

Friday, 26 July 2024]

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PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
TABLINGS AND
COMMITTEE REPORTS**

FRIDAY, 26 JULY 2024

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ANNOUNCEMENTS

National Assembly

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1. Membership of Committees

- (1) The following committee membership changes have been made by the uMkhonto weSizwe Party:

Portfolio Committee on Cooperative Governance and Traditional Affairs

Discharged: Mhlongo, Mr D

Appointed: Reddy, Mr VG

COMMITTEE REPORTS

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE *APPROPRIATION BILL* [B5 – 2024] [NATIONAL ASSEMBLY (SECTION 77)], DATED 26 JULY 2024

1. Introduction

The *Appropriation Bill* [B5– 2024] was referred to the Committee for concurrence on 25 July 2024. In order to streamline the processing of the Bill, the Committee had received a thorough briefing from National Treasury on the Bill, as tabled by the Minister of Finance, on 16 July 2024. Thereafter, on 17 and 23 July 2024, the Committee consulted with the Financial and Fiscal Commission (FFC) and the Parliamentary Budget Office (PBO), respectively. With respect to public participation, the Committee held public hearings on 24 July 2024, during which submissions were heard from the Congress of South African Trade Unions (COSATU) and Equal Education, jointly with the Equal Education Law Centre.

2. Overview of the Bill

The Bill provides for money to be appropriated from the National Revenue Fund (NRF) for the requirements of the State for the 2024/25 financial year. Clause 3 provides that amounts marked as specifically and exclusively appropriated in Schedule 1 or 2 may be used only for the purpose indicated, unless the amount or purpose is amended by, or in terms of, an Act of Parliament. Clause 4 provides that the Minister of Finance may, in writing, impose conditions on an amount in Schedule 1 or 2, other than a conditional allocation, in order to promote transparency and accountability and the effective management of the appropriation; and stop the use of an amount in respect of which conditions thus imposed are not met. Clause 5 deals with the use of unspent funds, with subsection (1) providing that, despite Clause 3 of this Bill and Section 43(4) of the Public Finance Management Act, No 1 of 1999 (PFMA), the Minister may approve that unspent funds in an amount in Schedule 1 or 2 appropriated for -

- a) Transfers and subsidies to other institutions, be used elsewhere within the same main division;
- b) Payment for capital assets, be used elsewhere within the same vote: or
- c) Payment for financial assets, be used elsewhere within the same main division.

Subsection (2) states that the sum of the unspent funds in a main division of a vote approved for use in another main division of that vote, in terms of subsection (1) and section 43(1) of the

PFMA, may not exceed 8 percent of the amount appropriated under the main division; with subsection (3) providing that the approval of the use of unspent funds in terms of subsection (1) must be disclosed in the National Treasury's next quarterly report to the relevant parliamentary committees. Subsection (4) provides that, despite any provision in other legislation to the contrary, the amount appropriated for the compensation of employees within a vote in Schedule 1 or 2 may only be increased with the approval of the Minister of Finance; and that the Minister may not approve the use of unspent funds in terms of subsection (1) for compensation of employees. Subsection (5) states that section 43 of the PFMA and the provisions of this Bill apply with the necessary changes to the use of unspent funds in the amount appropriated under a main division within a vote to defray excess expenditure within the same main division for another classification as envisaged in the definition of "purpose" in Clause 1; and that the sum of the unspent funds under a classification in a main division within a vote thus approved for use, may only exceed 8 percent of the amount appropriated for the classification with the approval of the Minister of Finance.

The amounts appropriated for each vote are set out in the Schedules to the Bill. The Schedules are divided by vote and by main division within a vote. A purpose is set out for each vote, programme and transfer and subsidy to a national department within a vote. Furthermore, allocations within a vote are categorised in terms of -

- Current payments (compensation of employees, goods and services, interests and rent on land);
- Transfers and subsidies;
- Payments for capital assets; and
- Payments for financial assets.

Allocations marked with a single asterisk refer to specifically and exclusively appropriated allocations, including, but not limited to -

- All votes and national departments' compensation of employee appropriations; and
- Conditional grants (also listed in the Division of Revenue Act. No 4 of 2024).

3. Appropriated funds for 2024/25 financial year

The total funds, (excluding direct charges), appropriated per vote amounts to R1.10 trillion for the 2024/25 financial year. This is an increase of R37.76 billion or 3.5 percent from the adjusted

R1.07 trillion appropriated in 2023/24. The total available funding to be appropriated, including direct charges, amounts to R2.14 trillion.

In terms of economic classification, the largest proportion, at R1.44 trillion or 67.7 percent of the available funds, is allocated for transfers and subsidies in the form of social grants, conditional grants, transfers to public entities and higher education institutions.

The second largest component, at R206.55 billion or 9.7 percent of the available funds, is allocated for compensation of employees, which is directed towards labour-intensive departments in the Peace and Security sector, namely Police, Correctional Services, Defence and Justice and Constitutional Development, and the Higher Education and Training sector.

Payments for capital assets amount to R15.17 billion, while payments for financial assets amount to R1.05 billion.

The bulk of the R1.10 trillion for appropriation in 2024/25, are allocated to the following votes:

- Vote 19: Social Development receives R275.0 billion or 24.9 percent, up from the adjusted R260.9 billion in the previous financial year.
- Vote 3: Cooperative Governance receives R125.2 billion or 11.4 percent, up from the adjusted R120.0 billion in 2023/24.
- Vote 17: Higher Education and Training receives R113.0 billion or 10.2 percent, up from the adjusted R107.8 billion in 2023/24.
- Vote 28: Police receives R113.6 billion or 10.3 percent, up from the adjusted R105.5 billion in 2023/24.
- Vote 40: Transport receives R80.6 billion or 7.3 percent, up from the adjusted R78.3 billion in 2023/24.

Together these votes account for 64.1 percent of the total available funds to be appropriated. The allocations for these votes mainly fund social grants, free basic services for indigents, student funding and post-school training, crime prevention and investigation, and the maintenance of the road transport network.

Table 1 below shows the allocation per vote for 2024/25, and includes the percentage increase or decrease, as well as the percentage share of the total available fund to be appropriated per vote.

Table 1: Allocation per vote

Vote Number	Vote (R' million)	Adjusted Appropriation 2023/24	Appropriation 2024/25	Percentage Increase/ Decrease 2023/24-2024/25	2024/25 Percentage Share of Total Appropriated Funds per Vote
1	The Presidency	676,3	604,5	-10,6%	0,1%
2	Parliament	3 208,8	2 771,0	-13,6%	0,3%
3	Cooperative Governance	119 973,7	125 183,3	4,3%	11,4%
4	Government Communication and Information System	743,5	740,2	-0,5%	0,1%
5	Home Affairs	12 380,0	10 495,5	-15,2%	1,0%
6	International Relations and Cooperation	6 910,6	6 566,2	-5,0%	0,6%
7	National School of Government	221,1	218,7	-1,1%	0,0%
8	National Treasury	34 350,3	33 222,1	-3,3%	3,0%
9	Planning, Monitoring and Evaluation	465,5	450,2	-3,3%	0,0%
10	Public Enterprises	275,3	296,5	7,7%	0,0%
11	Public Service and Administration	541,6	539,5	-0,4%	0,0%
12	Public Service Commission	300,8	288,5	-4,1%	0,0%
13	Public Works and Infrastructure	8 406,0	7 612,1	-9,4%	0,7%
14	Statistics South Africa	2 643,0	2 646,2	0,1%	0,2%
15	Traditional Affairs	193,1	187,3	-3,0%	0,0%
16	Basic Education	30 028,6	32 258,7	7,4%	2,9%
17	Higher Education and Training	107 830,3	113 015,3	4,8%	10,2%
18	Health	58 550,0	62 218,9	6,3%	5,6%
19	Social Development	260 894,0	275 141,1	5,5%	24,9%
20	Women, Youth and Persons with Disabilities	1 006,9	1 007,7	0,1%	0,1%
21	Civilian Secretariat for the Police Service	154,2	156,0	1,2%	0,0%
22	Correctional Services	26 571,0	27 757,6	4,5%	2,5%
23	Defence	52 468,2	51 810,4	-1,3%	4,7%
24	Independent Police Investigative Directorate	364,4	370,6	1,7%	0,0%
25	Justice and Constitutional Development	20 558,3	21 612,0	5,1%	2,0%
26	Military Veterans	846,3	863,8	2,1%	0,1%
27	Office of the Chief Justice	1 339,5	1 222,4	-8,7%	0,1%
28	Police	105 475,6	113 597,1	7,7%	10,3%
29	Agriculture, Land Reform and Rural Development	16 757,7	16 708,2	-0,3%	1,5%
30	Communications and Digital Technologies	3 312,2	3 968,6	19,8%	0,4%
31	Employment and Labour	4 016,7	3 854,8	-4,0%	0,3%
32	Forestry, Fisheries and the Environment	9 539,0	8 740,9	-8,4%	0,8%
33	Human Settlements	31 758,0	33 145,6	4,4%	3,0%
34	Mineral Resources and Energy	10 271,2	8 839,0	-13,9%	0,8%
35	Science and Innovation	10 563,0	9 468,5	-10,4%	0,9%
36	Small Business Development	2 529,3	2 436,5	-3,7%	0,2%
37	Sport, Arts and Culture	6 089,3	6 105,7	0,3%	0,6%
38	Tourism	2 460,5	2 380,9	-3,2%	0,2%
39	Trade, Industry and Competition	10 709,5	9 600,2	-10,4%	0,9%
40	Transport	78 282,4	80 621,1	3,0%	7,3%
41	Water and Sanitation	21 375,9	24 074,6	12,6%	2,2%
Total appropriation by vote		1 065 041,7	1 102 797,9	3,5%	100,0%

Source: National Treasury (2024c).

When comparing the change in the appropriated funds per vote from 2023/24 and 2024/25, the following vote allocations increase or decrease by 10 percent and more:

3.1 Increased allocations

- Vote 30: Communications and Digital Technologies increases by R656.4 million or 19.8 percent.
- Vote 41: Water and Sanitation increases by R2.7 billion or 12.6 percent.

3.2 Decreased allocations

- Vote 5: Home Affairs Vote decreases by R1.9 billion or 15.2 percent.
- Vote 34: Mineral Resources and Energy decreases by R1.4 billion or 13.9 percent.
- Vote 2: Parliament decreases by R437.9 million or 13.6 percent.
- Vote 1: The Presidency decreases by R71.8 million or 10.6 percent.
- Vote 39: Trade, Industry and Competition decreases by R1.11 billion or 10.4 percent.
- Vote 35: Science and Innovation decreases by R1.09 billion or 10.4 percent.

4. Stakeholder submissions

4.1 Financial and Fiscal Commission (FFC)

The Financial and Fiscal Commission (FFC) welcomed the extension of the Social Relief of Distress (SRD) Grant to support those in need but stated that government should finalise a clear stance on an impactful and sustainable support structure to relieve socio-economic distress. It appreciated the protection of the equitable share allocation within the Cooperative Governance Vote, and further noted the reprioritisation from the direct to indirect components of the Municipal Infrastructure Grant (MIG) and the Regional Bulk Infrastructure Grant (RBIG). It reiterated its call for the use of indirect grants as a measure of last resort, with a clear timeline for the indirect component to be phased out set against monitoring and evaluation measures.

On Vote 17: Higher Education and Training, the FFC welcomed the loan scheme for the missing middle in the new Comprehensive Student Funding Model, but expressed concern over its potential to succeed, given the decreasing resource envelope and the ongoing challenges at the National Student Financial Aid Scheme (NSFAS). On Vote 16: Basic Education, the FFC commented that poor educational outcomes bring into question the quality of basic education in South Africa. While welcoming the 34 percent increase in the Early Childhood Development (ECD) Grant for 2024/25, the FFC questioned the shifting of R1 billion from this Grant to the

national Department of Basic Education, asking whether this constituted an indirect component within the Grant.

The FFC supported the principle of universal health coverage and advised government to consider the full implications for provinces and to put strategies in place to support provinces in transitioning to the new system of public health care delivery. On Vote 40: Transport, the FFC welcomed the approval of the Freight Logistics Roadmap and the introduction of private sector participation in the freight rail network by May 2024, indicating that the success of the Roadmap hinged on efficient and coordinated implementation, making the oversight role of the National Logistics Crisis Committee (NLCC) critical.

The FFC hailed interventions by government aimed at improving water supply and enhancing water resource management, noting that issues requiring further attention included the need to address technical capacity issues at plant level, infrastructure maintenance backlogs, and implementing climate-resilient water infrastructure.

On Vote 34: Mineral Resources and Energy, the FFC supported the allocations of R80 million in 2024/25 and R120 million in 2025/26 to the Mining, Minerals and Energy Policy Development programme, indicating that it boded well for providing opportunities to marginalised groups to enter the mining sector and in turn support mining activity in the country. On the other hand, the FFC expressed concern about the reduction in funds for the Ilima Letsema Grant under Vote 29: Agriculture, Land Reform and Rural Development, given its emphasis on food production. The FFC called for greater assistance to be provided to smallholder farmers to enable them to take advantage of technological advancements to improve their potential for success to transform the sector away from its current dual nature.

The FFC reiterated its view on the duplication of mandates evident in the roles of departments within the economic development space; recommending that, within the context of the national macro-organisation of government, consideration should be given to better aligning the mandates of these departments to minimise the extent of duplication and costs.

The FFC endorsed the increases in financial and human resources, expected to assist in improving safety and security in the country, but expressed concern over the efficiency of the Department of Police in combating increasing crime rates. However, it welcomed the focus in Vote 25: Justice and Constitutional Development, on accelerating the implementation of the recommendations from the Zondo Commission and the Financial Action Task Force and building capacity in the Office of the Legal Services Ombud. It was, however, unclear to what

extent modernisation efforts aimed at processes and infrastructure would be prioritised within the declining resource envelope of Vote 27: Office of the Chief Justice. The FFC supported the additional funds provided in Vote 5: Home Affairs for the record digitisation project in 2023/24, as this had the potential to enhance service delivery. However, it was unclear how the budget reductions would affect the implementation and completion of this project.

The FFC indicated that South Africa's main budget revenue exceeded R1.8 trillion while expenditures amounted to R2.1 trillion, resulting in a deficit of R320.9 billion. The FFC questioned whether these expansions in public finance had been matched by corresponding improvements in the quantity, quality, and delivery of public goods and services. It recommended that government develop a comprehensive economic growth strategy to surmount these obstacles and discover new prospects for growth. This strategy should reorient the industrial policy and align it with shifting global trends and requirements and should ignite an economically sustainable path by placing more emphasis on sectors that were increasingly in global demand, such as the production of grid-scale storage batteries for electricity and other green economy-related eco-products and position the country as a prominent figure in the fast-growing green technology market.

The FFC further recommended strengthening the governance structures of state-owned entities (SOEs), rigorously assessing their business models, and rationalising operations by divesting non-core activities. In addition, it recommended speeding up the establishment of a centralised holding company that would constitute a well-organised platform to comprehensively tackle obstacles of SOEs, promote strategic decision-making, and ensure unified efforts for operational and financial success.

4.2 Parliamentary Budget Office (PBO)

The Parliamentary Budget Office (PBO) indicated that the total national appropriation was R1 103 billion, of which compensation of employees (COE) made up 18.4 percent, rising to 68 percent after transfers; and goods and services made up 7.2 percent, rising to 26.5 percent after transfers. Transfers and subsidies made up 73 percent of the total. The PBO identified COE as a risk, indicating that most of the departments that spent more than 50 percent on COE also spent high proportions on administration. Of all the departments with appropriations of

less than 0.1 percent of the total national allocations, all but four spent more than 50 percent on COE, while five had public entities that provided services on their behalf.

The PBO expressed concern over government's progress towards achieving the National Development Plan (NDP) targets set for 2030; and indicated that South African households and businesses faced several interrelated crises, at a time when the overall resilience of households as well as economic growth was low and declining.

The PBO felt that greater scrutiny of the structure of the budget was required; and of how it could fulfil government's developmental mandate. The PBO indicated that government was not performing as expected, therefore its macroeconomic role, including the budget, and micro performance, in terms of efficiency and effectiveness, had to be reconsidered.

Based on the 2024 Budget proposals, the PBO projected that the GDP growth outlook over the medium-term was significantly below the NDP target of 5.4 percent and inadequate to tackle the high levels of Unified Payment Interface (UPI) that were constraining aggregate demand in the economy. There was a need for greater scrutiny of government's economic policies and for budgets to consider the central role of the health and resilience of households and businesses in developing and growing the economy. The PBO's projections for UPI underscored the inadequacy of appropriations for social support to the vulnerable in society and the likelihood that government would not achieve its NDP targets.

The PBO reported that reprioritisation of funds was being implemented primarily from equitable shares and conditional grants in the community and economic development functions with generally being directed towards other function groups for COE. The PBO emphasised the need to examine public entities, to address concerns about duplication of functions, efficiency and effectiveness, and the quality of performance information made available for monitoring and oversight.

4.2 Congress of South African Trade Unions (COSATU)

The Congress of South African Trade Unions (COSATU) proposed that Parliament consider amending the *Appropriation Bill* [B5 – 2024] to adjust the Social Relief of Distress (SRD) Grant for inflationary erosion and set a path to raise it to the Food Poverty Line over the Medium -Term Expenditure Framework (MTEF). COSATU further proposed that Parliament

consider amending the Budget to extend the Presidential Employment Stimulus to accommodate 2 million people by November 2024.

Since society depended on a well-functioning public service, COSATU had hoped to hear detailed plans from government to rebuild front-line services that had been weakened by budget cuts over the past years. COSATU expressed concern over the below-inflation increases to Health, Agriculture, Defence, and industrial and export programmes. COSATU further submitted that budget cuts to the Commission for Conciliation, Mediation and Arbitration (CCMA), Home Affairs, Metrorail and the electrification programme would have a dire impact on the ability to deliver on their mandates.

COSATU welcomed the above inflation increases in allocations for schools, police, courts, housing, roads and especially water infrastructure. It further indicated that the tax incentives for the local manufacturing of electric vehicles and an additional R1 billion in industrial financing would be a positive injection for motor manufacturing jobs. COSATU submitted that the increase in the South African Police Service (SAPS) headcount was a positive development to reduce the high levels of crime; and that similar increases in skilled personnel were needed in the National Prosecuting Authority (NPA) and the courts.

COSATU submitted that, at 31 percent of the total budget, the public wage bill was not out of control; that in fact it had decreased from 35 percent as a result of increasing vacancies amongst doctors, nurses, teachers, police and other essential frontline workers.

COSATU expressed the hope that government would table a 2024 Medium Term Budget Policy Statement (MTBPS) that would stimulate the economy, ensure job creation, provide relief to the unemployed, include plans to tackle corruption and wasteful expenditure, rebuild the SOEs and the State, and respect collective bargaining. While acknowledging the many positive and bold measures in the 2024 Budget; given the struggling economy, high unemployment, embattled SOEs and municipalities, endemic crime and corruption and struggling public services, COSATU felt that it was not aggressive enough. COSATU emphasised the critical importance of Parliament continuing to hold government at all levels accountable for the implementation of their Budgetary commitments as citizens could not afford to see billions in roll-overs.

4.3 Equal Education and Equal Education Law Centre (EE & EELC)

Equal Education and the Equal Education Law Centre (EE & EELC) highlighted poor infrastructure in schools and indicated that the cuts in school infrastructure grants posed a challenge to the rights of children to learn in a conducive environment. They recommended that, among others, Parliament repeal the proposed cuts to the Education Infrastructure Grant and the School Infrastructure Backlogs Grant; and increase the value of both to comply with the minimum norms and standards; and conduct rigorous oversight on the implementation of the grants.

EE & EELC indicated that the teacher-learner ratio did not allow for a culture of learning and teaching; and that this challenge was exacerbated teacher vacancies in most schools. This challenge reportedly persisted despite the Department of Basic Education's (DBE's) intervention through the Special Intervention Programme on Overcrowding in Schools of 2022. They expressed disappointment that the National Treasury had not funded the intervention and recommended that government –

- Revise post-provisioning norms so that the budget was more progressive and prioritised spending on schools serving poorer communities;
- Amend the budget to fund the Special Intervention Programme on Overcrowding in Schools;
- Allocate additional funding to increase personnel budgets;
- Increase funding to the Funza Lushaka Bursary Scheme in order to make it more accessible to teachers; and
- Repeal cuts to the education sector presidential employment initiative.

Regarding Learner Teacher Support Material (LTSM), EE & EELC reported that the budget used to provide learners with workbooks had been reduced by R97 million; and that indiscriminate budget cuts had weakened the ability of schools to provide education services to learners. They recommended that the National Treasury revise the cost-containment measures for learners to have access to high-quality printed educational material.

The EE & EELC made the following recommendations regarding Early Childhood Development (ECD):

- The value of the ECD subsidy should be increased to at least R46 by 2029.

- Adequate funding should be provided for pre-registration support and improvements to infrastructure.
- Nutrition support for children at all ECD programmes, whether registered or unregistered, should be phased in.

EE & EELC submitted that education was an immediately realisable right and therefore budget cuts and other regressive measures must be subject to a greater level of scrutiny. They recommended that the Committee ensure that the 2024/25 budget withstood constitutional scrutiny by reversing proposed cuts and ring-fencing the children's budget.

5. Findings and observations

Having deliberated and considered all the submissions made by the above stakeholders on the *Appropriation Bill* [B5 - 2024], the Select Committee on Appropriations made the following findings and observations:

- 5.1 Whilst the Committee welcomed the Bill as tabled by the Minister of Finance, it noted that the Bill did not reflect the newly restructured departments, such as the dismantled Department of Public Enterprises, the separation of the Department of Agriculture, Land Reform and Rural Development and the Department of Mineral Resources and Energy.
- 5.2 The Committee remained concerned about the delays in finalising and implementing Zero-Based Budgeting (ZBB). The Committee believed it was long overdue in many departments, and that the next budget cycle was probably the best time to implement it, as the structure of certain departments and their programmes were being re-evaluated.
- 5.3 The Committee was concerned about the decrease in Vote 2: Parliament, reducing resources available for the oversight function and compromising the work of Members of Parliament; especially considering the comment by Chief Justice Zondo in his Report on State Capture that Parliament was not doing what it was supposed to.

- 5.4 The Committee remained concerned about the reduction in some key economic departments such as Vote 39: Trade, Industry and Competition; Vote 35: Science and Innovation; Vote 34: Mineral Resources; Vote 32: Forestry, Fisheries, and Environment; as well as Vote 38: Tourism, especially considering the much-needed infrastructure-led economic recovery, the need for industrialisation and the successful implementation of infrastructure reforms.
- 5.5 The Committee noted that the amount of contingency reserve set aside for unforeseen and unavoidable situations, including disasters, was R5 billion in the current year, increasing to R7 billion and R14 billion in the outer years, and that this was in addition to current available disaster funding within departments, such as the Department of Human Settlements, where there were dedicated grants to fund disaster response.
- 5.6 The Committee remained concerned over the negative impact of the increasing debt service cost on the national budget, noting that interest payments were crowding out service delivery programmes; and welcomed the measures taken by National Treasury to stabilise government debt during the MTEF period.
- 5.7 Whilst noting another three-year extension of the Social Relief of Distress (SRD) Grant, the Committee was concerned about the progress in finalising the most impactful and sustainable permanent intervention to relieve socio-economic distress; and about the fact that the SRD Grant was not inflation linked. The Committee also agreed with National Treasury about the importance of striking a balance between social grants and full employment and skills development programmes to avoid permanent reliance on social grants.
- 5.8 The Committee agreed with Equal Education and the Equal Education Law Centre that the equal distribution of school infrastructure and maintenance as well as overcrowding due to high levels of educator vacancies remained a challenge for the Department of Basic Education, and that more attention and resources were required in this regard.

- 5.9 Whilst noting that the Department of Basic Education was going to run a pilot programme for Early Childhood Development (ECD), including a new nutrition model and outcome-based contracting, the Committee remained concerned that the budget allocated to Basic Education constituted only one third of that of Higher Education and Training, in a situation where 84 percent of Grade 4 learners were not able to read for meaning, and that only 7 percent of South Africans had a tertiary qualification. The Committee believed that investing more resources at an early stage of education, such as ECD, would have a much better impact over the long run.
- 5.10 The Committee agreed with the Financial and Fiscal Commission (FFC) that the increased allocations to Vote 28: Police should not go to non-core or administrative functions, but rather be directed to services on the ground to help keep communities safe; and that existing technology needed to be leveraged, such as using an electronic system for registering cases, record keeping and report writing. Moreover, the Police should not work in isolation, but in co-ordination with the other arms within the Security Cluster.
- 5.11 The Committee noted the study conducted by the FFC, which found that the average amount spent on small and emerging farmers was not enough to ensure that those farmers become sustainable, and the fact that access to markets remained a challenge. The Committee welcomed the suggestion that public procurement from small scale farmers be considered and that provincial departments should help to capacitate farmers to become part of the supply chain.
- 5.12 Whilst the Committee welcomed the loan scheme for the missing middle in the new Comprehensive Student Funding Model, it agreed with the FFC's concern over its potential to succeed, given the decreasing resource envelope and the ongoing challenges at the National Student Financial Aid Scheme (NSFAS).
- 5.13 With regards to access to universal health coverage, the Committee agreed with the FFC's view around the need for government to consider the full implications for provinces and

to put strategies in place to support provinces in transitioning to the new system of public health care delivery.

- 5.14 The Committee agreed with the Parliamentary Budget Office (PBO) on the need to examine public entities to address concerns about duplication of functions, efficiency and effectiveness, and the quality of performance information made available for monitoring and oversight by Parliament, including the need to strongly follow up on their turnaround strategies.
- 5.15 The Committee shared the PBO's view around the need for greater scrutiny of government's economic and industrialisation policies and for budgets to consider the central role of the health and resilience of households and businesses in developing inclusive economic growth; as well as its concerns around the likelihood that government may not achieve its National Development Plan (NDP) targets.
- 5.16 The Committee remained concerned about the small percentage of nationally raised revenue allocated to local government, based on the assumption that most municipalities were able to collect their own revenues. The Committee believed that local government was at the coalface of basic service delivery and that most rural and small municipalities continued to struggle to collect revenues and retain the necessary technical skills and expertise due to their geographic location, and many other structural development and economic challenges.

6. Recommendations

The Select Committee on Appropriations, having considered submissions from various stakeholders on the *Appropriation Bill* [B5 - 2024], recommends as follows:

- 6.1 The Minister of Finance should gazette the *Appropriation Bill* [B5 – 2024] once it is signed into law and should ensure that the National Treasury continues to assist other state organs to establish measures and mechanisms to prevent non-compliance and wasteful, fruitless and irregular expenditure across national departments to safeguard the approved allocations as required by section 38(1)(c)(ii) of the Public Finance Management Act (PFMA). This includes developing a clear irregular expenditure

register while ensuring that value for money is achieved; failing which the necessary consequence management must be implemented.

- 6.2 In the next budget cycle, while the structure of certain departments and their programmes will be re-evaluated, the National Treasury should consider finalising and implementing the long-awaited Zero-Based Budgeting (ZBB) initiative to improve South African public finances, which the Committee believes is long overdue in many departments.
- 6.3 The National Treasury should review the reduction in Vote 2: Parliament in the next budget adjustment process, since the Committee believes that any budget cuts may hinder Parliament in fulfilling its oversight, public participation and law-making functions, potentially compromising the work of parliamentarians as public representatives.
- 6.4 The National Treasury should, in the next budget adjustment process, review the reductions in key economic development departments such as Vote 39: Trade, Industry and Competition; Vote 35: Science and Innovation; Vote 34: Mineral Resources; Vote 32: Forestry, Fisheries, and Environment; and Vote 38: Tourism, if the much-needed infrastructure-led economic recovery, and infrastructure reforms are to be achieved.
- 6.5 The National Treasury should, within 60 days after the adoption of this Report by the House, develop clear measures to ensure that the amount set aside as a contingency reserve to deal with unforeseen and unavoidable situations, including natural disasters and floods, is used according to plans to protect the approved expenditure framework for service delivery.
- 6.6 Given the widespread disasters and floods across some provinces, both the Department of Human Settlements and the Department of Cooperative Governance should develop measures to ensure that funding for natural disasters is utilised according to plans and that a well-coordinated rapid response to address such disasters holistically is implemented immediately when they occur.
- 6.7 The National Treasury should, in the next Medium Term Budget Policy Statement (MTBPS), outline concrete measures taken to address the increasing debt service cost, in

the absence of further bailouts for state-owned entities (SOEs) and the focus on borrowing from the local market, yielding less interest. The Committee is of the view that a more comprehensive approach to stabilise the current government debt is needed as a matter of urgency.

- 6.8 The Department of Basic Education should, within 90 days of the adoption of this Report by the House, provide a report to the Committee on a proper plan developed, with clear timeframes, to expedite the proposed pilot programmes in Early Childhood Development (ECD), including a new nutrition model and outcome-based contracting, and ensure that more resources are injected in the foundation phase to improve the quality of learning and teaching, to increase the number of Grade 4 learners who are able to read for meaning, thereby improving the quality of tertiary education output so that graduates can contribute towards economic development to fight inequality, poverty and unemployment.
- 6.9 The Department of Basic Education should, within 90 days of the adoption of this Report by the House, provide a report to the Committee on a clear mechanism developed to ensure that all needy schools in both rural and urban areas are provided with equal attention, efforts and resources to address school dropouts, overcrowding, and infrastructure maintenance. The Department should also ensure that the commission appointed by the new Minister of Basic Education to investigate school infrastructure and curriculum, expedite its work.
- 6.10 The Department of Police, together with National Treasury should, within 90 days of the adoption of this Report by the House, provide a report to the Committee on a plan developed to ensure that increased funds to Vote 28: Police are earmarked for its core function, which is to combat crime and help keep people safe; and that existing technology is leveraged, such as an electronic system for registering cases, record keeping and report writing to avoid inefficiencies, missing dockets and various other administrative challenges.
- 6.11 The Department of Agriculture, together with its provincial counterparts should, within 90 days of the adoption of this Report by the House, provide a report to the Committee on a plan developed to improve the performance of both the Comprehensive Agricultural

Support Programme (CASP) Grant and the Ilima/Letsema Project Grant to capacitate and support small and emerging farmers to address access to markets and to ensure that resources are earmarked for such farmers to enhance food security. The Committee is of the view that putting more effort and resources towards agriculture and farming may assist to revive much needed inclusive economic growth.

6.12 As recommended by the Committee of the 6th Parliament previously, the National Treasury and the Department of Social Development should accelerate the process of converting the Social Relief of Distress (SRD) Grant to a more sustainable and impactful mechanism to provide relief for unemployed South Africans, whether it be used as start-up capital towards self-sufficiency or to continue seeking employment.

6.13 Given the proliferation of state-owned entity (SOE) bailouts, which has taken resources away from service delivery programmes in recent years, the Committee believes that the Department of Planning, Monitoring and Evaluation should expedite SOE reforms and efforts to strengthen SOE governance structures, rigorously assess their business models, and rationalise some of their operations.

7. Committee decision

The Select Committee on Appropriations, having considered the *Appropriation Bill [B5 – 2024]*, referred to it for concurrence, and classified by the Joint Tagging Mechanism as a section 77 Bill, reports that it has agreed to the Bill without any proposed amendments.

Report to be considered.