**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.

1. **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** |  **3,200,000**  |
|  | R3.2 billion for the South African Broadcasting Corporation |  |
| **7** | **National Treasury** |  **100,000**  |
|  | R100 million for project preparation for the Infrastructure Fund implementation unit to assist public sector institutions with project planning and appraisal |   |
| **9** | **Public Enterprises** |  **12,948,000**  |
|  | R5.348 billion for Eskom, R5.5 billion for South African Airways, R1.8 billion for Denel and R300 million South African Express  |   |
| **11** | **Public Works** |  **100,000**  |
|  | R100 million for the small harbours programme |   |
| **15** | **Higher Education and Training** |  **429,800**  |
|  | R429.8 million for the student housing infrastructure programme |   |
| **Total** |  **16,777,800**  |

*Source: National Treasury (2019) Adjustments Appropriation Bill*

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

**Table 2: Roll-overs**

*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** |  **2,000**  |
|  | 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  |  |
| **5** | **Home Affairs** |  **1,188,000**  |
|  | Expenditure incurred issuing official documents, which is defrayed by revenue generated from issuing the documents |  |
| **18** | **Correctional Services** |  **444**  |
|  | Expenditure for offender gratuities, which is funded from revenue generated from the hiring out of offender labour |  |
| **19** | **Defence and Military Veterans** |  **385,140**  |
|  | 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 |  |
| **27** | **Environmental Affairs** |  **4,000**  |
|  | Expenditure for the South African Elephant Research Project, which is funded from revenue generated from the sale of ivory |  |
| **34** | **Trade and Industry** |  **75,700**  |
|  | Unitary payment in respect of the public-private partnership for shared campus accommodation, which is funded from unitary payments received from public entities |  |
| **Total** |  **1,655,284**  |

**Table 4: Declared unspent funds and projected underspending**

|  |  |
| --- | --- |
| **Vote and description of expenditure** | **R thousand** |
| **3** | **Communications** |  **5,000**  |
|  | R5 million from compensation of employees (Government Communication Information System)  |  |
| **4** | **Cooperative Governance and Traditional Affairs** |  **310,500**  |
|  | R300 million from the Community Work Programme and R10.5 million from the municipal systems improvement grant |  |
| **7** | **National Treasury** |  **179,359**  |
|  | R157.225 million from the Jobs Fund and R22.134 million from compensation of employees |  |
| **9** | **Public Enterprises** |  **10,000**  |
|  | R10 million from compensation of employees |  |
| **10** | **Public Service and Administration** |  **8,800**  |
|  | R6 million from compensation of employees, and R2.8 million from goods and services |  |
| **11** | **Public Works** |  **1,943**  |
|  | R1.943 million from oganisations for the preservation of national memorials |  |
| **14** | **Basic Education** |  **40,000**  |
|  | R40 million from the school infrastructure backlogs grant |  |
| **15** | **Higher Education** |  **897,100**  |
|  | 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 |  |
| **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** |  **117,294**  |
|  | R74.212 million from compensation of employees, and R43.082 million from goods and services |  |
| **40** | **Sport and Recreation South Africa** |  **2,600**  |
|  | R2.6 million from compensation of employees |  |
|  |  |  |
| **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.
1. **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.

* 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.

* 1. **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.

* + 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.
	1. **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.

* 1. **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.

* + 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.
1. **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*.* OUTAlargely 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:

* 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.
	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.
	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.
	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. 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.
	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.
	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.
	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.

* 1. 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.
	2. 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.
	3. 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.
1. **Committee Recommendations**

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

* 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.
	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.
	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.
	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.
	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. The Minister of Finance should ensure that conditions on the 2020/21 budget allocation to Eskom be included on the primary legislation.
	7. The Minister of Justice and Constitutional Development finalise the legislation and regulations relating to Cannabis in South Africa.
	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.
	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.