**THE STUDIES IN POVERTY AND INEQUALITY INSTITUTE**

**present**

**A working guide to Budget Advocacy**

**in the Social Justice arena**



Budget Training Manual for Trainers

2021

**SPII Mission:**

SPII is an independent think tank that provides innovative research, capacity building, advocacy, and globally relevant models of change to the solvable problems of poverty and inequality thereby enabling the progressive realisation of socio economic rights.

**SPII Vision:**

A prosperous and equal society in which people have free, fulfilling and meaningful lives.

**CONTENTS:**

1. **Introduction**
	1. Who we are
	2. Our Budgeting for Change Project and

 Goals for this Budget Training Manual

1. **Budget Information**
	1. What is a budget document?
	2. How does the State raise revenue?
	3. The National government budget
	4. The Provincial government budget
	5. The Local government budget process
	6. Budgeting in a pandemic
2. **The Integrated Development Plan**
	1. Understanding the IDP process
	2. How does the IDP work?
	3. The City of Johannesburg IDP process

**1. INTRODUCTION:**

**1.1 WHO WE ARE**:

The Studies in Poverty and Inequality Institute (SPII) is an independent feminist not-for-profit research and advocacy think tank that provides rigorous empirical evidence to improve policies to reduce poverty and inequality as the basis for its advocacy strategies and programmes. SPII works in an intersectional and interdisciplinary manner to advance access to socio-economic rights for all towards the attainment of a Decent Standard of Living. We recognise that there are layers of exclusion that are located in gender, as well as race, class, language, age and geography. Through empirical evidence we seek to disrupt historical exclusions through visible and invisible power relations.

Our vision is a prosperous and equal South African society in which people have free, fulfilling and meaningful lives. SPII provides innovative research, capacity building, advocacy and globally relevant models of change to the solvable problems of poverty and inequality.

**1.2 OUR BUDGETING FOR CHANGE PROJECT AND GOAL OF THIS BUDGET TRAINING MANUAL:**

SPII continues to be committed to facilitating public participation in governmental budgeting processes. Part of this is continuing the advocacy work we have started with the Chiawelo Budgeting for Change group, based in Soweto. A series of budgeting workshops were held with this group from the period of inception of the project with the last 2 workshops held in May 2021.

A big part of effective budget advocacy is being able to capacitate communities to champion better service delivery for themselves, guided by the governmental budget cuts and allocations. This was the recurring theme of our Budget School workshops: we facilitated budget literacy material aimed at bringing budget information closer to the people. Our Constitution protects and upholds the civil liberty of public participation. Through these budget literacy workshops with the Chiawelo group, we make South African budgeting processes more accessible to citizens, from tackling the often alienating financial jargon, to encouraging community members to advocate for better social services. Through increased (meaningful) public participation, citizens are not only contributing to transparent government processes, but are also able to exercise their democratic right to hold their elected local officials accountable.

The primary goal of the project is to increase people’s knowledge so as to strengthen their agency and skills for better pro-poor health budgeting in South Africa. Communities most immediately affected by budget choices and expenditures must always be central to budget actions. For SPII, this project illustrates one of our core principles - that our research must lead to progressive social change.

*The budget training manual is thus a lasting legacy of the budget training workshops, whose printing and distribution will enable other interested stakeholders to carry on the work. The material can and should be used for training on budget processes with a particular focus on local government.*

To help with the training, there are suggested exercises or activities that the trainer or facilitator can adopt to help with the training. These are highlighted in yellow! The point is to make the training as interactive as possible with participation of the trainees being encouraged in order to make the training impactful and long lasting.

Even though the manual is written in English, we encourage use of multiple local languages especially in community training as that enables maximum participation from all attendees.

**2. SESSION 1: BUDGET INFORMATION**

**Estimated Time: 90 minutes**

**Preparation**

**Before making a presentation, allow a 10 minute brainstorm in which you invite participants to offer their understanding of what a budget is.**

**They can discuss this first as pairs then open the discussion to the floor and ask for examples.**

**2.1 What is a budget document?**

First and foremost, the Budget is a ***plan***. It sets out how the government will raise revenue and how they intend to distribute available resources to the national, provincial and local governments. The drafting of a budget follows a process where tough decisions have to be made about competing needs and priorities.

***Activity or exercise:***

***Ask for 2 volunteers preferably male and female and create a scenario where this nuclear family has to do a family budget. NB: this exercise can come after the introduction of what a budget is and the processes (the planning) that go into budgeting. This is great for giving a sneak peak of the budget discussions that go into tabling and formulating a budget.***

Being a key planning tool for allocating resources, the budget is a vital link between policy objectives and service delivery. Because of this, the budget is an important part of ensuring effective financial control as well as an accountability tool for government spending patterns.

**2.2 How does the State raise revenue?**

There are a number of ways that the government raises funds. These include taxation, non-tax revenue, financial transactions, lending and borrowing. The largest source of government revenue is through **taxes**. Taxes can be described as being a compulsory payment that is made to the South African Revenue Service (SARS) by individuals, corporations and tax-liable entities.

***Activity or exercise:***

***Get the group to indicate the different forms of tax revenue sources for the government starting with national and leading on to local government.***

**2.3 The National government budget:**

The National sphere has the power to affect the way the whole country operates. The biggest players are the members of Parliament, who elect the President and cabinet ministers. This sphere is responsible for developing laws and policies that influence service delivery in the other spheres of government.

***Activity or exercise:***

***Get the group to name the different members of Parliament and some cabinet ministers. Use this for example to mention the Finance Minister and the Minister of Local Government as two critical portfolios.***

The national and provincial financial years begin on the 1st of April each year. The national budget process starts with the National Treasury calculating the overall projections of the South African economy. Their analysis includes looking at inflation, tax revenues, the impacts of the global economy, and the general performance of different sectors.

In April each year, the National Treasury issues departments with guidelines for roll-overs of unspent funds from the previous financial year. From May to July, departments submit their expenditure estimates to the National Treasury. Any changes made to the department’s budget programmes have to be discussed and approved at the Cabinet Lekgotla which take place in July.

In early August, National departments are expected to submit their first budget submissions to the National Treasury. These budgets need to show any reprioritisation of expenditure within their base-line budgets. The MTEC then meets and considers departmental proposals for savings, expenditure priorities and additional allocations. In late August, the national departments submit their revised budgets, in line with the recommendations from the MTEC.

The revenue that the national government raises through taxes has to be divided between the three spheres of government to enable them to perform their functions and fulfil their responsibilities. The division of revenue between the three spheres is called the ‘vertical split’.

**TABLE 1**. **Division of National Revenue**



**Source: National Treasury Budget Review 2020**

The Table 1 above shows the percentage share that each government sphere receives from the nationally available funds. We can see that in the 2019/20 Budget Review, the National departments were allocated 50.1% of those available funds, the Provincial sphere received 41.5% and the Local government received a total of 8.5% of the available funds.

You will notice that the local government gets the smallest percentage of the nationally raised revenue, yet municipalities bear the responsibility of ensuring the delivery of basic services in the country. The main reason for local government receiving the smallest percentage share is because municipalities have the authority to raise their own revenue through taxes, local property rates, service charges and electricity.

Provinces, on the other hand, are almost entirely reliant on the revenue allocated from the national funds as they are unable to raise a substantial amount through taxes and other rates. The nationally raised funds that are allocated to the Provinces and the Local government are in the form of equitable share grants and conditional grants.

**2.4 The Provincial government budget:**

The Provincial sphere has the primary responsibility of social service delivery. This means they develop service programs such as national health services and various educational schemes in the country. This sphere has to make sure that service delivery programs are implemented and effective in each department.

There are the three main sources of provincial revenue:

* **The equitable share grant**: being the main source of provincial funding, the equitable share is allocated from the national budget and is used to provide basic services across provincial departments (such as health, education, and social development) and other functions in line with the government’s strategic objectives.
* **The conditional grants**: unlike the equitable share grant, conditional grants are allocated for a specific purpose which has been ear-marked by the national government. The Human Settlement Development grant is the largest grant from the national budget to the provincial budget. This grant allows for subsidised housing, development of informal settlements and rental housing.
* **Own revenue**: this is the third source of provincial revenue and is also the smallest percentage. Provincial own revenue consists of tax receipts (liquor licenses, casino taxes and motor vehicle licenses), non-tax receipts, sales of capital assets and other own revenue categories.

Approximately 75% of provincial budgets are spent on social services, such as health, education and social development. Whatever is left of the provincial revenue goes towards the non-social services such as road infrastructure, and the expanded public works programme.

**2.5 The Local government budget process:**

Unlike the national and provincial financial year, the local government financial year begins on the 1st July and ends on the 30th of June the following year. The reasoning behind this is to allow the municipalities time to find out how much revenue they will be receiving through the national and provincial transfers.

The Local sphere of government is responsible for the delivery of basic services such as water, sanitation and electricity. It is also in charge of some municipal functions such as building regulations, local tourism and municipal public transport.

The Municipal Finance Management Act[[1]](#footnote-1) outlines the deadlines and requirements that municipalities have to follow throughout the budgeting process:

* The draft annual budget has to be tabled by the **31st of March** each year. This is 3 months before the start of the local government financial year. The draft budget has to include all anticipated revenue expenditure for the upcoming three years.
* Immediately after the draft budget has been tabled, it has to be made public, and the municipality must invite the local communities to provide their inputs and express their views. Municipalities are then required to consider this input and revise the budget where necessary.
* By the **1st of June**, which is 1 month before the local financial year begins, the Council has to take a vote on whether or not the draft budget is approved. If approval is not given, then the Municipal Manager must rework the budget and submit the revised version back to Council within a week.
* The municipal budget has to be fully approved by the **30th of June**. The budget document has to be published on the municipal website within 5 days of its approval.
* Between August and September of each year, municipalities work to review the Integrated Development Plan (IDP), the municipal policies, as well as the budget.

All governmental spheres have to work together in order to bring service delivery to our communities, as mandated by the Constitution.

**2.6 Budgeting in a pandemic**

The COVID- 19 pandemic has exposed and exacerbated existing national and global fault-lines of poverty and inequality especially in sub Saharan Africa. South Africa is amongst the most unequal countries in the world, with exceedingly high levels of chronic unemployment, limited social protection, and an incredibly divided health system which greatly frustrates the rights of the poor to access health systems and services.

The effect of COVID-19 on Provincial government allocations:

Provinces have been mainly responsible for the key services at the frontline of the pandemic response, including:

* Public health system
* Public school programmes
* Social welfare services.

Provinces have had to fund their COVID-19 responses primarily through the process of reprioritisation. The Gauteng Province reprioritised R4.1 billion (Gauteng Legislature) towards their COVID-19 response from its Equitable Share.

**TABLE 2**.



**Source: Division of Revenue Bill (B3-2020)**

As part of a rapid response to COVID-19, each province had to re-allocate funds from their equitable share grants in order to facilitate emergency field hospitals, water and sanitation, as well as the procurement of personal protective equipment.

Table 2 above shows the equitable share percentage that was allocated to each province, and how much of those funds had to be reprioritised to the Health sector towards the emergency COVID-19 response. It also indicates how much was earmarked for other sectors and the total amount that had to be re-allocated.

**3. THE INTEGRATED DEVELOPMENT PLAN**

**Estimated Time: 90 minutes**

**Preparation**

**In preparing for this presentation, allow a 10 minute group discussion in which you invite participants to offer their understanding of the IDP. They can discuss this first in small groups of 4-5 people per group among themselves before opening the discussion to the floor and ask for volunteers to explain the IDP process.**

**As an exercise, you can ask for 2 volunteers preferably male and female and create a scenario where this nuclear family has to do a family budget. NB: this exercise can come after the introduction of what a budget is and the processes gthat go into budgeting. This is great for giving a sneak peak of the budget discussions that go into tabling and formulating a budget.**

**3.1 Understanding the IDP process:**

In trying to understand municipal spending and budget plans, it is important to remember that the municipality is mainly responsible for the delivery of basic services in South Africa (See section 2.5 above).

In order to fulfil this role, local government needs to make thorough and extensive special, economic and social development plans at the municipal level. The Integrated Development Plan (IDP) is the main planning tool that municipalities use to map, and subsequently track, all of its developmental objectives.

The IDP can also be seen as a social contract between local government and the community it serves. It sets out the infrastructural needs in our communities, as well as how local government aims to achieve these developmental goals. Through transparent public participation methods, the community help inform the IDP document that guides the municipality’s actions.

There are many similarities between the purpose of the budget document and the IDP:

1. Both documents are primarily *planning* tools that the government uses to set out developmental projects.

1. Special, economic and social development costs money. Much like the budget, the IDP also acts as a guide for government spending. It helps to keep careful track of revenue income and expenditure at municipal level.
2. Both the budget document and the IDP serve as delivery and accountability tools for government spending. These documents help to promote democracy by ensuring a system of checks and balances, as enshrined in the Constitution of South Africa.

**3.2 How does the IDP work?**

The IDP document has a life span of five years. After every local government election, the newly elected Council in each municipality gets to develop and adopt their own IDP document that sets out their priorities, budgets and capital investments.

Although each new IDP document is drawn up every five years, every municipality has a legal obligation[[2]](#footnote-2) to renew and update its IDP every year. The renewal process of the IDP involves a high level of civic engagement from the communities in the form of public participation. The municipal budget is based on the priorities that are identified in the IDP document, which ensures that each development objective is adequately funded.

With the annual renewal of the IDP also comes the opportunity for communities to monitor the progress of the infrastructure developments happening around them. When residents fail to hold their elected officials accountable to documented plans, then that has a directly negative impact on the quality of service delivery in municipalities. This also leads to the IDP and Budget documents being redundant, instead of being the progressive monitoring documents that they should be.

Where communities are not given an opportunity to engage in their local IDP processes, their Constitutional[[3]](#footnote-3) right to publicly participate is being compromised, and this then translates into non-fulfilment of communal development priorities.

There needs to be a more focused effort between local government and the greater public to work hand-in-hand to bring about sustainable development in our communities.

Quote:

 **“…without the engagement and participation from the communities, we cannot do the job of governance that we do.” – Mr R Thwala,** local municipality administration representative.

**3.3 The City of Johannesburg IDP process:**

Drafting and implementation process of the IDP looks like this:

The City of Johannesburg (COJ) is divided into two arms, the **Executive** office and the **Legislature.** The sole responsibility of effectively implementing the developmental projects outlined in the IDP lies with the Executive branch of COJ, which is made up of the Mayor and the elected members of the Mayoral committee.

The Legislative branch of the COJ is composed of many departments, one of which is the Community Participation and Ward Governance department. This is the department that oversees the Community Based Planning (CBP) sessions in each local ward.

This is represented in the diagram below:

**DIAGRAM 1**. The Johannesburg Legislature

City of Johannesburg (COJ)

Executive

City Mayor

Members of the Mayoral Committee

(MMC)

Legislature

Community and Ward Governance

Source: Studies in Poverty and Inequality Institute

The first step in the drafting process of the IDP is to hold the CBP sessions in each ward of the City. These planning sessions are usually held in community halls or any centralised venue that residents have easy access to. The CBP sessions are designed to be an effective way of implementing a needs-based approach to development in the community.

**DIAGRAM 2**.

**1**.community input from CBP sessions

**2**. submitted to Scribes at the Mayor’s office

**3**. input is analysed and converted into official reports

**4**. if approved, reports are signed by the Mayor

**5**. Reports to different departments i.e. Water and Sanitation etc.

**6**. a budget is drawn up and IDP is drafted

**Source: Studies in Poverty and Inequality Institute**

Diagram 2 above helps to illustrate the chain of custody that the input from the communities undergoes:

**Step 1**: Facilitators from the COJ solicit input from the community through the ward-based sessions.

**Step 2**: the community input is given to the scribes at the communications department at the Mayor’s office.

**Step 3**: the input is then analysed and converted into comprehensive official reports that are prepared for the Mayor and the Mayoral Committee.

**Step 4**: the reports land on the Mayor’s desk and either get signed off and approved, or they are taken to be reviewed.

**Step 5**: once a report has been approved, it gets passed onto the relevant departments that are expected to respond by drawing up plans of implementation. These plans also include the drafting of a budget that will speak directly to the developmental needs highlighted in the reports.

**Step 6**: the plan of action becomes the IDP and together with the drafted budget, these documents become the main planning tools of development that the municipal administration uses to deliver basic services to the community.

Public participation in the IDP process is important because COJ is only obligated to implement the development projects that are stipulated in the IDP document. The only way to ensure that a project gets drafted into the IDP is if the community brings it forward during the CBP sessions.

The term ‘local government’ is not limited to just elected office bearers, but it extends to YOU, the resident in the community. The ultimate power to govern should rest in the hands of the people. ***You are local government!***

To make sure your voice is heard, participate in community workshops and make sure to vote in the local government elections.

**4. CONCLUSION**

**Estimated Time: 45 minutes**

**Preparation**

**In preparing for the conclusion of the training, allow a 10 minute group discussion in which you invite participants to offer their understanding of the budget, the budget processes and IDP. This should be an open discussion with the whole group where individuals are encouraged to give answers to the questions in their own words. The answers can be used by the facilitator to consolidate the learnings from the training while clarifying any areas that may need clarification or consolidation.**

**As a good teaching method, it is best to use examples closer to home that the trainees can identify with whether it is their local municipality or local clinic to illustrate how budget processes impact and affect the everyday.**

**NB: this manual is developed as a guide that can and should be adapted to suit the objectives of budget training. SPII has adopted this from its previous working guide on budget advocacy in the social justice arena.**

1. Municipal Finance Management Act 56 of 2003. [↑](#footnote-ref-1)
2. Section 34 of the Municipal Systems Act of 2001 states that the annual review of the IDP document has to be in accordance with an assessment of its performance and functionality. [↑](#footnote-ref-2)
3. Section 152 (1)(e) of the Constitution states that municipalities are obligated to encourage public participation in communities in matters of local processes. [↑](#footnote-ref-3)