UBPL by race group (2015)



Source: Statistics South Africa, 2019.



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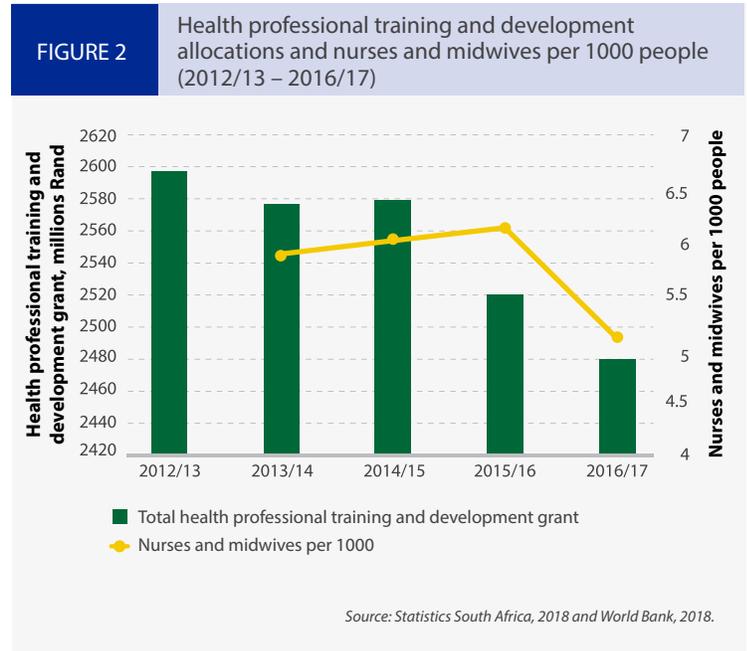
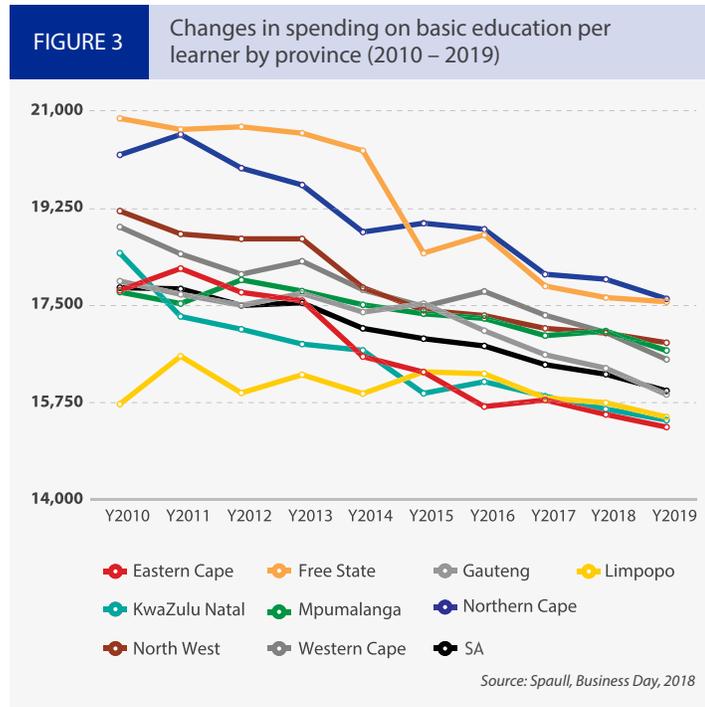
SOCIAL JUSTICE THROUGH HUMAN RIGHTS



+ SECTION 27  
catalysts for social justice

**The government’s domestic resource mobilization is inadequate to tackle the problem of inequality, and indeed heading in the wrong direction.** Since 2016/17, the growth of non-interest budget expenditure—essentially expenditure on social and economic programs—has been lower than population and GDP growth. Government expenditure per person has declined for three years in a row.

**Spending on health (Goal 3) is declining in real terms, overall and per uninsured person.** National and provincial spending on health care was cut by -0.1% in real terms in 2018/19, according to National Treasury statistics. Health expenditure per uninsured person has decreased even more sharply. Underfunding in health is hitting hardest areas most impoverished and reliant on the public health system. Meanwhile, budgets for compensation and training of health workers are also declining, in contrast to the SDG commitment to increase health financing and the development, training and retention of the health workforce (target 3.c). In May 2018, Treatment Action Campaign reported that 38,217 healthcare worker posts were not filled.



**Alarming trends are also visible in funding for education (Goal 4).** Spending per learner has declined in real terms over the last decade in all provinces. In the 2018 National Budget, funding available for school infrastructure was cut by a total of R7.2 billion for the following three years, despite the fact that many schools are already in dire condition. SDG4 simply cannot be achieved in such a context.

**Implementing more equitable fiscal policy to increase social spending and redistribute income and wealth is essential to meet the goals.** Viable alternatives to austerity exist—such as progressive tax reform and tackling corruption—which would be more in line with the SDGs.

**South Africa should take immediate steps to implement the 2018 recommendations of the UN Committee on Economic, Social and Cultural Rights.** Reviewing the government’s progress, the Committee said it was “deeply concerned” about “unacceptably high levels of economic and social inequality” in South Africa. It also expressed concern about deficiencies in fiscal policy, which it said is “not sufficiently progressive”; and the introduction of austerity measures, which “may further worsen inequalities.” It called on South Africa to, *inter alia*:

- Review fiscal policy, with a view to better mobilizing domestic resources and increasing its redistributive effect (*relevant to SDGs 10.4 and 17.1*)
- Intensify efforts to combat illicit financial flows and tax evasion (*relevant to SDG 16.4*)
- Increase the levels of funding in the areas of social security, health and education (*relevant to SDGs 1.3, 3, and 4*)

**The Committee’s findings and recommendations (<https://undocs.org/en/E/C.12/ZAF/CO/1>) are an important resource which should inform the government’s VNR, and guide its plans to implement the SDGs.**

*This HLPF Factsheet summarizes the more detailed 2018 Factsheet by the Center for Economic & Social Rights, Institute for Economic Justice and SECTION 27, which also includes full sources for the statistics cited here. Available at <http://www.cesr.org/factsheet-austerity-midst-inequality-threatens-human-rights-south-africa>*