Tuesday, 3 December 2019]

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ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

TUESDAY, 3 DECEMBER 2019

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

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1. Bills passed by Houses – to be submitted to President for assent

(1) Bill passed by National Council of Provinces on 3 December 2019:

(a) **Promotion of Access to Information Amendment Bill** [B 20 – 2019] (National Assembly – sec 75).

National Assembly

The Speaker

1. Message from National Council of Provinces to National Assembly in respect of Bills passed by Council and returned to Assembly

(1) Bill, subject to proposed amendments, passed by Council on 3 December 2019 and returned for consideration of Council's proposed amendments:

(a) **Border Management Authority Bill** [B 9B - 2016] (National Assembly – sec 75) (for proposed amendments, see Announcements, Tablings and Committee Reports, 26 November 2019, p 21)**.**

The Bill has been referred to the **Portfolio Committee on Home Affairs** of the National Assembly.

2. Membership of Committees

(1) The following committee membership change has been made by the Economic Freedom Fighters:

Ad Hoc Committee to initiate and Introduce Legislation amending Section 25 of the Constitution

Voting Member

Shivambu, Mr NF

Ndlozi, Dr M [Alternate]

Non-Voting Member

Malema, Mr JS

TABLINGS

National Council of Provinces

1. The Chairperson

(a) Response by Hon. A Motswana, Chairperson of the Portfolio Committee on Cooperative Governance, Human Settlements and Traditional Affairs on the resolution of the House adopted on 29 October 2019.

Referred to the **Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements** for consideration.

(b) PROGRESS REPORTS ON THE STATUS OF INTERVENTIONS ISSUED IN TERMS OF SECTION 139(1)(b) OF THE CONSTITUTION, 1996 IN MUNICIPALITIES WITHIN KWAZULU-NATAL PROVINCE.

Referred to the **Select Committee on Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements** for consideration and report.

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE ADJUSTMENTS APPROPRIATION BILL [B16 – 2019] [NATIONAL ASSEMBLY (SECTION 77)], DATED 3 DECEMBER 2019

Having considered the Adjustments Appropriation Bill [B16-2019], referred to in terms of section 12 (15) of the Money Bills and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendments Procedure and Related Matters Act, No 13 of 2018), the Standing Committee on Appropriations reports as follows:

1. Introduction

The Minister of Finance tabled the Medium Term Budget Policy Statement (MTBPS) on 30 October 2019, outlining the budget priorities of government for the medium term estimates. The 2019 MTBPS was tabled in Parliament with the Adjustments Appropriation Bill [B16 - 2019]. Section 12 (15) of the Money Bills and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendments Procedure and Related Matters Act, No 13 of 2018) provides that "in the event of a revised fiscal framework, an Adjustments Appropriation Bill must be referred to the Committee on Appropriations in the National Assembly only after the Division of Revenue Amendment Bill has been passed by Parliament." Accordingly, the National Assembly referred the 2019 Adjustments Appropriation Bill (the Bill) to the Standing Committee on Appropriations (the Committee) on 13 November 2019, for consideration and report.

To facilitate public participation and involvement, an advertisement was published in national and community newspapers from 3 to 8 November 2019 inviting general public and all interested stakeholders to make written submissions and comments on the Bill. The Organisation Undoing Tax Abuse, the Congress of South African Trade Unions, Budget Justice Coalition, and Fields of Green for All made comments on the Bill in response to the aforementioned advertisement. Public Hearings were held in Parliament on 29 November 2019. In addition to National Treasury's briefing the Committee on the Bill in its entirety, the Departments of Transport, Health, Water and

Sanitation and Cooperative Governance were all invited to make oral presentations on the Adjustments Appropriation Bill.

Section 43 (1) of the Public Finance Management Act of 1999 (PFMA) allows Accounting Officers to utilise a saving in the amount appropriated under a main division (programme) within a vote to defray excess expenditure under another main division within the same vote. However, sub-section 2 of the same provision suggests that the saving to be utilised may not exceed 8 per cent of the amount appropriated under that main division. Importantly, section 43(4)(b) does not allow the utilisation of funds from the amount which is specifically earmarked for transfer payments to another institution or entity, and (c) nor that funds earmarked for capital expenditure may defray current payments. All virements that exceed 8 per cent must be approved by Parliament. To this end, the Committee identified the 16 departments that have exceeded the 8 per cent requirement of the PFMA and National Treasury supplied the reasons for these virements. These departments were the Presidency, Communications, Planning, Monitoring and Evaluation, Public Enterprises, Women, Higher Education and Training, Health, Social Development, Military Veterans, Independent Police Investigative Directorate, Justice and Constitutional Development, Agriculture Forestry and Fisheries, Labour, Small Business Development, Telecommunications, and Postal Services, Cooperative Governance and Traditional Affairs and Trade and Industry.

2. Overview of 2019 budget adjustments

Table 1: Expenditure earmarked in the 2019 Budget speech for future allocation

Vote and description of expenditure		R thousand
3	**Communications** R3.2 billion for the South African Broadcasting Corporation	**3,200,000**
7	**National Treasury** R100 million for project preparation for the Infrastructure Fund implementation unit to assist public sector institutions with project planning and appraisal	**100,000**
9	**Public Enterprises** R5.348 billion for Eskom, R5.5 billion for South African Airways, R1.8 billion for Denel and R300 million South African Express	**12,948,000**
11	**Public Works** R100 million for the small harbours programme	**100,000**
15	**Higher Education and Training** R429.8 million for the student housing infrastructure programme	**429,800**

Total	**16,777,800**

Source: National Treasury (2019) Adjustments Appropriation Bill

Table 2: Roll-overs

Vote and description of expenditure	R thousand
16 Health R89.3 million for medical equipment in the Limpopo	**89,300**
18 Correctional Services R8.8 million for vehicles	**8,800**
24 Agriculture, Forestry and Fisheries R4.9 million for upgrading laboratory infrastructure and equipment	**4,900**
36 Water and Sanitation R241.927 million for the emergency Vaal River system pollution remediation intervention project in the Emfuleni municipality, Gauteng	**241,927**
Total	**344,927**

Source: National Treasury (2019) Adjustment Appropriation Bill

Table 3: Self-financing expenditure

Source: National Treasury (2019) Adjustments Appropriation Bill

Vote and description of expenditure		R thousand
3	**Communications** Expenditure by the Government Communication and Information System to produce the Vuk'uzenzele newspaper, which is funded from revenue generated through the sale of advertising space in the newspaper	**2,000**
5	**Home Affairs** Expenditure incurred issuing official documents, which is defrayed by revenue generated from issuing the documents	**1,188,000**
18	**Correctional Services** Expenditure for offender gratuities, which is funded from revenue generated from the hiring out of offender labour	**444**
19	**Defence and Military Veterans** Expenditure for defence activities, which is defrayed from reimbursements from the United Nations for South Africa's contribution towards peace support operations, and the sale of equipment and spares procured through the special defence account	**385,140**
27	**Environmental Affairs** Expenditure for the South African Elephant Research Project, which is funded from revenue generated from the sale of ivory	**4,000**
34	**Trade and Industry** Unitary payment in respect of the public-private partnership for shared campus accommodation, which is funded from unitary payments received from public entities	**75,700**
Total		**1,655,284**

Table 4: Declared unspent funds and projected underspending

Vote and description of expenditure		R thousand
	Communications R5 million from compensation of employees (Government Communication Information System)	**5,000**
4	**Cooperative Governance and Traditional Affairs** R300 million from the Community Work Programme and R10.5 million from the municipal systems improvement grant	**310,500**
7	**National Treasury** R157.225 million from the Jobs Fund and R22.134 million from compensation of employees	**179,359**
9	**Public Enterprises** R10 million from compensation of employees	**10,000**
10	**Public Service and Administration** R6 million from compensation of employees, and R2.8 million from goods and services	**8,800**
11	**Public Works** R1.943 million from oganisations for the preservation of national memorials	**1,943**
14	**Basic Education** R40 million from the school infrastructure backlogs grant	**40,000**
15	**Higher Education** R400 million from the infrastructure efficiency grant, R350 million from higher education institutions, R145.4 million from compensation of employees, and R1.7 million from goods and services	**897,100**
16	**Health**	**346,000**

	R230 million from the national health insurance indirect grant: personal services component, R45 million from goods and services, R30 million from the national health insurance indirect grant: health facility revitalisation component , R20 million from compensation of employees, R11 million from the human papillomavirus vaccine grant, and R10 million from the national health insurance indirect grant: non-personal services component (goods and services)	
17	**Social Development**	**70,000**
	R70 million from the national student financial aid scheme: social worker scholarships	
18	**Correctional Services**	**100,000**
	R100 million from compensation of employees	
19	**Defence and Military Veterans**	**10,000**
	R10 million from the Department of Military Veterans	
23	**Police**	**703,618**
	R700 million from the implementation of the criminal justice system seven-point plan and R3.618 million from compensation of employees for the Civilian Secretariat for the Police Service	
24	**Agriculture, Forestry and Fisheries**	**57,700**
	R57.7 million from the Land and Agricultural Development Bank of South Africa	
25	**Economic Development**	**55,750**
	R54.250 million from the Tirisano Construction Fund Trusts and R1.5 million from compensation of employees	
26	**Energy**	**256,464**
	R250 million from the Eskom's integrated national electrification programme, R3.914 million from compensation of employees, R2.269 million from goods and services, and R281 000 from payments for capital assets	
27	**Environmental Affairs**	**50,000**
	R50 million from the Development Bank of Southern Africa's Green Fund	
28	**Labour**	**1,934**
	R1.934 million from compensation of employees	
29	**Mineral Resources**	**3,000**
	R 3 million from the Industrial Development Corporation	
30	**Science and Technology**	**4,793**
	R4.793 million from compensation of employees	
31	**Small Business development**	**300,000**
	R300 million from the Small Enterprise Finance Agency's Small Business and Innovation Fund	
34	**Trade and Industry**	**50,000**
	R50 million from manufacturing development incentives	
35	**Transport**	**49,779**
	R29.779 million from compensation of employees and R20 million from other transfers to households	
36	**Water and Sanitation**	**215,000**
	R30 million from compensation of employees and R185 million from the regional bulk infrastructure indirect grant	
37	**Arts and Culture**	**45,400**
	R40 million from capital works projects and R5.4 million from compensation of employees	
38	**Human Settlements**	**17,252**
	R17.252 million from goods and services	

39	**Rural Development and Land Reform** R74.212 million from compensation of employees, and R43.082 million from goods and services	**117,294**
40	**Sport and Recreation South Africa** R2.6 million from compensation of employees	**2,600**
Total declared unspent funds		**3,909,286**
Projected underspending		**1,183,766**
Local government repayment to the National Revenue Fund		**2,000,000**
Total		**7,093,052**

Source: National Treasury (2019) Adjustments Appropriation Bill

National Treasury reported that the following departments had virements exceeding R100 million:

- Social Development – R250.9 million;
- Public Enterprise – R17.652 billion
- Health – R444.288 million
- Correctional Services – R432 million;
- Justice and Constitutional Development – R365million;
- Tourism – R243.756 million; and
- Rural Development and Land Reform – R762.506 million.

3. Adjustments per identified departments

The section below outlines the adjustments on budget allocations for the departments, which were identified by the Committee for briefings on the Bill.

3.1. Department of Transport

The Department of Transport's main appropriation of R64.204 billion has been adjusted upwards by R10.954 million to R64.215 billion. The Department did not have virements exceeding 8 per cent; however, it was invited to the Committee because of the continued underspending of the Passenger Rail Agency of South Africa on its capital budget. The

Department's mid-year performance reflects spending of R30.072 billion or 46.8 per cent against the adjusted appropriation of R64.215 billion.

In terms of non-financial performance, the Department achieved 23 or 88 per cent of its 26 targets as at the end of September 2019. This resulted in the non-achievement of 3 targets under Programme 5: Civil Aviation, Programme 6: Maritime Transport, and Programme 7: Public Transport.

3.2. Department of Health

The Department of Health's main appropriation of R51.460 billion has been adjusted downwards by R265.527 million to R51.195 billion. Total expenditure as at the end of the second quarter of the 2019/20 financial year was R24.997 billion or 48.8 per cent of the total adjusted appropriation of R51.195 billion.

In terms of non-financial performance, as at the end of the second quarter of the 2019/20 financial year, the department was on track to exceed its target for mother-to-child transmission of HIV, which at the end of August 2019 was 0.68 per cent against the annual target of 0.9 per cent. However, the antiretroviral treatment programme was progressing somewhat slower than anticipated, with 4.8 million clients against a target of 5.8 million. The uptake is particularly slow among children and men, where the coverage is 60 per cent and 62 per cent respectively, compared to 72 per cent among females.

The department had already exceeded its annual target for the number of individuals registered on the national health insurance patient beneficiary registry. The implementation of the system in hospitals in Free State, Mpumalanga and Eastern Cape was expected to commence in the third quarter. However, protracted negotiations with Gauteng provincial facilities have caused delays in the implementation of the system in additional facilities. The number of facilities reporting to the national surveillance centre on the availability of medicine has steadily increased. The department has achieved 3705 against the target of 3725 facilities. Similarly, 1 920 public health care facilities qualify as ideal clinics against a target of 1 800, and the chronic medicines programme has already met its annual target of 3 million patients enrolled. Although the department has completed repair, maintenance or refurbishment projects at only 7 health facilities in national health insurance districts against the annual target of 45, the remaining facilities are expected to reach completion stage in the second half of the financial year. During the first half of 2019/20, the department assessed 30 municipalities for adherence to environmental health norms and standards against an annual target of 31. This is in support of the department's programme to emphasise environmental determinants of health, such as sanitation and food safety monitoring, as part of the delivery of environmental health services by municipalities.

3.2.1. Virements and adjustments within the Department of Health that require Parliament's approval

- R155 million shifted from the National Health Insurance (NHI) Indirect Grant: personal and non-personal services component to the Human Resource Capacitation Grant in provinces to pay for health professional personnel carry through post in provinces and municipalities.
- R289.288 shifted from the NHI Grant: personal and non-personal services component to the NHI Direct Grant to pay for health professional personnel carry through post in provinces and municipalities.
- R100 million shifted from the department's communicable and non-communicable diseases programme (HIV prevention and Management) to the Human resources Capacitation Grant in provinces and municipalities.
- R43 million shifted from the Human Papillomavirus Grant to the HR Capacitation Grant in Province and Municipalities.
- R75 million shifted from the Hospital Systems programme (refurbishment of health facilities) to good and services to pay for hospital beds and linen in Limpopo Province.
- R95 million shifted from the Hospital Systems programme (refurbishment of health facilities) to machinery and equipment to pay for hospital beds in provinces.
- R2 million shifted from the National Health Insurance (Health technology assessment) to the HR capacitation grant.

3.3. Department of Water and Sanitation

The Department of Water and Sanitation's main appropriation of R16.440 billion has been adjusted upwards by R26.927 million increase to R16.467 billion. The Department did not have virements exceeding 8 per cent. Total expenditure as at the end of the second quarter of the 2019/20 financial year was R6.120 billion or 37.2 per cent of the adjusted appropriation of R16.467 billion for the year.

In terms of non-financial performance, as at the end of the second quarter of the 2019/20 financial year, the Department managed to achieve only 58 per cent of its objectives while 19 per cent were partially achieved and 23 per cent were not achieved. No river systems with water resources classes and determined resource quality objectives were assessed. During the same period, the Jozini bulk water supply scheme was completed under mega regional bulk infrastructure projects; and 3 phases of large regional bulk infrastructure projects were completed, the first phase of the Polokwane bulk water supply scheme, and phases 3A and 4B of the Empuluzi bulk water supply scheme. In addition, the first phases of 2 small regional bulk infrastructure projects were completed, the Van Wyksvlei groundwater supply scheme and the Tswelopele bulk water supply scheme. Furthermore, as at the end of the second quarter of the 2019/20 financial year, 23 small projects were completed through the water services infrastructure grant against an annual target of 104, while 97 existing bucket sanitation systems were replaced to complete the outstanding amount of 12 221 carried over from 2018/19. No wastewater systems were assessed for compliance with green drop regulatory standards against the annual target of 963.

3.4. Department of Cooperative Governance and Traditional Affairs

The main appropriation of R90.717 billion for the Department of Cooperative Governance and Traditional Affairs has been adjusted downwards by R371.233 million to R90.346 billion. Total expenditure as at the end of the second quarter of the 2019/20 financial year was R35.383 billion or 39.1 per cent of the adjusted appropriation for the year. Total spending on municipal infrastructure grant was R4.7 billion as at the end of the second quarter of the 2019/20 financial year and this was in line with projections and the department expects to meet its annual target of R15.7 billion by the end of 2019/20.

In terms of non-financial information, the Department achieved 10 or 67 per cent of the 15 targets resulting in 5 or 33 per cent of the targets not being achieved. There were no secondary cities that were supported in implementing the integrated development framework against the annual target of 6, and no municipalities were guided to comply with the rating criteria of the Municipal Property Rates Act (2004) against the target of 71.

3.4.1. Virements and adjustments within the Department of Cooperative Governance and Traditional Affairs that require Parliament's approval

- R8 million shifted from the Administration programme (compensation of employees) to goods and services within the programme for office accommodation.
- R4 million shifted from the Regional and Urban Development and Legislative Support programme (compensation of employees) to departmental agencies (Municipal Demarcation Board).
- R2 million shifted from the Institutional Development programme (compensation of employees) to goods and services within the programme to cater consultants for anti-corruption projects.
- R4.2 million shifted from the National Disaster Management Centre programme (compensation of employees) to the Institutional Development programme (departmental agencies) to pay the department of traditional affairs.
- R500 thousand shifted from the Local Government Support and Intervention Management programme (compensation of employees) to the Institutional Development programme (departmental agencies) to pay the department of traditional affairs.
- R5 million shifted from the Local Government Support and Intervention Management programme (compensation of employees) to goods and the services within the same programme for consultants for the New District Model.
- R3.7 million shifted from the Community Works programme (compensation of employees) to the departmental agencies account (Municipal Demarcation Boards) under the Regional and Urban Development and Legislative Support programme.
- R6 million shifted from the Community Works programme (compensation of employees) to goods and services under the Institutional Development programme for the Municipal Human Resources Management Systems.
- R300 thousand shifted from Community Works programme (compensation of employees) to departmental agencies and accounts under the Institutional Development programme for a transfer to the Department of Traditional Affairs.

4. Public Submissions on the Bill

4.1 Organisation Undoing Tax Abuse

OUTA reported that the lion's share of the adjustments in the Bill went to state-owned entities (SOEs), who were facing serious challenges as a result of poor leadership and governance, mismanagement of funds, corruption and revenue deficits. OUTA largely rejected the Bill, due to the apparently unconditional injection into Denel, SA Express and SAA. OUTA was of the view that these entities had not undergone any significant change since their financial metrics started deteriorating rapidly, and that they were placing South Africa's economic sovereignty in serious jeopardy. OUTA submitted that, if no extreme and immediate interventions were implemented, government ran the risk of losing control of its economic affairs to its international creditors. OUTA strongly recommended that the Standing and Select Committees on Appropriations demand that these allocations only be approved on the grounds of similar conditions as those attached to the Special Appropriations Bill on Eskom. Furthermore, that the Committees, in cooperation with law enforcement agencies, civil society institutions, National Treasury and the Department of Public Enterprises, should enforce adherence to such conditions with harsh and explicit consequences for non-compliance.

OUTA further submitted that the Bill showed additions of R17.924 billion (mostly for the SOEs) and cuts of R3.056 billion, due to the SOE bailouts. OUTA requested explanations for the following cuts:

- R15 million from compensation of employees in the Department of Cooperative and Traditional Affair's Community Work Programme.
- Transfers of R157.225 million from National Treasury to the Government Technical Advisory Centre for job creation initiatives.
- R140 million from the Department of Basic Education's School Infrastructure Backlogs Grant; which OUTA regarded as inexcusable, given the urgent need in this sector.
- R350 million from the Department of Higher Education and Training's university infrastructure grants and R400 million from its Infrastructure Efficiency Grant.

- R250.9 million from the Department of Social Development's child support grants.
- R70 million from the Department of Social Development's social worker scholarships, while the country urgently needs for social workers.
- R764.429 million from the South African Police Service's Detective Services, while there is an urgent need to improve such services to fight crime and corruption.
- R300 million from the Department of Small Business Development's Small Business and Innovation Fund.
- R20 million from the Department of Transport's Taxi Recapitalisation Programme.
- R51.218 million from the Department of Water and Sanitation's Water Planning and Information Management Programme, which OUTA deemed inexplicable, given the widespread drought crisis.
- R225.054 million from the Department of Rural Development and Land Reform's stipends for the National Rural Youth Service Corps.

OUTA further questioned the following additions:

- OUTA asked what the additional R4.5 million for the Department of Public Works' Prestige Policy Programme would be used for; as this fund was used to repeatedly renovate ministers' houses, seemingly flying in the face of the MTBPS statement that benefits received by political office bearers would be better managed.
- OUTA expressed concerns over the R385.140 million to the Department of Defence for weapons. The funds would go into the secret Special Defence Account, so that taxpayers had no idea how much was in the fund or whether the funds were really spent on the stated purpose.
- It was noted that the Bill added just R102.429 million to the National Prosecuting Authority (NPA) for 2019/20 and nothing for South African Revenue Service (SARS); despite the MTBPS announcement of an additional R1.3 billion for the NPA and R1 billion for SARS between 2019/20 and 2022/23 to combat corruption and improve revenue collection. As these were urgent priorities, OUTA expressed the hope that these amounts would be seen in the 2020 Budget.

- The Department of Water and Sanitation received an extra R5.489 million for the Orange-Senqu River Commission. This Commission's work appeared to be secret and it did not appear to have run any public consultation. OUTA also could not find this in the Department's budget for 2019/20, and requested clarity on this.

While OUTA welcomed the additional R241.927 million for the Regional Bulk Infrastructure Grant for emergency work on the Vaal River System and an additional R65.373 million through the Sedibeng Water Board for the Sedibeng Bulk Regional Sewerage Scheme; it submitted that there had been a great deal of confusion over this funding. The SANDF had been deployed to the Vaal region in October 2018, following the Minister of Finance's announcement of funding for this, but this funding had apparently failed to materialise and the one-year deployment had expired. The Division of Revenue Amendment Bill referred to R241.927 million for the emergency work being rolled over. OUTA question why the funds had not been spent, and requested the Committees to investigate the Vaal River System clean-up promises, the funding arrangements and the progress of the work.

4.2 Congress of South African Trade Unions

COSATU submitted that various departments had shown extremely worrying levels of under-expenditure and a failure to achieve key service delivery targets; and was of the view that there should be interventions by the President, Parliament and the Auditor-General to hold the relevant officials personally liable. These departments included Basic Education, Higher Education; Water and Sanitation; Human Settlements; Energy; Correctional Services; Transport; Environmental Affairs; Small Business Development; Health; Cooperative Governance and Traditional Affairs; National Treasury; the State Security Agency and the South African Police Service.

COSATU made the following recommendations with respect to sectoral votes:

- Two thirds of South African Police Service members should be redeployed from head offices and desk jobs to specialised units, station level and community policing; all outsourcing in the security cluster should be stopped; plans should be developed to deal with labour and other courts backlogs; and there must be a comprehensive forensic audit of State Security Agency expenditure.

- Urgent interventions are needed to arrest the collapse of public hospitals and plans to build the National Health Insurance and the filling of public health care posts must be fast-tracked.
- Urgent engagement with civil society on an alternative to e-Tolls is needed; plans to save Metrorail and to expand reliable, accessible and affordable public transport in communities, must be considered.
- There must be an intervention plan to turn the Department of Water Affairs around, as well as a plan to hold the guilty accountable for the Giyani water debacle; and national, provincial and local plans are needed to turn South Africa from a water scarce to a water wise nation.
- There must be clear targets and dates to eradicate mud schools and address sanitation and school infrastructure crises; as well as clear plans by Public Works to ensure all public buildings are safe.
- There should be an end of outsourcing of municipal jobs to the Expanded Public Works Programme and Community Work Programme and insourcing these workers into permanent municipal posts should be considered; and there must be plans to stabilise distressed municipalities by integrating municipalities that are too small or lack a significant rates base with viable municipalities.

4.3 Budget Justice Coalition

The Budget Justice Coalition (BJC) expressed concerns about the declared unspent funds by departments and submitted that it was imperative for this not to disadvantage social programmes. The BJC made reference to the Education Infrastructure Grant (EIG) and expressed concerns that over the five year period between 2014/15 and 2018/19, 94 per cent (R58.4 billion) of the budget has been spent and only 67 per cent of associated planned targets were achieved. More concerns were expressed about the potential impact of unspent funds (R215 million) on service delivery in water and sanitation particularly in light of the ageing municipal water infrastructure and the delays in the completion of the Bucket Eradication Programme.

Regarding job creation, the BJC also made reference to the declared unspent funds on the Employment Creation Facilitation Fund (R157.225 million) and Community Works Programme (R300 million) and submitted that this could have been used to stimulate employment especially for vulnerable groups.

Regarding the health sector, the BJC submitted that austerity budgeting was having a negative impact on especially women, transgender, gender diverse, and intersex people. Furthermore, these cuts also had an impact on employment conditions, often resulting in critical staff shortages and hampering the expansion of health professionals necessary to improve the levels of care and prepare for the transition to the NHI. The BJC also expressed concerns that neither the 2019 MTBPS nor the Bill made mention of the 2019 budget commitment to spend R1 billion on the implementation of the minimum wage for Community Health Workers.

As an important measure to prevent regression in the realisation of socio-economic rights, the BJC asserted the need to improve, across government, the efficiency and effectiveness for spending allocated budgets. The BJC proposed that the Committee require national and provincial departments to provide clear 'turnaround' strategies, which themselves will require some budget allocations, for improved efficiency and effectiveness on spending budgets. The role of National and Provincial Treasuries to support and monitor this in the departments most affected should be clearly set out. The BJC further submitted that to merely identify underspending and focusing on reallocations while failing to identify the specifics of the spending issues was ineffective.

4.4 Fields of Green for All

In response to the call for submission of comments on the Bill, Fields of Green for All submitted that after studying the figures contained within the Bill they realised that large sums of money had not been spent by government departments. Fields of Green for All argued that the unspent funds by government departments should be used to start the development of a legal Cannabis Industry in South Africa. Added to that, the Fields of Green for All argued that there was no coherent plan on the part of government to address the issue of how Cannabis was going to be legalised in South Africa. To that effect, the organisation felt that there are many government departments who could play a significant role in legalising Cannabis and there was a need to coordinate the work across all these departments. Fields of Green for All went further to list departments who had returned unspent funds to National Treasury and argued that such funds could be used for developing Cannabis framework and benefit many citizens.

Fields of Green for All also submitted that the issue of Cannabis law reform in South Africa, also presented a unique and desperately needed opportunity to rightfully frame regulations as an issue of criminal justice reform, equity, racial justice, economic justice and empowerment, particularly for communities most targeted by excessive enforcement of Cannabis laws.

In suggesting a way forward, Fields of Green for All proposed an intergovernmental plan and that all stakeholders and interested parties should contribute to a national survey. FOGFA argued that they envisaged that the South African National Cannabis Survey would fill the gaps in the evidence needed to ensure that the most vulnerable in our society reap the social and economic benefits of Cannabis legislation. The produced evidence will further contribute to the development of policies that proactively promote poverty alleviation and help address structural inequality, social exclusion, injustice and discrimination.

In conclusion, Fields of Green for All submitted that serious and careful consideration should be given to the appropriation of excess funds from government departments and be used for the development of a fully inclusive, vibrant and internationally ground breaking Cannabis industry.

5 Committee Observations and Findings

The Standing Committee on Appropriations, having considered the inputs from the above stakeholders on the Adjustments Appropriation Bill [B16-2019], made the following findings:

5.1 The Committee is concerned by the R3.9 billion in declared unspent funds given the negative impact on the service delivery programmes where these funds were initially planned to be spent.

5.2 The Committee welcomes the roll-over funds of R344.9 million as this will ensure continuation of government programmes, particularly the funds rolled over for the procurement of public hospital beds and linen in Limpopo.

5.3 The Committee notes that the following departments submitted virements and shifts exceeding R100 million, namely, the Departments of Public Enterprise, Health, Correctional Services, Justice and Constitutional Development, Tourism, Rural Development and Land Reform and Social Development. The Committee views enhanced planning as critical to ensure effective programme allocations.

5.4 The Committee notes with concern the under expenditure of infrastructure budgets by especially the Departments of Water and Sanitation, Health, and Basic Education. The Committee is of the view that continued under-expenditure on CAPEX pointed to lack of proper planning, poor budgeting and inadequate project management skills within the Departments. The Committee asserts that the under expenditure especially on infrastructure impacted negatively on service delivery as well as other macroeconomic factors effecting South Africa such as the debt-to-GDP ratio and interest payments.

5.5 The Committee is seriously concerned about the amount of virement requests by departments from Compensation of Employees to other economic classifications due to vacancies not being filled. The Committee is of the view that the use of shifts and virements should be closely monitored and measures taken to ensure these do not compromise service delivery and the integrity of tabled annual performance plans and consequently, the entire government budgeting processes. The Committee is of the view that implementing punitive measures as prescribed for by the PFMA will curb trends in non-compliance that results in irregular expenditure, fruitless and wasteful expenditure and the non-payment of suppliers within 30 days.

5.6 The Committee is concerned about the substantial amounts of funding (R3.909 billion) declared as unspent by government during the 2019 adjustments budget. As an important measure to prevent regression in the realisation of socio-economic rights enshrined in the Constitution of the Republic of South Africa, the Committee implores on the Executive the need to improve the efficiency and effectiveness for spending allocated budgets across government.

5.7 The Committee notes with concern the under expenditure on the NHI Grants especially on infrastructure projects as well as the Human Resource Capacitation Grant and is of the view that this would have a negative impact on government's readiness to fully roll-out the NHI programme. Furthermore, the Committees' concerns emanates from the fact that the Portfolio Committee on Health was in the process of conducting public hearings on the NHI Bill yet there is evidence of slow expenditure and non-financial performance related challenges in respect of NHI related grants. The Committee is concerned due to the role that NHI is anticipated to play in providing universal access to health services in South Africa.

5.8 Whist the Committee welcomes the roll-over of R241.927 million for the Department of Water and Sanitation for the emergency Vaal River system pollution remediation intervention project in the Emfuleni municipality in Gauteng, the Committee emphasised the need for consequences to be applied to those responsible for polluting the river system.

5.9 The Committee is concerned about persistent delays in completion of the Bucket Eradication Programme for formal settlements as well as the poor management of the War on Leaks programme. The Committee notes the assurance from the Department of Water and Sanitation that all bucket systems in formal settlements would be eradicated before the end of the 2019/20 financial year. The Committee will closely monitor this assurance.

5.9 The Committee is seriously concerned about the underperformance in respect of the Community Works Programme (CWP), which led to R300 million being declared as unspent. The Committee views the CWP as an important initiative for the alleviation of poverty and inequality within South Africa as well as job creation.

5.10 The Committee is concerned about the R157 million declared unspent funds by the National Treasury on the Jobs fund considering the high levels of unemployment in South Africa and the mandate of the Jobs Fund. The Committee is equally concerned about the R300 million declared unspent funds from the Small Enterprise Finance Agency's Small Business and Innovation Fund.

5.11 The Committee notes with concern the delays in the Gauteng Province regarding in the registration of individuals on the NHI patient beneficiary registry due to protracted negotiations with Gauteng provincial facilities.

6 Committee Recommendations

The Standing Committee on Appropriations having engaged with the above stakeholders on the Adjustments Appropriation Bill [B16-2019], recommends as follows:

6.1 That the Minister of Water and Sanitation should ensure that mechanisms are put in place so that there are consequences for those responsible for polluting Vaal river system.

6.2 That the Minister of Finance should ensure that National Treasury carefully scrutinise government departments' ability to spend allocated funds before submitting budget proposals to Parliament in order to prevent continued underspending on allocated funds as it has implications on government debt and the interest payments.

6.3 The Department of Higher Education and Training, Police, Small Business Development, National Treasury and Corporative Governance must furnish the Committee with a plan on how they plan to improve spending on conditional grants allocation and report to the Committee within 90 day after this report has been adopted.

6.4 The Minister of Public Enterprises should within 90 days after the adoption of this report present the overall strategic plans on how government plans to turn around the government state owned companies, particularly DENEL, SAA, and SA Express.

6.5 The Minister of Public Enterprises should report to the Committee within 90 days after this report has been adopted progress made thus far in Eskom restructuring exercise. This is in consideration of the fact that the Eskom three separate entities (Generation, Transmission and Distribution) are expected to report separately as the end of the 2019/30 financial year.

6.6 The Minister of Finance should ensure that conditions on the 2020/21 budget allocation to Eskom be included on the primary legislation.

6.7 The Minister of Justice and Constitutional Development finalise the legislation and regulations relating to Cannabis in South Africa.

6.8 That the Minister of Health urgently intervenes in the Gauteng Province where there are delays in the registration of individuals on the national health insurance patient beneficiary registry because of, protracted negotiations with Gauteng provincial facilities and report to Parliament within 90 days after the adoption of this report.

6.9 That Parliament should ensure effective budget and performance oversight over the Executive to ensure timeous interventions where there is evidence of underperformance on non-financial and financial information.

7. Committee's Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Adjustments Appropriation Bill [B16 – 2019] (National Assembly: Section 77) referred to it and classified by the Joint Tagging Mechanism; reports that it has agreed to the Bill, without amendments.

8. Conclusion

The responses and implementation plans to the recommendations as set out in section 6 above by the relevant Executive Authorities must be sent to Parliament within 60 days of the adoption of this report by the National Assembly.

Report to be considered.

2. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE 2019 MEDIUM TERM BUDGET POLICY STATEMENT, DATED 3 DECEMBER 2019

Having heard and considered submissions and comments from identified stakeholders on the 2019 Medium Term Budget Policy Statement, the Standing Committee on Appropriations reports as follows:

1. Introduction

The Minister of Finance tabled the 2019 Medium Term Budget Policy Statement (MTBPS) on the 30th of October 2018 in terms of section 6 (1) of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (the Act) as amended by Act No. 13 of 2018 (the act). The MTPBS is a government policy document that communicates to Parliament and to the Country the economic context in which next year's national budget will be presented, along with government fiscal objectives and spending priorities over the medium term (three-year expenditure period). As required by section 4 (4) (b and c) of the Act, after the tabling of the MTPBS by the Minister of Finance, the Division of Revenue Amendment Bill (DoRAB) and the Adjustment Appropriation Bill (AAB) (the bills) were referred to the Committee for considerations and report to the National Assembly (NA). Amongst its responsibilities, as per section 6 (8) of the Act, the Committee is required to consider and report on the following:

- the spending priorities of national government for the next three years;
- the proposed division of revenue between the spheres of government and between arms of government within a sphere for the next three years; and
- the proposed substantial adjustments to conditional grants to provinces and local government, if any.

In an effort to deepen democracy, promote good governance, enhance public participation and involvement, the Committee invited the following stakeholders for submissions and comments on the tabled 2019 MTPBS;

- Financial and Fiscal Commission;
- Parliamentary Budget Office;
- Public Service Commission;

- Human Sciences Research Council; and
- South African Local Government Association;

In addition to the invited stakeholders, the Committee published an advert both on national and local newspapers from 3 to 8 November 2019 inviting the public to make submissions and comments on the 2019-tabled MTPBS and the following submissions were received:

- Pietermaritzburg Pensioners Forum;
- United Nations Children's Emergency Fund South Africa;
- Rural Health Advocacy Project;
- WoMin African Alliance and International Rivers;
- Organisation Undoing Tax Abuse;
- Congress of South African Trade Unions;
- Fields of Green for All; and
- Mr P Moss.

2. Economic Overview

The tabling of the 2019 MTBPS was preceded by release of the Quarterly Labour Force Survey (QLFS) data by Statistics South Africa on 29 October 2019. The released data painted a worrying and bleak picture about the ability of the South African economy to create jobs as it was reported that South Africa's unemployment rate increased by 0,1 of a percentage point to 29,1% in Q3 of 2019. According to the Quarterly Labour Force Survey (QLFS) released by Statistics South Africa, this is the highest unemployment rate since Stats SA started measuring unemployment using the QLFS in 2008.

On the economic front, current trade tensions has had a negative impact on the global economic outlook. The International Monetary Fund (IMF) estimates that global growth will contract by 0.8% in 2019, growing at an estimated 3% and reaching 3.4% and 3.6% in 2020 and 2021 respectively. Expected growth in the Euro Zone has been revised down by 0.4% and 0.3% in 2019 and 2020 respectively; mostly due to uncertainties' around the direction of Italy's finances and lower external demand in Germany. The Euro zone accounts for approximately 23% of all South African exports. Due to the trade wars, China's economic growth forecast has also been reduced, growing at 6.1% in 2019, and declining to 5.8% in 2020. Growth in India and China is expected to stabilise at 6.1% in 2019, whilst India's growth is expected to increase to 7% in 2020, China growth is expected to decline

to 5.8% for the same period. Brazil and Mexico's economic growth is forecasted to be at 0.9% and 0.4% in 2019, reaching 2% and 1.3% in 2020 respectively.
South African economic growth outlook has been revised down by 1% in 2019 by the National Treasury since the tabling of the 2019 national budget. South African growth forecast by the National Treasury stands at 0.5% in 2019, 1.2% and 1.6% in 2020 and 2021 respectively. The South African economy is expected to grow by 1.7% in 2022, supported by an increase in both household consumption spending and private sector investment. Furthermore, risks to growth remain skewed to the downside as a prolonged under-recovery in investment, disruptions in electricity supply, and labour unrest poses a big risk to the growth projections and economic activities. In a global perspective, the biggest risk is the slowdown in economic activities fuelled by the China-US trade tensions, the prolonged Brexit uncertainty, and the disorderly unwinding of monetary policy in advanced economies.

The 2019 MTBPS was tabled following a release of a discussion document by the National Treasury (titled: *Economic Transformation, Inclusive Growth, and Competitiveness Towards an Economic Strategy for South Africa sets out short and medium term growth reforms*), which presents an approach that the country must take in order to boost economic growth. The discussions document proposes some key ingredients that government must undertake in order to boost economic activities.

In the short-term period, the document proposes that the reforms that can be implemented immediately, without significant state resources are;

- Support tourism by reducing cost of traveling to South Africa, cutting red tape for small business in the tourism sector,
- Diversify power generation by granting licences for small scale power generation projects approved by the Minister of Energy,
- Expand telecommunications services by allowing the rapid expansion of fibre infrastructure, and
- Lowering the cost of doing business by automating registration and filing processes

In the medium term, the discussion document proposes that reforms that should be implemented are;

- Beginning immediately with transport, water, telecommunications, and industrial and trade policy in order to modernize and increase competitiveness, and
- Government must continue to work with private sector to strengthen investment;
    - The Infrastructure Fund's implementation unit has been established, housed within the DBSA

- Review of public private partnership regulation is under way to streamline approval processes and reduce implementation timeframes

It was against this background that the Committee decided to invite and have engagements with the identified stakeholders on the 2019 MTBPS.

3. Medium Term Expenditure Framework (MTEF)

Government proposes adjustments to the main budget spending plans over the medium term. Government's total main budget non-interest expenditure increase by R23 billion in 2020/21, and decrease by R8.2 billion in 2021/22. Key to these changes are:

- Increase in non-interest spending of R45 billion and R22 billion over the next two years, mainly due to the financial support to Eskom, and
- Reductions of R21 billion and R28.5 billion in 2020/21 and 2021/22 mostly from cutting goods and services, and current and capital transfers budget whist government employee compensation will be marginally revised down to CPI.

In total, government budget non-interest spending grows at 1.2 per cent in 2020/21, and 0.1 per cent in 2021/22 and in 2022/23, government non-interest spending is projected to grow in line with CPI inflation. As a share of GDP, government non-interest expenditure moderates from 28.4 per cent in 2020/21 to 27.4 per cent in 2022/23 including the contingency reserve of R6 billion per year over the medium term.

Over the medium term, government proposes to allocate 48.1 per cent of available non-interest expenditure to national departments, 43 per cent to provinces and 8.9 per cent to local government (*see table 1 below*). Government's non-interest expenditure over the medium term increases from R1.5 trillion to R1.7 trillion, at an annual average of 4.7 per cent. Over the same period, national government resources grow at an annual average of 2.3 per cent, provincial resources grow at an annual average of 6.1 per cent and local government resources grow by 6.2 per cent.

Table 1: Division of Revenue Framework

R billion	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Outcome		Revised	Medium-term estimates		
Division of available funds							
National departments	**555.7**	**592.7**	**634.4**	**742.8**	**757.4**	**766.2**	**796.2**
Provinces	**500.4**	**538.6**	**572.0**	**612.8**	**651.5**	**694.8**	**731.1**
Equitable share	410.7	441.3	470.3	505.6	541.0	576.7	607.6
Conditional grants	89.7	97.2	101.7	107.3	110.5	118.2	123.5
Local government	**102.9**	**111.1**	**118.5**	**127.2**	**132.4**	**143.0**	**152.2**
Equitable share	50.7	55.6	60.8	69.0	74.7	81.1	87.2
General fuel levy sharing with metropolitan municipalities	11.2	11.8	12.5	13.2	14.0	15.2	16.1
Conditional grants	40.9	43.7	45.3	45.1	43.7	46.8	49.0
Provisional allocations not assigned to votes	–	–	–	–	21.2	34.9	33.1
Projected underspending	–	–	–	-3.2	–	–	–
Total	**1,159.0**	**1,242.3**	**1,324.9**	**1,479.6**	**1,562.5**	**1,638.9**	**1,712.6**
Percentage shares							
National departments	48.0%	47.7%	47.9%	50.1%	49.1%	47.8%	47.4%
Provinces	43.2%	43.3%	43.2%	41.3%	42.3%	43.3%	43.5%
Local government	8.9%	8.9%	8.9%	8.6%	8.6%	8.9%	9.1%

Source: National Treasury (2019 MTBPS)

Government allocates funds in order to cater for its central policy objective of reducing poverty and inequality. Over the next three years, government will spend a total of R6.3 trillion, with 48 per cent of this amount allocated to social grants, education and health. Consolidated government spending is expected to increase from R1.8 trillion in 2019/20 to R2.2 trillion in 2022/23, increasing at an annual average of 6.3 per cent (*see table 2 below*). Non-interest expenditure is expected to grow at the same as the inflation rate in 2022/23.

Table 2: Consolidated government expenditure by function[1]

R billion	2018/19 Outcome	2019/20 Revised	2020/21	2021/22	2022/23	Average annual growth 2019/20 – 2022/23
			Medium-term estimates			
Learning and culture	**348.7**	**386.0**	**411.0**	**437.6**	**457.8**	**5.9%**
Basic education	246.1	262.8	279.5	300.1	315.7	6.3%
Post-school education and training	92.4	111.9	120.0	125.5	129.5	5.0%
Arts, culture, sport and recreation	10.2	11.4	11.5	12.0	12.7	3.8%
Health	**209.7**	**222.7**	**238.5**	**257.2**	**272.9**	**7.0%**
Peace and security	**198.2**	**214.3**	**224.9**	**233.5**	**243.8**	**4.4%**
Defence and state security	47.8	50.9	52.2	50.5	52.7	1.2%
Police services	97.0	104.8	111.3	117.9	123.6	5.7%
Law courts and prisons	44.9	48.7	52.1	55.2	57.7	5.8%
Home affairs	8.5	10.0	9.4	9.9	9.9	-0.3%
Community development	**187.7**	**200.2**	**213.3**	**230.2**	**245.1**	**7.0%**
Economic development	**192.3**	**205.8**	**217.5**	**235.5**	**251.1**	**6.9%**
Industrialisation and exports	32.5	36.8	39.1	44.0	46.2	7.9%
Agriculture and rural development	29.6	30.3	30.9	32.4	34.4	4.3%
Job creation and labour affairs	20.4	22.7	24.8	26.9	28.4	7.7%
Economic regulation and infrastructure	95.0	99.0	105.0	113.9	123.1	7.5%
Innovation, science and technology	14.9	17.0	17.7	18.3	19.0	3.9%
General public services	**64.4**	**67.0**	**71.3**	**75.5**	**77.5**	**5.0%**
Executive and legislative organs	13.9	16.0	16.5	17.2	18.1	4.2%
Public administration and fiscal affairs	42.6	43.4	46.8	50.1	50.8	5.4%
External affairs	7.9	7.6	8.0	8.2	8.6	4.2%
Social development	**254.1**	**277.1**	**295.6**	**312.9**	**331.3**	**6.1%**
Social protection	189.8	206.8	219.9	235.3	252.1	6.8%
Social security funds	64.3	70.3	75.6	77.5	79.3	4.1%
Payments for financial assets	**15.9**	**67.1**	**67.9**	**44.6**	**30.0**	**–**
Allocated by function	**1,471.0**	**1,640.3**	**1,740.0**	**1,827.0**	**1,909.8**	**5.2%**
Debt-service costs	181.8	203.7	232.8	264.6	299.1	13.7%
Contingency reserve	–	–	6.0	6.0	6.0	–
Consolidated expenditure	**1,652.8**	**1,844.1**	**1,978.7**	**2,097.5**	**2,214.9**	**6.3%**

Source: National Treasury (2019 MTBPS)

In the 2019 MTBPS, consolidated government expenditure is categorised by "expenditure by function group" namely;

- **Learning and culture:** Over the medium term, spending in the basic education sector continues to focus on eradicating pit latrines and unsafe school structures, providing learner and teacher

[1] Consisting of national and provincial departments, social security funds and public entities

materials, as well as improving early grade reading and mathematics. The Department of Higher Education and Training bursary programme for the poor and working class students will dominate spending in the post-school education and training sector. Student funding framework that will clarify food, transport and accommodation allowance will also be developed over the medium term. The construction of student housing at the University of Limpopo and North West, and the King Hintsa TVET College will be funded from 2019/20. Over a period of 10 years, the Department of Higher Education and Training, and Public Universities and TVET Colleges will provide 300 000 new beds.

- **Health:** the health function priority is to improve efficiency of service delivery, including improving the management of patient records by rolling out the Health Patient Registration System. Furthermore, the Department of Health has reprioritised funds within its 2019/20 budget to establish the NHI Office after the introduction of the National Health Insurance (NHI) Bill in Parliament earlier this year.
- **Social development:** over the medium term, priority is given to childhood development. Higher allocations to early childhood development grant in provinces will increase the per-child subsidy and broaden access. The increase will be financed through funds reprioritised from the transfer payment to the South African Social Security Agency (SASSA). Funds will also be reprioritised to the provincial equitable share to continue rolling out sanitary towels to learners from low – income households in the poorest schools (quantiles 1, 2 and 3).
- **Community development:** This function group funds access to water, sanitation, electricity, and shelter for households, and subsidies to the cost of public transport. Over the medium term, the local government equitable share, which is the largest component of this expenditure function, will increase to fund free basic services and some administrative costs in municipalities. Over the medium term, funds will be reprioritised from the human settlement development grant, the urban settlement development grant, the municipal infrastructure grant, the regional bulk infrastructure grant and the water services infrastructure grant in order to protect water quality by restoring and upgrading the wastewater infrastructure at Emfuleni municipality. Transfers to the Passenger Rail Agency of South Africa will continue to fund rail modernisation.
- **Economic development:** this expenditure function group aims to create jobs and increase inclusive and sustainable economic growth. Over the medium term, it focuses on agriculture, land reform, innovation and industrial development. Over the medium term, funding will be reprioritised including from the comprehensive agricultural support programme grant to increase compliance with biosecurity, animal and plant health, and phyto-sanitary and sanitary standards to improve trade in agriculture. Government will also strengthen the Industrial Park Revitalisation

Programme with reprioritised funds to develop local economies through industrial parks. Over the medium term, funds will also be allocated to post settlement support on the Land Restitution Programme in collaboration with agricultural commodity organisations. The Department of Small Business Development will implement a new operational model to improve support to small and medium sized enterprises.

- **Peace and security:** this expenditure function group aims to fight crime and ensure territory integrity. Over the medium term, its priorities are to improve efficiency and integrate interventions across different departments and entities within the justice, crime prevention and security clusters. From the 2020 MTEF, funding will be reallocated from the South African Police Services to other department and entities within this function group to implement the Integrated Criminal Justice Strategy. Funds will be reallocated to the Directorate for Priority Crime Investigation to appoint additional investigations to address the backlog of corruption cases and to the department of defence and home affairs to enhance border security.
- **General public services:** this expenditure function group aims to build professional state to transform and develop South Africa. Over the medium term, additional funding is proposed for the South African Revenue Services (SARS) to rebuild capacity, improve operations, and implement critical projects and the recommendations of the Nugent Commission. Additional funding is also proposed for the Auditor General of South Africa (AGSA) to support audits in financially distressed municipalities and entities. Furthermore, support is recommended in 2020/21 for Statistics South Africa to conduct survey to update the CPI basket of goods and services in line with international standards.

4. Managing and reforming state-owned enterprises

Over the medium term, government will manage the huge risk to the economy and the fiscus associated with Eskom. In response to the risk posed by Eskom, National Treasury and the Department of Public Enterprises are closely working with Eskom to separate Eskom into three Entities (generations, transmission and distribution) as announced by the President in the 2019 State of the Nation Address (SONA). In order to stabilise Eskom, in the short-term government has made a provisional support of R49 billion to Eskom in 2019/20, R56 billion in 2020/21 and R33 billion in 2021/22. However, these figures are dependent on Eskom being able to issue debt and should the entity fail to issue debt, government might be called upon to provide further support to the entity.

Other state owned companies are also adding spending pressures on government as funding to the South African airways, the South African Broadcasting Corporations, Denel and South African

Express amounts to R10.8 billion in 2019/20. The South African Airways is anticipated to generate less revenue to sustain its operations, and it is anticipated to fail to repay its R9.2 billion in government guaranteed debts. Consequently, government will pay this debt over the medium term in order to honour its contractual obligation and there is consensus in government that urgent operational changes are required in SAA.

5. Fiscal risks

In engaging with government's proposed spending plans for the 2019 MTEF, the Committee notes the following main risks to the medium-term fiscal outlook as reported in the 2018 Risk Statement:

- **Macroeconomic risk:** this includes uncertainty of nominal GDP and revenue growth over the medium term, debt sustainability under different macroeconomic scenarios, and the impact of larger deficit and macroeconomic shocks on financial requirement;
- **Expenditure risk:** this include unpaid bills and accruals within provincial and local government, unfavourable wage bills significantly above CPI inflation, and worsening financial management in municipalities;
- **Contingent and accrued liabilities:** this include the quality and quantity of state owned companies guarantee exposure, state owned companies debt obligations falling due over the next decade; and
- **Long-term economic and financial risk:** this include reduction in economic growth potential, and the effects of demographic changes, lower potential growth and lower inflation on sustainability of expenditure.

6. Submissions on the 2019 MTBPS

This section provides an overview and summary of all the submissions from identified and interested stakeholders on the 2019 MTBPS;

6.1 Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) supported the thrust of the 2019 MTBPS, noting that, overall, it reflected the major sentiments of the recommendations that the FFC had been making in the past decade, that growth and employment in South Africa could only be achieved by combining fiscal reprioritisation and consolidation through restructuring and good governance. Regarding government expenditure, the FFC endorsed the implementation of measures announced to contain the wage bill, like freezing of salary increase, but felt that these initiatives should be extended to state-owned entities (SOEs) and local government. The FFC had previously advised that wage increases should be linked to productivity. The Commission reported that capital investment was not growing commensurately with government's thrust of infrastructure-led growth and initiatives meant to grow the economy.

According to the FFC, the division of revenue amongst the three spheres over the MTEF would generally be characterised by a nominal increase, but negative real annual average growth, projected at minus 0.5 percent. The main driver of this negative growth was allocations to the national sphere (projected to grow by minus 2.9 percent). Allocations to the local and provincial spheres had been prioritised due to the importance attached to the provision of education, health and municipal basic services such as electricity, water and sanitation.

The Commission further noted the new district-based service delivery approach introduced by government, which was meant to improve coordination and planning among national, provincial and local government. This approach would have implications for the 2020 MTEF allocations, as there would be a need to align the government-funding model to the new delivery model. While welcoming the new approach, with the potential to ensure integrated service delivery, the Commission emphasised the need for government to consider and address the current weaknesses, particularly in district municipalities, of which more than 60 per cent were dysfunctional and poorly capacitated.

Local government was set to receive a total allocation of R427.7 billion over the 2020 MTEF, which was R20.5 billion less than the allocation announced in the 2019 Budget. This comprised a downward revision of the sphere's percentage share from 9.0 to 8.6 percent and 9.2 to 8.9 percent in 2020/21 and 2021/22, respectively. The FFC cautioned about the implications of cuts on service delivery and was of the view that, considering the declining share of local government allocations from the nationally raised revenue, government must prioritise own-revenue raising capacity in local government. In its 2020/21 Annual Submission on the Division of Revenue, the FFC had isolated supplementary revenue sources for local government that municipalities could exploit.

The total local government equitable share (LGES) allocation was envisaged to increase from R127.2 billion in 2019/20 to R132.4 billion in 2020/21; and R152.2 in the 2022/23 financial year. The Commission welcomed the nominal increase in the allocations, but remained concerned about the projected decline in the real growth rate, as it may have an adverse effect on service delivery to communities.

The conditional future allocations to local government, totalling R139.4 billion over the 2020 MTEF, was reportedly R3.2 billion less than projected in the 2019 Budget. Following an increase in the real growth rate of local government conditional grants in 2020/21, a decline of 0.6 per cent was expected for the 2022/23 financial year. The Commission indicated that it would like to see a reprioritisation towards local government relative to the other spheres; and was of the view that the proposed reductions should be implemented with caution, to ensure that service delivery was not adversely affected. The FFC further emphasised the need to consider past performance of each grant and avoid cutting on infrastructure grants as they were key for future service delivery and economic growth.

The Commission further reflected on allocative efficiency, challenges and opportunities within the key priority areas of infrastructure, health and higher education. According to the FFC, the effect of infrastructure spending on South African growth was moderate and public infrastructure delivery management was relatively weak, holding back potential investment returns to the economy. The FFC pointed to the need to build the required government capacity to manage infrastructure projects effectively in order to ensure that economic benefits associated with capital investment were realised. While the newly introduced Budget Facility for Infrastructure Planning and Infrastructure Fund supported developments, the Commission was of the view that national infrastructure delivery improvement interventions should not disincentives capacity development within provincial and local government. The FFC further reported that the Department of Health was allocated an adjusted budget of R222 billion in the 2019 MTBPS – an 8 percent increase from 2018. However, the Department had declared unspent funds of R346 million, of which R240 million, or 69.4 percent was in respect of the NHI Indirect Grant. The Commission also expressed concerns over the statement in the MTBPS that the estimates to roll out the NHI as planned, were no longer affordable. The FFC further reported that post-school education and training remained one of the major fiscal pressures for government due to growing demand for university and college education. The Commission was of the view that funding for higher education should be underpinned by a comprehensive fee-free higher education policy.

Regarding contingent liabilities and state-owned entities (SOEs), the FFC reported that contingent liabilities would reach an estimated R1.015 trillion in 2021/22, constituting almost a third of government’s net loan debt. Guarantees to SOEs would reach an estimated R552 billion in 2019/20, accounting for more than a third of the total government contingent liabilities, and constituting a major risk to the fiscus. Guarantees to Eskom were estimated to account for 56 percent of the total government guarantees to SOEs. The 2019 MTBPS revised in-year expenditure upwards by R44.5 billion. The largest component of this revision (R36.8 billion) was allocated to financial support for SOEs: R26 billion for Eskom; R5.5 billion for SAA; R3.2 billion for the SABC; R1.8 billion for Denel; and R300 million for SA Express Airways. These bailouts were substantially accelerating government debt. The high level of contingent liabilities and the high probability of a significant number of these contingent liabilities materialising represented a risk to South Africa's sovereign credit rating. Several SOEs were not able to sustain themselves financially, with Eskom, Denel, SAA, SAPO and SABC all posting losses for at least two successive years. The biggest of these being Eskom who had posted a cumulative loss of R23.1 billion between 2017/18 and 2018/19.

Following government's announcement that Eskom would be separated into three entities to facilitate cost efficiencies; a special paper now set a two-phase timeline for restructuring Eskom – first the separation of the generation, transmission and distribution functions into separate, wholly owned subsidiaries with independent boards by 31 March 2020. Secondly, the completion of the legal separation of distribution and generation functions by 31 December 2021. The Commission was of the view that the Eskom plan was the first step in the right direction in restructuring Eskom as it articulated how Eskom would relinquish its monopoly of the electricity industry and pave the way for private generators to supply the national grid. The FFC supported this reform because it was likely to enhance efficiency and cut costs. However, the plan did not contain certain crucial details. The Commission felt that there should have been an analysis and comparison of the options, including the costs and benefits of Eskom unbundling, in order to evaluate the true financial and economic value; particularly regarding the transition from the existing dependence on fossil fuels to the mix of energy sources. In addition, an analysis of cost pressures relating to the transitioning of the staff contingent and the procurement of goods and services, which the Commission deemed critical, has not been incorporated in the plan. The FFC reported that the MTBPS did not provide details on Eskom's R441 billion debt management measures, but did set several preconditions before debt relief would be considered. The Commission emphasised the need for such preconditions to any debt relief to ensure that the structural reforms undertaken by SOEs were implemented.

6.2 Parliamentary Budget Office

The Parliamentary Budget Office (PBO) commented on the strategic direction for the MTBPS and highlighted that there was no mention of the Mandate Paper since its introduction in 2017. Furthermore, the PBO submitted that the 2019-2024 Medium Term Strategic Framework (MTSF) for the second phase of implementation of the NDP has not yet been published. The 2019 MTBPS is based on the 2019 SONA which identified the following strategic priorities:

- Economic transformation and job creation;
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services;
- Spatial integration, human settlements and local government;
- Social cohesion and safe communities;
- A capable, ethical and developmental state; and
- A better Africa and world.

The PBO further submitted that the 2019 MTBPS did not offer a lot in terms of macroeconomic analysis and solutions to the current economic downturn. The PBO felt that government overlooked its potential role in driving economic growth through the budget instruments and fiscal and monetary policy. The successful implementation of programmes for the ambitious sectoral goals would only have a small impact on investment, employment, economic growth, revenue collection, and the debt-to-GDP ratio over the 2019 MTEF. The PBO further cited business and society as being potential constraints to the achievement of National Treasury's sectoral goals. It submitted that the public sector through budget spending can contribute directly to the GDP and also spur more private sector consumption and investment as well as support multiplier effects.

The PBO further gave an overview of the Public Sector Wage Bill. The PBO questioned whether government was willing to reduce the public sector headcount only for the sake of reducing expenditure without assessing the possible impact this may have on service delivery, the attraction of highly-skilled professionals and unemployment. The PBO submitted that public sector workers accounted for a relatively larger segment of the income tax base as they comprise a larger share of the workforce the earnings tend to be higher than in the private sector. Furthermore, the South African tax base is potentially more sensitive to public sector pay policy decisions.

6.3 Public Service Commission

The submission by the Public Service Commission (PSC) highlighted areas where the public service could be strengthened in order to improve efficiency, effectiveness and attainment of value for money towards the achievement of government priorities as per the 2018 MTBPS. These include:

a) Strategies available to significantly improve management practices in the public service

The Public Service Commission (PSC) proposed the following strategies to improve management practices:

- Political and administrative interface: there is a need for stability at the political and administrative interface for consistency and sustainable service delivery.
- Delegations: the delegation of powers and duties should be made to appropriate performance levels within the public service to fast track service delivery and decision making.
- Planning, coordination and costing: government should have detailed and integrated planning across all spheres of government for effective implementation of programmes supported by proper costing over the Medium Term Strategic Framework (MTSF) cycle.
- Reconfiguration of government: the finalisation of this process should streamline functions (avoid duplications) and ensure that more is done with less.
- Organisational performance: there should be better support systems for under-performing departments to ensure effective and consistent delivery of services to all citizens (value chain and interdependencies).
- Human Resources Management: there is a need to ensure improved productivity of the public service workforce and balanced with a reskilling and re-training approach.

b) Governance issues across the public service

The PSC analysed compliance with financial disclosure framework, financial misconduct, payment of invoices, precautionary suspensions, performance vs expenditure, and the percentage of targets achieved vs Senior Management Service (SMS) performance rewards. The PSC reported that 97 per cent of the national departments complied with the submission of forms for the financial disclosure framework for SMS employees in 2018/19. This represents an increase from 93 per cent in 2017/18. The Executive Authorities who failed to submit the forms for financial disclosure framework, after submission by the Heads of Department, to the PSC relate to the following departments or entities:

Agriculture, Forestry and Fisheries, Communications, Defence, Energy, Health, National School of Government, Public Service and Administration, Military Veterans and the State Security Agency.

The PSC reported that there has been a reduction in the number of completed cases for financial misconduct from 387 in 2017/18 to 351 in 2018/19. Furthermore, there has been a significant increase in the amounts not recovered in relation to financial misconduct from R4 million in 2017/18 to R184.9 million in 2018/19. Furthermore, the PSC submitted that there seemed to be no correlation between the number of financial misconduct cases and related costs with the latest information from the Auditor General South Africa (R61.4 billion) in terms of irregular and wasteful expenditure.

The PSC reported on the payment of invoices by departments and indicated that the number and rand value of invoices not paid in the first six months of the 2019/20 financial year was a cause of concern. The following departments were the main transgressors in terms of unpaid invoices: Water and Sanitation (488 invoices – R851.4 million); Public Works (266 invoices – R235.8 million); Agriculture Forestry and Fisheries (77 invoices – R19 million); Social Development (17 invoices – R4.5 million; and Women (1 invoice – R1.7 million).

The PSC gauged the efficiency of HR processes in departments by assessing the number of people suspended and the duration of the suspensions for the 2018/19 financial year. There was a decline in the number of people suspended (from 693 in 2017/18 to 665 in 2018/19) as well as the number of people whose suspensions exceeded 30 days (from 545 in 2017/18 to 473 in 2018/19). There was also a decline in the related costs to the precautionary suspensions from R73.364 million in 2017/18 to R50.725 million in 2018/19.

The PSC also provided an analysis of expenditure outcomes versus the achievement of planned targets for all national departments for the 2018/19 financial year. The ten lowest performing departments in terms of planned targets were Energy (28 per cent); Military Veterans (44 per cent); Public Works (45 per cent); Social Development (46 per cent); Health (49 per cent); Defence (56 per cent); Rural Development and Land Reform (58 per cent); Small Business Development (65 per cent); Environmental Affairs (66 per cent) and The Presidency (67 per cent). The PSC also provided a breakdown of the national departments which have spent their budget allocations at a rate below the norm of 98 per cent at the end of the 2018/19 financial year as follows:

- Military Veterans – 86.4 per cent
- Environmental Affairs – 90.7 per cent

- The Presidency – 90.8 per cent
- National Treasury – 93.4 per cent
- Labour – 94.0 per cent
- Civilian Secretariat for Police – 94.4 per cent
- Social Development – 94.6 per cent
- Traditional Affairs – 95.1 per cent
- Small Business Development – 95.4 per cent
- Women – 96.4 per cent
- Planning, Monitoring and Evaluation – 96.5 per cent
- International Relations and Cooperation – 97.0 per cent
- Government Communications and Information Systems – 97.1 per cent
- Economic Development – 97.3 per cent
- Public Service and Administration – 97.4 per cent

The PSC also made an analysis in terms of the percentage achievement of departmental performance versus SMS performance rewards. The table below provides an overview of the top four departments whose overall performance was low and have given SMS members performance rewards during the 2018/19 financial year.

Departments	**No of targets achieved vs planned targets**	**Percentage achieved**	**No of SMS members who received performance rewards vs No of SMS**	**Percentage of performance rewards received by SMS members**
Energy	11 /39	28%	3/60	5%
Defence	59/105	56%	72/279	26%
Environmental Affairs	88/134	66%	146/176	83%
The Presidency	20/30	67%	17/54	31%

Source: Public Service Commission 2019

c) Opportunities for efficiency, effectiveness and value for money

Regarding opportunities for efficiency, effectiveness and value for money, the PSC assessed the costs incurred by departments for the use of consultants' services. The table below reflects the top ten departments with the highest costs for the use of consultants in the 2017/18 and 2018/19 financial years.

Department	2017/18		2018/19	
	Number of consultants	**Consulting costs**	**Number of consultants**	**Consulting costs**
Rural Development and Land Reform	Not provided	R736 500 000.00	43	R404 687 000.00
Telecommunications and Postal Services	16	R3 018 913.00	25	R138 208 412.00
International Relations and Co-operative Government	11	R210 936 756.96	11	R121 889 632.96
Transport	28	R20 813 629.62	34	R82 081 158.79
Environmental Affairs	130	R40 511 234.90	122	R81 024 855.25
Defence	Not provided	R80 404 464.03	15	R76 806 307.29
Office of the Chief Justice	93	R82 615 595.89	6	R48 302 993.29
Trade and Industry	173	R40 057 236.16	167	R29 495 656.18
Home Affairs	17	R54 750 128.00	33	R26 080 914.60
Tourism	Not provided	R26 793 395.78	Not provided	R15 590 297.50

Source: Public Service Commission 2019

6.4 Human Sciences Research Council

The Human Sciences Research Council (HSRC/Council) in its submission gave an overview of the findings on its attitudinal survey on issues of democracy, corruption, xenophobia, Fourth Industrial Revolution, and South Africa's energy mix. It identified the Public Sector Wage Bill, State-Owned Entities, and low economic growth as pressure points to the 2019 MTBPS. It further gave an assessment of National Treasury's New Economic Plan and commented on the changing dynamics in the South African economy with specific reference to urban-rural dynamics and understanding city-economics. In terms of health, the HSRC made the following recommendations in order to improve efficiency of the Antiretroviral Treatment (ARV) service delivery:

- Investment in interventions directed at school age children to be aware of their HIV status;
- Improve health services to enable school age children to access chronic medication;
- Investments in research and development of interventions targeting Non-communicable diseases more comprehensively;
- Investments on research on youth risks including tobacco, alcohol and other drugs, sedentary behaviour, overweight including obesity and under nutrition;
- Investments in interventions on girls vulnerable to violence and poor mental health conditions;
- High demand of HIV self-testing and ART outside the clinic allows you to reach hard to reach people living with HIV; and
- Community based approaches in partnership with government are convenient, personalised, responsive and acceptable and reduce access barriers to comprehensive health care.

In terms of the NHI, the HSRC recommended that there be significant investments in public sector capacity building and implementation research that focus on recalibration of NHI costs and sustainability assessments, service delivery platforms, quality of service improvements, strategic purchasing, and impact on access, financial protection and outcomes.

In terms of education, the Council submitted that it was important for government to get the basics right, i.e. reading, writing, numeracy, and reasoning as the core skills as a foundation. South Africa needs to continue improving the scores in maths and literacy, alongside improved teacher skills and schools infrastructure. The Council submitted that investing in infrastructure was a priority for instance the eradication of pit latrines. It was further of the view that graded reading resources in indigenous languages was planned but critical for improving children’s performance.

With regard to the Public Sector Wage Bill, the HSRC submitted that the public service sector was the cornerstone of a country’s economic and social development and that random across the board job freezes and salary caps were unhelpful. To this end, it suggested that government should rather implement needs audits/reviews of departmental/entity spending according to national priorities. The HSRC alluded to the Public Service Sector Education and Training Authority 2018/19 study on the skills needs of the public service which revealed the following:

- A number of posts had been frozen and perks cut as a way of containing the wage bill however this resulted in under delivery; and
- Non-performing incumbents in positions act with impunity due to their perceived job security based on political connections.

In terms of youth employment/livelihoods, the HSRC suggested there was a need for a systematic analysis of the impact of technology on the future of work for young people, and to prepare for this new reality. Furthermore, there was a need to think about new sectors in which young people are likely to find employment, work and make livelihoods. It further submitted that TVETs need to be reimagined in order to make it more appealing and innovating and that coherent strategy was needed to support young people's microenterprises.

6.5 South African Local Government Association

The South African Local Government Association (SALGA) was of the opinion that the 2019 MTBPS reinforced the principles of open and accountable fiscal and budget processes, but indicated that the financial resources allocated to municipalities were insufficient. This was complicated by the current state of the economy, especially limited tax revenues, retracted economic growth and rising debt levels. SALGA noted the key concerns listed, and the turnaround initiatives proposed, in 2019 MTBPS; but cautioned that future tax increases could overburden the people who were currently paying their taxes, and that a public sector salary freeze could lead to a severe skills drainage.

SALGA reported that the local government equitable share (LGES) would be cut by approximately R3 billion over the MTEF, mainly due to the poor performance on national revenue collection. Conditional grants would be cut by approximately R14 billion over the MTEF, or on average 11 percent over the three year period. The Urban Settlements Development Grant and the Public Transport Network Grant were receiving the largest cuts on scale, with capacity building grants receiving the lowest projected cuts. Poor performance had contributed to reductions in other grants, like the Regional Bulk Infrastructure Indirect Grant and Water and Sanitation.

Regarding the current state of local government finances, SALGA reported that an increasing number of municipalities were in financial distress, had negative cash positions and adopted unfunded budgets. Some municipalities had inherited major debt obligations from newly incorporated municipalities. The amalgamation of municipalities had not resolved the challenges of unviability of some municipalities, but rather created larger and even more unviable structures. The cost base of local government had been significantly increased over the past ten years, without a concomitant increase in the revenue to finance these additional costs. Additional costs came from additional responsibilities, reporting and compliance. In some instances, the cost of providing basic services exceeded the LGES, due to factors like, topography; location; and distance from economic centres, among others. In addition, consumption of indigents sometimes exceeded free basic services, particularly in instances of yard connections.

SALGA was of the view that the under-funding of local government over the MTEF, coupled with the current state of local government finances, would have a detrimental effect on the local economies, job creation and social well-being of communities; which would in turn result in municipalities' own revenue sources declining. SALGA proposed that the funding gap be filled by a combination of the following:

- A higher allocation of nationally raised revenue to local government;
- Restructuring conditional grants;
- A review of municipal demarcation to focus on financial viability;
- A concerted campaign to reduce distribution losses;
- National incentives to enforce commercial customers to settle their debt;
- The reduction of the reporting/compliance burden;
- Removing Eskom from the municipal electricity distribution market;
- Addressing confusion over the respective powers and functions of local government and other spheres; and
- Requiring other parts of government to settle their outstanding accounts with local government, and to pay their accounts timeously.

SALGA further reported that both potential and actual own revenue collected, fell far short of the assumptions of the 1998 White Paper. The relative share and value of service charges income also differed from the assumptions made in the White Paper. The most outstanding feature being the contribution of electricity, given that Eskom supplied electricity directly to 50 percent of households despite this being regarded by SALGA as a constitutionally municipal function. A rising debtors' book reflected the challenges of revenue collection, with organs of state owing municipalities R10.2 billion at 30 June 2019.

SALGA further indicated that it found the current structure of conditional grants counterproductive as it failed to address the actual needs in municipalities and forced them to prioritise programmes that did not reflect local priorities, resulting in further service delivery backlogs. Regarding infrastructure, SALGA indicated that poor maintenance was creating a huge contingent liability and in turn undermining current service delivery efforts. Other conditional grant challenges mentioned were fiscal dumping and capacity building failures by national and provincial government.

SALGA further reported that it was in the process of developing proposals on the district-based delivery model. There was a need for a long-term sustainable funding model for district municipalities, based on the outcomes of the review of their functions being undertaken by the Department of Cooperative Governance. Further investigation into the possibility of implementing a shared service model approach, including a multi-jurisdictional municipal service district revenue collection agency could also be beneficial to the sector.

SALGA further indicated that, as part of the technical team supporting the Inter-Ministerial Task Team; it has been tasked with finding sustainable solutions to the debt problem for both electricity and water. The recommendations in this regard included the installation of prepaid metres; independent revenue collectors for municipalities; a government-wide campaign to encourage a culture of payment for municipal services; strict management of payment default; fixing municipalities to ensure the sustainability of services and finances; and the restructuring of debts. SALGA also formed part of the National Intergovernmental Debt Task Team, but reported that there was very little commitment from national and provincial government to settle escalating debts.

Regarding initiatives to address poor municipal audit outcomes, SALGA reported that it had been analysing and unpacking the reports of municipalities with disclaimer audit outcomes and assessing whether municipal audit improvement plans were appropriate and suitable. SALGA has also been developing customised support plans for these municipalities and identified certain transversal areas of concern requiring support. These included record, supply chain, and asset management; and Councillor Oversight on financial management. SALGA acknowledged that a lack of accountability and consequence management were key drivers of the poor audit outcomes. In this regard, it has developed a Consequence and Accountability Framework to reinforce and bolster the message of the Auditor-General for improved accountability and consequence management.

In conclusion, SALGA listed issues to be considered in preparation for the tabling of the 2020 Budget. These included amongst others; reconsidering the White Paper assumptions and reviewing the current funding model for local government; reconsidering the LGES to reflect the actual cost of providing services; reviewing the conditional grant framework to make it more flexible, cost-effective and efficient. Furthermore, SALGA proposes that a serious consideration be made in addressing the debt owed to municipalities, especially by other organs of state; consider the impact of amalgamations on financial viability; consider the impact of the current Eskom distribution model on municipal financial viability; and conducting a detailed investigation of the costs, benefits and efficacy of the existing municipal regulation, reporting and compliance framework.

6.6 Pietermaritzburg Pensioners Forum

The Pietermaritzburg Pensioner's Forum (PPF) recommended a substantial increase on their monthly state old-grant (Currently valued at R1 780.00) and further require a bonus in December that is equal to a double to their monthly pension (13th Cheque). They further expressed disappointment at the R80 per month increase to the old age grant and they view that as not being taken serious by the Government. The PPF submitted that it has made numerous written and oral submission on the budget to Parliament Committees in the past two years and the further wrote letters to National Treasury, President and the ANC caucus regarding their plight but in vain. This was despite actions from previous Committee Chairperson's recommendations to the National Treasury to increase their grants with a substantial amount through the reprioritisation expenditure, but the Government chose to increase it with only R80 which is lesser than the previous year increment of R100 and still could not meet their request of 13th Cheque. The PPF submitted that the R80 increment does not seek to address challenges faced by pensioners i.e. increased VAT, increase on fuel prices, unemployment which affects their children and higher food inflation.

6.7 United Nations Children's Emergency Fund South Africa

The United Nations Children's Emergency Fund (UNICEF) submitted that expenditure will continue to be reduced for programmes and services that benefit children directly and South Africa is fast approaching the end of its demographic dividend window. It further posited that underspending by social sector departments remains a major problem and this required independent and urgent examination and action. UNICEF beliefs that innovation in service delivery models in social protection, basic education and health must be actively supported in spite of its medium to long terms benefits. It further submitted that in an environment of dwindling resources for children, there is a need for collaborative work across government departments. UNICEF recommended the following in terms of the 2020 MTEF:

- Increase expenditure on cash transfers to households and children by a rate which is higher than inflations;
- National Treasury should public a report of the initiatives undertaken by national government to arrest growing spending arrears in social sector departments;
- Reading pilots in basic education should be completed and costing framework should be developed in order to scale up the pilot;
- Developmental social welfare should be strengthened especially in a depressed fiscal climate;
- The implementation of the Early Childhood Development policy should be expedited through the removal of resource constraints, improvements in intergovernmental co-ordination, and effective stakeholder engagements.
- A concrete breakdown of the next steps for the implementation of the NHI programme should be provided.

6.8 Rural Health Advocacy Project

The Rural Health Advocacy Project (RHAP) made the following recommendations on the 2019 MTBPS:

- In order to mitigate the effects of austerity on people living in rural settings, particularly women, we recommend a rural adjuster is included in budgeting guidelines that National Treasury issues to Provinces;
- Regarding spending performance against budgeted allocations, the Appropriations Committees gives considerations on newer policy reforms and where these is evidence

of underspending, such as with the NHI, these spending may be improved by systematic Human Resourcing approach worked out between the relevant sector department and DPSA, that could include seconding experienced officials with proven track records, and which would also support succession of promising upcoming officials within departments;

- The Appropriations Committees engage National Treasury to request that the strategy to reform health grants prior to implementing NHI, entails assessing spending performance against key priorities for the department and includes understanding the driving factors that led to underspending on the current grants;
- That employing new community health workers in rural areas should be prioritised and that the Appropriations Committees should request both the National Department of Health and Provincial Departments of Health to develop and publish a plan to support their integration into the Primary Healthcare System;
- That the Appropriations and Finance Committees consider reigniting the Women's Budget Initiative that prepared women and children's budgets;
- The antiretroviral treatment programme is progressing somewhat slower than anticipated, with 4.8 million recipients against a target of 5.8 million. The uptake is particularly slow among children and men, compared to women. RHAP recommends that the Appropriations Committees ask the Department of Health what it intends to do to meet the target after declaring underspending in that programme.
- That the Appropriations Committees engage National Treasury to request that all health infrastructure projects being considered are published and the Budget Facility for Infrastructure develop a mechanism to prioritise rural infrastructure in order to address infrastructure inequality gap.

6.9 WoMin African Alliance and International Rivers

WoMin and International Rivers made a joint submission on the 2019 MTBPS and expressed concerns about the spending priorities of national government over the 2019 MTEF. The submission focussed specifically on the allocations towards the Department of Mineral Resources and Energy (the Department) for the Grand Inga Dam project. The stakeholders reported that the Department's budget made no mention of the Grand Inga Dam Project. However, the Department will incur expenditure on this due to the Treaty entered into between RSA and the Democratic Republic of Congo, the 2011 Memorandum of Understanding, the

2019 Integrated Resource Plan (IRP), and the Vote 26 allocation towards Foreign Governments and International Organisations (Clean Energy programme). The stakeholders further submitted that government has committed to this project without there being any independent South African project appraisal and risk assessment into the project. Furthermore, it was submitted that this was not a least cost electricity generation option, according to IRP 2019. The following recommendations were made in this regard:

- That the Committee recommends to the National Assembly that the Department of Mineral Resources and Energy disclose what part of its budget is to be spent on the development of the Grand Inga Dam project, before the said funds are approved.
- That the Committee recommends to National Treasury's Budget Infrastructure Facility conduct a comprehensive project appraisal and rigorously assess the feasibility, risks, and proposed financing arrangements.
- That the Department of Mineral Resources and Energy act in a more transparent manner, providing adequate information to the public and Parliament as to its intentions and decisions being taken regarding the proposed infrastructure investments.
- That no funds or loan guarantees be approved for expenditure on the Grand Inga Dam project until Eskom has demonstrated that it is a financially stable State Owned Enterprise.

6.10 Organisation Undoing Tax Abuse

The Organisation Undoing Tax Abuse (OUTA) generally supported the 2019 MTBPS, in that it prioritised the need to lower our sovereign debt, narrow the budget deficit and increase the impact of targeted expenditure. However, OUTA was of the opinion that the ongoing financial collapse of State-Owned Entities (SOEs), as a result of poor leadership, mismanagement, and corruption, meant that the cost of servicing Government's net loan debt was increasing at a rate that threatened to push aside targeted social expenditure, such as fee-free higher education and the proposed National Health Insurance. OUTA reported that bailouts to SOEs absorbed 80 percent of the unexpected upward revision of expenditure announced in the 2019 MTBPS. Adding this year's initial Eskom bailout of R23 billion, bailouts for 2019/20 alone amounted to R59.8 billion. This was more than the entire budget for the Department of Health; more than double that of the Department of Basic Education budget; and more than the combined Human Settlements and Water and Sanitation budgets. OUTA welcomed the stated intention to "merge and consolidate entities and regulatory agencies, as well as consider salary controls at a wider range of public entities". However, it was of the view that there was no indication that the underlying causes of the dismal state of SOEs were being effectively addressed. OUTA submitted that, where bailouts were unavoidable, it was essential to attach harshly regulated conditions and that these were to be made public.

OUTA was of the view that strict, effective oversight was needed in order to improve government finances and cause taxpayers to feel less aggrieved over the wastage and having to fund bailouts. OUTA submitted that the Auditor-General's (AG's) report on national and provincial government finances and on some of the big SOEs, provided documentary evidence of widespread and entrenched financial mismanagement and dishonesty; as well as the failure of National and Provincial Executives, Parliament and Provincial Legislatures to carry out effective oversight. OUTA highlighted the huge amounts of irregular, unauthorised, fruitless, and wasteful expenditure by SOEs in 2017/18, reported by the AG, and requested Parliament to leverage its power to ensure that consequences were enforced with immediate effect to initiate a culture of discipline and compliance with public finance management legislation at all levels of government. OUTA proposed that the relevant parliamentary committees demand in-year financial reporting for those SOEs considered essential for the public interest; and that those entities that were not essential, or could not be turned around, be strategically foreclosed or wound down. These strategic cost-cutting avenues, might increase our prospect of fiscal sustainability and economic sovereignty. OUTA further asked which non-core assets government was considering selling to raise R7 billion towards the SOE bailouts. With regard to SANRAL's financial problems mentioned in the MTBPS, OUTA indicated that it intended to make a substantive submission to the Standing and Select Committees on Appropriations and the committees on transport on the subject of SANRAL's financial model.

Regarding local government, OUTA questioned the research on which the Municipal Fiscal Powers and Functions Amendment Bill, announced in the MTBPS, had been based. OUTA was of the view that consumers were already overburdened with municipal service charges, and that this was unlikely to improve the financial stability of municipalities. OUTA further mentioned the reference in the MTBPS to 126 municipalities that had passed unfunded budgets for 2019/20, and welcomed National Treasury's instruction to these municipalities to remedy the situation by 15 November or face withholding of future transfers of the equitable share. OUTA requested an update on the results of Treasury's instruction to the 126 municipalities; and also expressed concerns that some of these municipalities had passed updated budgets which failed to make adequately provision for Eskom and water board arrears, or even for current payments.

6.11 Congress of South African Trade Unions

The Congress of South African Trade Unions (COSATU) expressed disappointment with the MTBPS; saying it failed to present any serious or clear plans to address the worst economic crisis since 2008 and the serious threats faced by government and the SOEs. In light of the high unemployment, COSATU felt that a clear plan (inclusive of targets, time frames and resource allocation) by all departments, provinces, municipalities and SOEs was needed to ensure that government met its Presidential Jobs and Investment Summit commitments. COSATU further asked for a commitment to engage the South African Reserve Bank on measures to support economic growth and job creation whilst managing inflation levels. COSATU further submitted that much of workers' expectations for the MTBPS had rested upon government having clear plans to save and turn around struggling SOEs. COSATU indicated that, whilst it supported the additional financial support provided for these SOEs that provided critical services and jobs, bailouts were not a plan.

Regarding Eskom, COSATU proposed that several measures be taken that included a comprehensive public audit of all expenditure and contracts; arresting those implicated in corruption and seizing their assets and dismiss all those implicated in mismanagement; cutting tariffs of coal suppliers and Independent Power Producers; amending Eskom's mandate to allow it to produce and own cheaper renewable energy. Furthermore, COSATU proposes that plans should be put in place to increase free electricity for indigent households; reduction of debt level; clamping down on non-paying municipalities and departments. COSATU also felt that campaign to ensure that Soweto residents pay for electricity was needed, and a Just Transition Plan for workers when mines and plants come to the end of their life span in the near future.

According to COSATU, many of the wage bill statistics in the 2019 MTBPS were distortions of facts and that it did not disclose the massive strain that the freezing of critical service delivery posts had on the functions of public hospitals, clinics, schools, prisons, the SAPS and Home Affairs. COSATU appreciated the recognition by government that any engagement on wages belonged in the respective collective bargaining forums as stipulated by law. COSATU made several recommendations on the reduction of the public wage bill, including:

- Engaging unions at the Public Service Commission Bargaining Council (PSCBC);
- Reducing National and Provincial cabinets and Mayoral Committees;
- Reducing bloated government management structures;
- Consolidating and reintegrating fragmented departments and SOEs and redeploying staff from bloated departments and SOEs to departments and municipalities with personnel shortages;
- Reducing the public service sector and SOE wage gap and placing all public sector entities and SOEs under the PSCBC so that there was one collective bargaining process;
- Scrapping the perks afforded to the executive under the Ministerial Hand Book; and
- Filling critical service delivery posts.

COSATU submitted that it had expected the 2019 MTBPS to confront the crises of corruption and wasteful expenditure; and that the revelations at the various commissions of inquiry were just the tip of the iceberg. COSATU was of the view that Eskom's current high debt levels were in partly due to rampant looting and mismanagement at Kusile and Medupi power stations. COSATU found it unacceptable that R13 billion could be spent on four departmental head offices, Tshwane council head office and the South African Consulate in New York, while nurses and teachers had to fight for a living wage. While COSATU welcomes the proposed reduction in travel expenses, COSATU felt that more should be done and recommended that government develop a clear plan to reduce wasteful and irregular expenditure. Furthermore, COSATU proposes that the Chief Procurement Officer's role be expanded to ensure more cost effective centralised procurement; and plans and actions be developed to end expensive and corrupt outsourcing in government and SOEs and to freeze assets and recover stolen funds.

COSATU welcomed initial government interventions to fix the South African Revenue Service (SARS), and stated that revenue could be significantly increased by massively investing in SARS customs capacity building and improving customs technology. In addition, holding companies must be held accountable for the tax breaks and incentives they received in exchange for job protection and creation. Other issues that COSATU felt needed attention were tax evasion; existing tax loopholes; and making the tax regime more progressive through increases in personal income tax for high earners; company taxes; inheritance, estate, land and dividends taxes; and VAT on luxury goods and custom duties for imports. COSATU further expressed deep concern over the lack of urgency to deal with the ballooning deficit of the Road Accident Fund (RAF) and argued that increasing the fuel levy to deal with this would only make transport and consumer goods more expensive and further shrink the economy. COSATU concluded that the solution was for Parliament to pass the Road Accident Fund and Road Accident Benefit Scheme Bills, which would ensure that RAF funds were received by road accident victims rather than lawyers, as well as a more equitable distribution of benefits.

6.12 Mr P Moss

The Committee received a submission from Mr P Moss who complained that the African National Congress (ANC) worked to take property and destroy the financial credibility of South Africa. He also bemoaned the fact that the ANC wanted to access the pension funds of workers.

6.13 Budget Justice Coalition

BJC is a coalition of progressive civil society organisations whose focus is on building active engagement and transformation of the budget to ensure substantive equality in society. The BJC submission focused on an intersectional feminist analysis of the 2019 MTBPS as well issues specific to the recent Gender-Based Violence and Femicide (GBF) Emergency Plan. The BJC submitted that more information was required on how the GBVF Emergency Plan would be funded. It further submitted that, from an intersectional feminist perspective, that substantial cuts to provincial transfers and to local government will disproportionately affect groups that experience higher levels of discrimination and exclusion through the negative impact on service delivery.

The table below reflects the selected sectors and the recommendations tabled by BJC to the Committee:

Sector	**BJC Recommendations**
Intersectional feminist approach to economy	• All departments and especially the Treasury and Stats SA must start to consider the costs to women and the benefits to the economy of women's unpaid labour. • National budget documents must demonstrate how sectoral investments to stimulate the economy and create jobs also answer the question of gendered inequality in employment in those sectors.

	• Government must take a stronger stance with the private sector regarding employment equity, in particular regarding strategies to address the under employment of black women.
Health	• That all Community Health Workers be fully employed and earning decent wages by the end of the financial year. • The Department of Health must explain why there continues to be such high levels of under-expenditure on the NHI indirect grant each year and what its plan is to tackle this. • Why we are 1 million people short of our HIV/AIDS treatment targets this year and what measures are being taken to address this. • What steps are being taken to address under-expenditure and missed targets on health infrastructure, such as the fact that only 7 out of 45 health facilities identified at the start of the financial year for maintenance, repairs or refurbishments have been completed.
Education	• That drastic steps be taken to ensure that bailouts for state-owned entities cease to divert funds from critical social spending priorities such as basic education. • The Committee evaluate National Treasury's MTEF projections for basic education funding and insist that the basic education sectoral budget be considered for an annual real increase greater than 0.8% in the 2020/21 financial year. • The Committee request the DBE and PEDs to report on interventions to improve spending and delivery. • The Committee establishes clear plans to ensure that cuts to education do not exacerbate barriers of access to girls, gender non-conforming students and learners with disabilities. • The Committees ensure stakeholders such as National Treasury provide support to the Department of Basic Education (DBE) and Provincial Education Departments (PEDs) to strengthen their ability to efficiently spend allocated funds.
Social Development	• That South Africa investigate the feasibility of a Basic Income Grant (BIG) for all; A BIG paid to all (but clawed back from those who do not need it through the tax system) would address the necessity of

	extending social security coverage to those between 18 and 59 years old. • South Africa urgently increases the Child Support Grant (CSG) amount to at least the food poverty line. • The BJC implores Government and Treasury to reframe social grants as necessary economic stimulus and recommends more fully integrating the welfare system into South Africa's economic recovery plans. • Increasing the funding to NPOs who provide services on behalf of the Department would enable these NPOs to employ the unemployed social work graduates, thereby increasing the workforce for improved services, and providing much needed employment for women and youth. • Strongly recommend that the newly created 'Department of Women, Youth and Persons with Disabilities' include clear indicators and budgeting to address the problems faced by transgender, gender diverse, gender non-conforming and intersex people in South Africa.
Home Affairs	• That a clear plan is put in place to mitigate the negative effects of large reductions in planned expenditure for the Department of Home Affairs.
Energy	• Arrangements for future decommissioning and decontamination at both Koeberg and Pelindaba should be made transparent to the public and that the entities concerned should report on the funding that is ring fenced for these purposes. • Parliament should request that National Treasury present on the project applications that have been made to the Budget Facility for Infrastructure and specifically request clarity on whether the Grand Inga Project has been properly appraised.
Environment	• It should be ascertained whether the Department of Environmental Affairs, the Development Bank of Southern Africa or a combination thereof is responsible for the spending failure on the Green Fund and in a transparent manner,

	• Allocations to the Department's core functions should be increased and a viable source for this increase would be an appropriation from the disproportionate amount- 54% of the Department's budget- allocated to Programme 6 (dedicated to implementing Expanded Public Works and green economy projects in the environmental sector). • Budgeting be re-orientated so that going forward, it reflects alignment with non-negotiable Departmental mandates (such as; ensuring everyone's Constitutional right to have the environment protected) as a primary point of departure.
Land Reform	• Increasebudgetary allocations to land reform and assert that 1% of the national budget is completely insufficient to address this important area or to ensure that land reform creates successful redistribution with the wasted opportunity to create a more equitable society and egalitarian economy. • BJC recommends the prioritisation of increased post-settlement support in order to ensure more successful land reform projects. • In order to address inequitable access, BJC support the proposals of the Presidential Advisory Panel Report on Land Reform and Agriculture, that 30% of the budget be allocated to landless and land-poor households, 30% to the smallholder farmers, 30% to medium-scale commercial farmers and the remaining 10% to large-scale commercial farmers. • It is essential that budgetary processes in Land Reform urgently prioritise gender equity.
Human Settlements	• There needs to be clear directive, particularly at the municipal level, about how to successfully transition to the Upgrading of Informal Settlements Programme, with processes outlined on how to properly mitigate the continuing problems of underspending, and a lack of regard for the principles of community participation and relocation as a last resort. • Underspending, as well as poor performance on the issuing of title deeds need to both urgently be addressed, especially as these

	problems have a detrimental impact on access to social delivery and disproportionately so for the poor and oppressed.
GBVF Emergency Plan	• Clarification is required on how the GBVF Emergency Plan will be funded, specifically, where funds are being cut to fund the plan. • Treasury should provide a breakdown of the funds, as per the structure of the documents currently provided by the GBVF Interim Steering Committee, with additional information on how the figures provided per intervention area are further divided between different spheres of government, the different departments responsible and under which line items for those departments the allocations can be found. • To address access to justice in GBVF cases, it is critical that the SAPS provide a clear budgeted plan to increase the reporting and detection rates for GBVF, so that a higher proportion of cases are referred to the NPA for prosecution. • The Committees should find the reason for the underspending from the Department of Police and also gain information on how certain spending is being managed to support the GBVF plan in the face of cuts. • To affect change in the quality of prosecutions in GBVF related matters, funding increases should be linked to an increase of experienced prosecutors.

7. Committee observations and findings on the 2019 MTBPS

The Standing Committee on Appropriations, having considered the 2019 Medium Term Budget Policy Statement, and having engaged with the various stakeholders makes the following findings and observations:

The overall thrust of the 2018 MTBPS:

7.1 The Committee welcomes the fiscal consolidation drive by the Finance Ministry as these will ensure that current government debt payments is not deferred to future generations.

7.2 The Committee is concerned that economic growth and revenue collection had consistently failed to reach targets projected by National Treasury. To this end, the Committee is of the view that it might be time for Government to consider the introduction of debt level management bill to improve discipline in managing public finances.

7.3 The Committee notes with concern that fiscal reprioritisation during the 2019 MTBPS was often from services delivering on the developmental and social mandate, and towards increasing debt repayments. The Committee feels strongly that service delivery should not in any way be compromised during the reprioritisation of funds during the adjustments budgets.

Economic growth forecast, investment and trade

7.4 The Committee notes with concern that the South Africa's GDP forecast has been revised down from 1.5 per cent forecasted by the National Treasury during the tabling of the 2019 budget to 0.5 per cent during the tabling of the 2019 MTBPS. This is a concern to the Committee due to its potential effect on job creation and the ability of government to collect the required revenue through taxes.

7.5 The Committee notes with concern that the debt service cost is the fastest growing expenditure item for government, reaching an estimated R204 billion in 2019/20 financial year.

7.6 The Committee notes with concern that gross tax revenue is projected to fall short by R52.5 billion in 2019/20 and R84 billion in 2020/21. This is a serious concern from the Committee's view because economic growth is also shrinking and government will have to borrow to finance these shortfalls hence more interest payments on borrowed funds.

7.7 The Committee cited the lack of private sector investment is a cause of concern to the economy as this has a negative effect on economic growth. The Committee is of the view that Government has a responsibility to create a conducive enabling environment for business to invest

Budget principles of efficiency, effectiveness and economy:

7.8 The Committee reiterates its concern about trends in service delivery performance versus expenditure that show that while departments regularly exhaust their allocated budgets, the attainment of stated performance targets continues to be a challenge and is uneven across sectors.

7.9 The Committees notes with concern that there has been a significant increase in the amounts not recovered in relation to financial misconduct from R4 million in 2017/18 to R184.9 million in 2018/19. Furthermore, there seemed to be no correlation between the number of financial misconduct cases and related costs with the latest information from the Auditor General South Africa (R61.4 billion) in terms of irregular and wasteful expenditure. The Committee asserts that the lack of consequence management especially in financial misconduct related matters within the public service must be addressed as a matter of urgency.

7.10 Regarding efficiency, effectiveness and value-for-money, the Committee remains concerned about the high costs associated with the use of consultants. The Committee notes the PSCs submission that the four departments which incurred the highest costs on consultants during 2018/19 were Rural Development and Land Reform (R404.6 million), Telecommunications and Postal Services (R138.2 million), International Relations and Co-operation (R121.8 million), and Transport (R82.0 million).

7.11 The Committee notes with concern the prevailing challenges relating to the payment of invoices within 30 days. The PSC submitted that the number of invoices not paid decreased from 2 955 in April 2019 to 934 as at the end of September 2019, however in Rand value these amounted to R1.1 billion. In the first 6 months of the 2019/20 financial year, the main contributing departments to the high Rand value of invoices not paid included the Department of Water and Sanitation (R851.4 million) and the Department of Public Works (R235.8 million).

7.12 The Committee notes with concern the submission from WoMin and International Rivers regarding the mooted Inga Dam Project in the Democratic Republic of Congo without conducting its due diligence, i.e. comprehensive feasibility study. Of particular concern is the fact that there is a lack of transparency around the mooted project as well as the fact that Eskom, with all its financial and sustainability challenges, would be the off-taker of the project.

7.13 The Committees notes with concern the under-spending in the first six months of the 2019/20 financial year by departments especially Water and Sanitation, Human Settlements, Rural Development and Land Reform, and Health. This is especially worrying given their respective mandates to deliver basic services, the full implementation of the NHI, facilitation of land reform and support to emerging farmers. The Committee views this an indicative of a lack of proper planning as well as poor project and contract management challenges and capacity related issues across government.

7.14 The Committee is concerned about the lack of transparency as well as the absence adequate stringent conditions in respect of government guarantees to State-owned Entities.

Education, job creation and skills development focus area:

7.15 Regarding the basic education sector, the Committee is concerned at the reduced quality standards since the Committee is of the view that education is one of the driving force that can significantly reduce poverty and inequality rate in South Africa.

7.16 Whilst the Committee emphasises the importance of Early Childhood Development, it is also of the view that there needs to be a multi-pronged approach to dealing with numeracy and literacy issues along with the technological advances accompanying the Fourth Industrial Revolution (4IR)

7.17 The Committee welcomes the funds which have been earmarked for building student accommodation in Public Universities and TVET colleges.

Improving health care services:

7.18 The Committee is also seriously concerned about the unspent funds declared by the Department of Health in respect of the National Health Insurance (NHI) Indirect Grant; as this raised serious questions about government's readiness to implement the NHI programme which will ensure universal access to Health services in South Africa. The Committee is also concerned about the statement made in the MTBPS that the rollout of the NHI was no longer affordable. This is concerning for the Committee as the NHI Bill is before Parliament for public inputs and consultations.

7.19 The Committee notes the submission from the HSRC that an estimated 359 thousand people between the ages of 10 to 19 are currently living with HIV in South Africa from which only 50.7 are currently on ARV treatment. Regarding the HIV/AIDS pandemic, especially among young people, the Committee feels strongly about the need for stronger collaborative efforts between government, faith-based organisations, traditional leaders and civil society particularly on prevention initiatives and education.

On developing a capable and effective public service:

7.20 Whilst the Committee notes the reasons from Government about the need to reduce to Public Sector Wage Bill, it is of the view that jobs should not just be cut without considering the unintended consequences. Strategic discussions are needed in this regard, especially in light of the high unemployment rate and the fact that reducing public service salaries would also reduce tax revenue. The Committee asserts that reducing public sector salaries may be counter-productive as it could lead to a skills leakage and that other mechanism should be considered to deal with the fiscal constraints. The Committee is of the view that proper empirical research should be conducted on savings that could result from SOEs operating more efficiently, instead of only focusing on the public sector wage bill.

7.21 Even though the new district-based service delivery model had the potential to improve coordination and planning in local government, the Committee is of the view that its implementation might be challenging in light of the fact that 60 percent of district municipalities were reported to be dysfunctional. The Committee is of the view that even if plans can be good, the operating environment is still characterised by structural inefficiencies. Focus should be more on making both district and local municipalities to work better through strategic capacitation and effective oversight.

7.22 The Committee notes with concern the reported under-spending in the first six months of the 2019/20 financial year by the departments of Water and Sanitation, Human Settlements and Rural Development and Land Reform. This was especially worrying given their respective mandates to deliver basic services and facilitate land reform and support emerging farmers.

7.23 The Committee is concerned on the reported non-compliance by Senior Management Service (SMS) members of the public service who consistently fail to sign and submit financial disclosure forms because this lack of transparency ultimately compromises the trust between government and the society.

On State Owned Entities and the overall fiscal risks

7.24 The Committee is concerned about serious fiscal risks posed by the State Owned Companies, particularly Eskom, SAA, SA Express, SABC and Denel.

7.25 The Committee takes note of all the macroeconomic, expenditure, contingent, and accrued liabilities as well as the long-term economic and fiscal risks.

8. Recommendations

The Standing Committee on Appropriations having considered the 2019 Medium Term Budget Policy Statement, recommends as follows:

8.1 That Parliament should consider developing a government guarantee oversight model in order to ensure the efficient use of government guarantees to State-owned Entities. To this end, the Committee recommends that Parliament should commence and complete this exercise during the 2020/21 financial year.

8.2 That National Treasury and Labour and Employment should conduct a comprehensive study on the public sector wage bill at all levels of government including State-owned companies and municipalities in order to determine the exact impact of aggregate wages in government. This assessment should also consider the wider implication of reducing the public service on tax revenue, unemployment, service delivery and skills leakages within the public sector. National Treasury should report to the Committee before the tabling of the 2020 MTBPS.

8.3 The Executive Authority of the Department of Agriculture, Forestry and Fisheries, Communications, Defence, Energy, Health, National School of Government, Public Service and Administration, Military Veterans and the State Security Agency urgently submit the financial disclosure form to the Public Service Commission and report to the Committee within 30 days after the adoption of this report.

8.4 That National Treasury, in consultation with relevant stakeholders, should develop more effective mechanisms are in place to ensure value for money is obtained especially regarding the overpricing for goods and service.

8.5 In addition to the focus on reducing the public sector wage bill, National Treasury should also focus on other measures that will boost the performance of the South African economy.

9. Conclusion

The responses and implementation plans by the relevant Executive Authorities to the recommendations, as set out in section 8above, must be sent to Parliament within 60 days of the adoption of this report by the National Assembly.

Report to be considered.

National Council of Provinces

1. Report of the Select Committee on Security and Justice on the Oversight Visit to Limpopo Province, dated 3 December 2019.

1. Background and introduction

The Select Committee on Security and Justice ("SC on Justice"), together with the Select Committee on Cooperative Governance and Traditional Affairs, conducted a joint oversight visit to Limpopo Province from the 22 to 25 October 2019. The Committee visited the Thohoyandou Police Station, the Beitbridge Port of Entry in Musina, and the Limpopo High Court Division in Polokwane, as part of its oversight function over the Department of Justice and Constitutional Development, Department of Home Affairs, and the South African Police Service (SAPS).

2. Thohoyandou Police Station

Thohoyandou Police Station is situated within the Thulamela Municipality economic hub, which is a rural and urban mix and which is the biggest station in Limpopo. The station has five sectors with a population of 300 826. The station has 391 staff personnel who are serving 454 villages and 198 schools.

The station has five satellite stations, with four members posted in each station to attend to crimes within the allocated sectors. Each sector has a sector forum, which holds monthly meetings to address crime within the sector.

2.1 Key challenges

Thohoyandou Police Station reported the following key risk challenges:

- University accommodation;
- Service delivery protests;
- Influx of illegal foreigners;
- Lack of street lights, unnamed streets;
- Un-rehabilitated roads;
- High unemployment rate;
- Growing population due to business developments;

- Low morale due to the unfortunate promotion of members;
- Accommodation of FCS Unit Offices
    - Facilities are not user friendly and they do not meet the minimum required standards for Victim Empowerment Programs;
    - There are insufficient offices to accommodate members;
    - None availability of psychologists which results in a high number of cases being withdrawn;
    - There are also a high number of withdrawals of cases due to outstanding DNA results from the Forensic Science Laboratory.

2.2 Committee observations and concerns

- There were many undocumented foreign nationals living in the area of Thohoyandou, which puts an extra burden on the police budget;
- There is a co-ordination challenge when it comes to the issue of foreign nationals being detained;
- Only 391 police officers were responsible for policing 454 villages with a limited number of 49 police vehicles;
    - The challenge of police vehicles being in repairs for very long periods of time, and SAPS National Office does not have a contract in place for the repair to vehicles;
- A large number of police officers (82) would be taking retirement in the year 2022 which remains a major challenge for the station;
- Statements for sexual offences were taken privately by making use of a facility outside the Thuthuzela Care Centre;
- There was a decrease in most of the crime statistics, but increase in the following crime statistics:
    - Sexual offences from 250 in 2017/18 to 297 in 2018/19;
    - Rape from 225 in 2017/18 to 268 in 2018/19;
    - Sexual assault from 16 in 2017/18 to 23 in 2018/19
- Members were concerned by the inclusion of the names of the gender based violence victims in the presentation provided to the Committee;
- Members noted that, an additional police station which was currently in phase one (planning phase), needs to be finalised to take the pressure off the Thohoyandou Police Station

2.3 Committee recommendations:

- The South African Police Service should engage with the Department of Home Affairs in dealing with the matter of foreign nationals being detained for long periods of time;
- The South African Police Service should consider prioritising the resources and capacitation at the Thohoyandou Police Station with the necessary police officers in light of the fact that in 2022 more officers would retire;
- The South African Police Service should consider finalising a contract with the service provider for the repairs of vehicles as this matter was affecting all police stations in executing their mandate;
- The construction of an additional police station should be fast tracked to fully provide policing services to the Thohoyandou communities;
- The South African Police Service should encourage their members not to include the information of the gender based violence victims in presentations, as they are already traumatised;

3. Beitbridge Port of Entry

The team led by the Department of Home Affairs at the Beitbridge Port of Entry presented a confidential presentation to members of the Committee.

3.1 Committee observations and concerns:

- There has not been much increase (staff complement in 2013 being 601 and in 2018 being 608) in terms of staff personnel deployed at the Beitbridge Port of Entry in the past five years;
- The Port of Entry experiences high volumes of movement of people and goods and this culminates in serious congestion and results in increased pressure on border law enforcement entities;
- A taxi rank and small business activities are situated very close to the port of entry;
- Corruption in the border area, remains one of the complex matters to be addressed as it results in well-established networks;
- The fencing along the borderline was badly damaged and requires urgent repairs;
- The ageing infrastructure was unacceptable and requires urgent attention;

- The accommodation was a major challenge which hampers the optimal execution of tasks by officials as they are commuting on a daily basis due to insufficient accommodation;
- Members noted that, the port of entry requires more booms and robots as they were informed of incidences of vehicles driving through without stopping;
- Members noted that, one battalion of the members of the South African National Defence Force was covering (788 kilometre), which is a large area in terms of their operations;

3.2 Committee recommendations:

- There is a need to increase the number of South African National Defence Force members at the ports of entry in order that they may fulfil their constitutional mandate;
- The Department of Home Affairs should engage the Department of Public Works regarding urgent installations of robots and boom gates at the port of entry in order to curb the forceful entry of vehicles;
- The Department of Home Affairs should engage the Department of Co-operative Governance and Traditional Affairs, MEC for Co-operative Governance and Traditional Affairs, Department of Transport, and the Musina Local Municipality to find a lasting solution on the issue of the taxi rank and the small businesses that are located around the port of entry;
- The Departments (Department of Home Affairs, South African Revenue Service, South African Police Service, Department of Agriculture, Fisheries and Forestry, and Department of Health) providing border law enforcement at the port of entry should consider employing more staff officials as the current staffing complement was insufficient;
- The Department of Home Affairs and all the affected departments should engage the Department of Public Works on the matter of building accommodation for the officials performing border law enforcement functions at the port of entry, as this might also drastically reduce corruption;
- The Department of Public Works as an implementing agent should urgently consider repairs to the fencing at the Beitbridge border post, as this would reduce the amount of illegal entry at the border;

4. Limpopo High Court

The Department of Justice and Constitutional Development appointed the Independent Development Trust (IDT) in 2008 through a memorandum of understanding, as the implementing agent and programme managers for the construction of the Limpopo High Court. The IDT appointed Senyati Munaka Joint Venture as the contractor for the construction of the court at an amount of R 349 million. The construction commenced in 2010, and was originally due to be completed in January 2012.

The project experienced significant challenges at its inception phase, and these challenges resulted in the redesign of the foundation and additional reinforcement to comply with engineering requirements. Having paid R 298 million, Senyati, JV Partner terminated the contract with IDT in October 2012 and was liquidated in the same year. In July 2013, the GVK Siya Zama Pty Ltd was appointed as a replacement contractor for an amount of R 447 million.

The variations in the construction of the High Court amounted to R 133 million, and have exceeded the contract sum by more than 20 per cent. The total amount for the construction of the Limpopo High Court has escalated to over R 1.1 billion. The Department of Justice and Constitutional Development has appointed the Special Investigation Unit (SIU) and the investigation is underway.

***4.1* Key challenges**

The Department identified the following challenges:

- Maintenance contracts:
    - No qualified control room operators;
    - No maintenance contracts are in place for the water, fire, security systems, including generators; sewerage systems, the lifts, air-conditioning system and lights.

4.2 National Prosecuting Authority

It was reported that the High Court was performing satisfactorily with 441 cases finalised since 2016 while 39 cases were backlog cases and the outstanding roll was at 211. During the 2018/19 financial year, they were voted the best performing High Court in the country.

The Regional Courts were generally performing quite well with the backlog of cases at 2174 as at September 2019. The main backlog of cases were from 2002 to 2015. Most accused persons arising from the case backlogs are in custody and there is a concern that in the event of acquittal, civil litigation may be instituted.

4.3 Key challenges:

- Seshego recording machines are broken or are not functioning and the CCTV cameras for sexual offences cases/child witnesses are not working;
- Nkowankowa is experiencing electricity shortages
- Accommodation of prosecutors at the following offices is an issue;
    - Polokwane court burnt down during 2012;

    - Renovations are required in Tzaneen;
    - The Modimolle cluster is affected the most;
- Shortage of court rooms in the following offices:
    - Nebo;
    - Praktisier (Periodicals);
    - Burgersfort (Periodicals);
    - Bela-Bela;

4.4 Committee Observations and concerns:

- The Polokwane High Court was a new court and had been described as a 'state of the art' facility, but the Court was experiencing these infrastructural challenges;
- The Limpopo NPA were working with a very limited number of officials with a high number of cases. Further, that the Deputy Director of Public Prosecutions was the only person responsible for quality control of all the case dockets to be heard in the high court;
- Members were greatly concerned about the cases that were postponed which amounted to more than 50 cases. Members noted that one case had been postponed 108 times and the perpetrator was still in custody. Further, that some of the cases involved foreign nationals;
- The Burgersfort Regional Court is too small as the accused persons, the Presiding Officer and the Court Officials, sit very close to the members of the public, which results in their safety being compromised;
- Some of the courts were having water challenges which hampers service delivery as staff officials were being released earlier which impacts on the number of court hours.

4.5 Committee recommendations

- The National Prosecuting Authority through the Department of Justice should consider employing more staff members for the Limpopo National Prosecuting Authority;
- The Department of Justice should engage the municipalities in the areas that courts are having challenges in relation to water, in order for officials to work effectively;
- The Department of Justice should find mechanisms to curb the postponement of cases;

- The Department of Justice together with the South African Police Service should develop a strategy on how to assist the courts that have space constraints to ensure that safety concerns are adequately addressed;
- The Department of Justice should consider engaging the TVET Colleges when it comes to the maintenance of the Limpopo High Court;
- The Department of Justice should consider closing all the loopholes in relation to the cases of foreign nationals by ensuring that appropriate interpretation services are available to foreign nationals, to avoid the postponement of these cases.
- The Special Investigating Unit must, within 14 days of the adoption of this Report by the Council, provide the Committee with a progress report on the investigation into the cost drivers that inflated the final total of the Limpopo High Court.

Report to be considered.

2. Report of the Select Committee on Security and Justice on the Hydrographic Bill [B17B-2018] (National Assembly – sec 75), dated 3 December 2019:

The Select Committee on Security and Justice, having deliberated on and considered the subject of the **Hydrographic Bill** [B17B-2018] (National Assembly – sec 75), referred to it on 30 October 2018 and classified by the JTM as a section 75 Bill, reports that it has agreed to the Bill without proposed amendments.

Background

The Hydrographic Bill's (the Bill) primary objective is to:

- Establish the Hydrographic Office,
- provide for the safety of navigation in the - exclusive economic zone and internal waters of the Republic,
- ensure that hydrographic surveying is done in accordance with the requirements of internationally accepted specifications and standards,
- provide for the appointment of the Hydrographer, and
- provide for the powers and duties of the Hydrographer.

1. Public participation process on the Hydrographic Bill [B17B-2018] (National Assembly – sec 75)

The 5th Parliament Select Committee on Security and Justice advertised the Bill on the electronic platforms of Parliament on 4 February 2019 with a deadline for written submissions of 1 March 2019.

2. Summary of Submissions:

No submissions were received.

3. Committee oversight to SA Navy Hydrographic Office

The Committee visited the Hydrographic Office on 3 December 2019. The Committee noted that Egypt and SA are the only fully functional Hydrographic Offices in Africa. Navigational Area 7, over which SA is responsible for accurate information and communication with maritime users, is one of the largest areas to survey and maintain operational competence. The Hydrographic Office is serviced by the SAS Protea, which is a 47-year-old vessel that will be replaced in 2021/22. The Hydrographer serves on numerous committees and sub committees including the Southern African and Islands Hydrographic Commission (SAIHC). The budget cuts in the SA Navy prevents the Hydrographer from attending meetings both nationally and internationally and this impacts negatively on our contribution to the regional and international developments in this area. The Hydrographic Office is also the only training facility in the country and in Africa to train personnel in the fields required and is aiming to expand this to include youth development programmes.

4. Committee consideration of the Hydrographic Bill [B17B-2018] (National Assembly – sec 75)

The Select Committee received a briefing from the Department of Defence on the Bill on 29 October 2019. The Committee considered the Bill on 3 December 2019.

5. Proposed Amendments agreed

The Committee did not propose amendments to the Bill.

6. Consensus on the Bill

a. Support for the adoption of the Bill was unanimous.

Report to be considered.