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**STANDING COMMITTEE ON APPROPRIATIONS**

**ANNUAL PERFORMANCE PLAN**

**2016/17**

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| **PART A: STRATEGIC OVERVIEW** |

**1. Vision**

An activist and responsive people’s Parliament that improves the quality of life of South Africans and ensures enduring equality in our society.

**2. Mission**

A vibrant people’s assembly that intervenes and transforms society and addresses the development challenges of our people; effective oversight over the Executive by strengthening its scrutiny of actions against the needs of South Africans; participation of South Africans in the decision-making processes that affect their lives; a healthy relationship between the three arms of the State, that promotes efficient co-operative governance between the spheres of government, and ensures appropriate links with our region and the world; and an innovative, transformative, effective and efficient parliamentary service and administration that enables Members of Parliament to fulfil their constitutional responsibilities.

**3. Values**

Values identify the principles for the conduct of the institution in carrying out its mission. Parliament has identified the following values:

* Openness
* Responsiveness
* Accountability
* Teamwork
* Professionalism
* Integrity

**4. Mandate of Parliament**

The mandate of Parliament is based on the provisions of the Constitution of the Republic of South Africa, 1996, establishing Parliament and setting out the functions it performs. Parliament’s role and outcomes are to represent the people and ensure government by the people under the Constitution, as well as to represent the provinces and local government in the national sphere of government. Such representation is put into operation by means of public representatives who represent the will of the people in the processes of passing legislation, overseeing executive action, and the facilitation of public involvement, co-operative government and international engagement.

The mandate and functions of Parliament are based on the following legislation: Constitution of the Republic of South Africa, 1996; Powers, Privileges and Immunities of Parliament and Provincial Legislatures Act, No 4 of 2004; Money Bills Amendment Procedure and Related Matters Act, No 9 of 2009; Financial Management of Parliament Act, No 10 of 2009, as amended by Act 34 of 2014; and Remuneration of Public Office Bearers Act, No 20 of 1998.

**5. Mandate of the Committee**

The Standing Committee on Appropriations (the Committee) was established in terms of the Money Bills Amendment Procedure and Related Matters Act, No 09 of 2009 (the Money Bills Act). In terms of section 4(3) of the Money Bills Act, each House must establish a Committee on Appropriations whose powers and functions include considering and reporting on the following matters:

* Spending issues;
* Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriation Bill and the Adjusted Appropriation Bill;
* Recommendations of the Financial and Fiscal Commission (FFC), including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
* Reports on actual expenditure published by the National Treasury (section 32 reports); and
* Any other related matters.

Section 214(1) of the Constitution requires that every year a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 278 municipalities. This process takes into account the powers and functions assigned to each sphere of government. Section 9 of the Money Bills Act prescribes that the Division of Revenue must be referred to the Standing Committee on Appropriations for consideration and report.

Section 213(2) of the Constitution of the Republic of South Africa, provides that money may be withdrawn from the National Revenue Fund only in terms of an appropriation by an Act of Parliament. The Appropriation Act sets out to appropriate money from the National Revenue Fund for the requirements of the State and to prescribe conditions for the spending of funds withdrawn. In line with section 10(1)(a) of the Act and after the adoption of the Fiscal Framework, the Standing Committee on Appropriations has a responsibility to consider the Appropriation Bill, herein after referred to as the Bill, and report thereon to the National Assembly.

The Committee also considers the Medium Term Budget Policy Statement (MTBPS), which must be tabled at least three months prior to the introduction of the budget. In processing the MTBPS the Committee is required to consider and report on the following issues:

* 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.

The Minister of Finance must table a national adjustment budget as envisaged in Section 30 of the Public Finance Management Act. An adjustment appropriation budget must be tabled together with a national adjustments budget. In the case that the adjustment budget affects the fiscal framework, the Minister must table a revised fiscal framework. Furthermore, the Minister must table a Division of Revenue amendment bill with the revised fiscal framework if the adjustments budget effects changes to the Division of Revenue. The Division of Revenue Amendment Bill must be referred to the Standing Committee of Appropriations for consideration and report. Section 12 (15) of the Money Bills Act 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 Bill has been passed by Parliament.

**6. Strategic Goals of Parliament**

The strategic outcome orientated goals relate to the outcomes of Parliament (National Assembly and National Council of Provinces). These are:

* Goal 1: Enhance Parliament’s oversight and accountability over the work of the Executive to ensure implementation of the objectives of the MTSF 2014-2019
* Goal 2: Co-operate and collaborate with other spheres of government on matters of common interest and ensure co-operative and sound intergovernmental relations
* Goal 3: Enhanced public involvement in the processes of Parliament to realise participatory democracy through the implementation of the public involvement model by 2019
* Goal 4: Enhanced parliamentary international engagement and co-operation
* Goal 5: Enhanced ability of Parliament to exercise its legislative power through consolidation and implementation of integrated legislative processes by 2019 in order to fulfil its constitutional responsibility
* Goal 6: Build a capable and productive parliamentary service that delivers enhanced support to Members of Parliament in order that they may efficiently fulfil their constitutional functions

The strategic goals of Parliament will guide the work of the Standing Committee of Appropriations.

**7. Strategic objectives of the Committee**

The strategic objectives of the Committees are aligned to the outcomes of Parliament. These are:

* To influence budget policy decisions through effective implementation of the Money Bills Act;
* To strengthen oversight over budget performance of departments through proactive and visible oversight;
* To strengthen oversight over budget performance of departments through enhanced quarterly expenditure performance assessment;
* To enhance and promote best practice in key spending controls;
* To ensure value for money and improved coordination in the provision of social and economic for infrastructure;
* Improve collaboration between Committees of both Houses and ensure proactive oversight on strategic issues;
* To facilitate public participation in the government’s budget processes;
* To invite international delegations to share best practices in budget oversight;
* To capacitate members and staff of the Standing Committee on Appropriations.

**8. Updated situational Analysis**

The annual performance plan of the Committee is guided by the objectives of the adopted National Development Plan (NDP), the Medium Term Strategic Framework (MTSF).

The oversight of public finances is one of the most important roles Parliament performs on behalf of citizens and taxpayers. All citizens want to be confident that government spends the money properly and with proper regard to value for money.

Fiscal policy can play an important role in supporting strong, lasting and equitable growth. In the aftermath of the global financial crisis, potential output in many affected countries declined sharply. Fiscal policy can make an important contribution to lifting potential growth. At the macro level, fiscal policy helps ensure macroeconomic stability, an essential prerequisite for growth; at the micro level, tax and expenditure policies can boost growth by altering work and investment incentives, promoting human capital accumulation, and enhancing total factor productivity.

South Africa continues to face a number of challenges which include the high unemployment rate especially for those between the ages of 19 and 29 and the over-indebtedness of many households. Government expenditure significantly exceeds government revenue with the budget deficit at 4 per cent of GDP in the 2014 national budget. In addition, interest payments remain the fastest growing expenditure item which indicates the significant increase in government debt in recent years. The widening current account deficit means that South Africa is reliant on foreign savings to fund the gap between government revenue and expenditure and availing resources for critical policy imperatives such as the rollout of the extensive infrastructure programme.

Government spending in developing countries constitutes around 30 per cent of their Gross Domestic Products while that of lower-middle income countries is around 25 per cent. There has been an increase in fiscal spending since the 1990s as a result of the need to expand social services and public investment; as well as a result of better fiscal management. Notwithstanding the possible fiscal risks ahead, it is expected that the upward trend in public spending in developing economies will continue in the medium term.

The International Monetary Fund in its Fiscal Monitor Report emphasises three main areas as critical in attaining sustainable government expenditures, namely:

* Ensuring the sustainability of social spending and the public wage bill (these items in virtually all economies constitute the main spending items in government budgets)
* Attaining spending efficiencies whilst maintaining an effective service delivery programme
* Enhancing the institutional capacity of those state bodies tasked with maintaining spending controls (i.e. Parliaments, Audit institutions, finance and performance monitoring institutions, etc)

The evidence from the last couple of decades suggests a number of strategies to improve government expenditures anchored around the three main areas outlined above[[1]](#footnote-1). For one, across the board cuts that are implemented as a way of reducing government expenditure are not recommended as this does not generate efficiencies nor result in visible improvements in service delivery. What government needs is the development of specific strategies that protect those service delivery programmes with high marginal social benefit (socio-economic infrastructure, education, health, etc)

With regard to the sustainability of public sector wage growth, it is critical to ensure that staffing needs are indeed legitimate and that the growth in wages and employment leads to actual expansion in public services. In relation to spending efficiencies, the International Monetary Fund states that potential gains improving efficiencies are large and these may assist in ensuring that the delivery of services are not affected by the absence of growth in government expenditure. Savings from efficiency gains may be directed towards economic growth accelerators such as socio-economic infrastructure.

Public spending on infrastructure in the medium term will need to show significant efficiency gains given the uncertain outlook in future economic growth. Generally, there is a positive relationship between infrastructure spending and economic growth. Specifically, increasing efficiencies in the public investment programmes in emerging economies is estimated to be the same as increasing infrastructure investment spending.

Ensuring a sustainable public spending strategy also requires a supportive institutional framework. Some of the characteristics of sound public financial management include an annual budget that properly reflects the states social objectives, solid forecasting capacity to ensure revenues are not over-estimated, a framework that enables the tracking of policies over a number of years and good expenditure monitoring and cash management tools.

The allocation of spending responsibilities and the rules for government transfers to provinces and municipalities (sub-national governments) should prioritise service delivery efficiency and effectiveness. A number of key areas emerge in the emerging economies with regards to the division of spending responsibilities across tires of government. These include ensuring that the transfer system is based on objective criteria with due regard to regional population and demographics and ensuring sound budget and expenditure management in provinces and municipalities.

The country’s budget documents have since 2012 pointed out that a deterioration of the economic environment would warrant a reconsideration of expenditure and revenue plans. Economic growth has been revised down for the fifth consecutive year and is likely to remain below 3 per cent over the next two years. Despite the implementation of a spending ceiling, weak economic growth has produced a determinedly large budget deficit. It is important to note that while fiscal policy has supported the economy for the past seven years, this countercyclical approach has reached its limits. The budget deficit is largely structural and cannot be reduced through a cyclical upturn in revenues.

The recent public-sector wage agreement led to a compensation budget shortfall of R12.2 billion in the current fiscal year, R20.6 billion in 2016/17 and R31.1 billion in 2017/18. It is envisaged that a large portion of the costs of the agreement will be funded through savings, reallocation and drawdowns on contingency reserves. In doing more with less, the state will need to consider ways of structuring the wage bill. In particular, the balance between remuneration levels, employee numbers and productivity may need further consideration.

Reforms underway in modernising public procurement include the establishment of the government’s e-Tender portal, the Central Supplier Database is now operational, the transversal contract for Learner Teacher Support Material has been completed, a single procurement bill is being developed and tender documents are to be made more user friendly. There will also be compulsory standards for infrastructure procurement and delivery management which are to be issued in April. With regards to enhancing partnerships with the private sector, it is envisaged that the government will explore a bigger role for private finance as a complement to public funds in the social provision of housing, tertiary education and health care.

**8.1 Key fiscal issues and issues emanating from the Committee Planning Session**

Undertaking effective assessment of government wide spending issues is often challenging given that public finance documents, such as budgets and quarterly expenditure reports, are often technical and contain a high volume of information. This is compounded by the fact that budgets in the medium term are projected to grow much slower compared to previous years.

The Committee held a planning session from 13 to 15 October 2015 to review and realign its annual performance plan. Stakeholders were required to make presentations on their role and support to the Committee and on issues pertaining to committee strategy, fiscal policy and attaining value for money in public finances. Key issues highlighted and resolved on from the planning issues include:

* The Committee was of the view that in order to derive value for money and ensure progress towards the achievement of MTSF goals, it was important to scrutinise department spending priorities for alignment with the MTSF.
* That spending outcomes should be aligned with the attainment of predetermined objectives and that the Committee would monitor this linkage through the assistance of the Department of Planning, Monitoring and Evaluation, the Parliamentary Budget Office and Auditor General of South Africa.
* The Committee highlights the need for thorough interrogation and verification of the department’s performance. It was important that performance standards be maintained and that no department regresses in terms performance
* The Committee views the emphasis on value for money as especially critical given the significant size of the state’s procurement budget. It was highlighted that the level of compliance with supply chain regulations will need to improve and this includes state agencies paying suppliers within the prescribed time frames. In the medium term, the Committee will work on ensuring that budgets grow in real terms for deserving departments.
* In order to foster collaboration with other Committees, it was re-emphasised that joint hearings with portfolio committees on quarterly expenditure performance should result in more concrete joint recommendations. In addition, it was agreed that the Committee would encourage Portfolio Committees to make recommendations to it on vote allocations/ appropriations.
* It was agreed that in order to be more proactive, the Committee would engage with key stakeholders in the relevant sectors to identify potential sites for oversight visits. The Committee would also broaden engagements on sites to include stakeholders representing community interest and not just departments.
* The Committee agreed that there needs to be regular engagements between Parliament and the Executive on issues affecting the allocation of resources in the long term.
* The Committee agreed on ensuring that follow ups to findings and recommendations emanating from oversight visits should be an important part of the Committee’s oversight strategy and oversight activities.
* It was stated that the committee should broaden the participation of the public in the budget process through advertisements and press statements on community radio stations and in regional newspaper.
* The Committee agreed that a comprehensive review of the current budgetary framework/process should be undertaken in order to explore ways of strengthening the budgetary role of Parliament.
* The Committee should insist on leaner department delegations represented by Minister or Deputy Minister and the Accounting Officer. In cases where the Executive is not available, the Accounting Officer will take charge or senior official with delegated authority.
* The Committee resolved that department presentations should focus on spending, outcome and service delivery information and not exceed 12 slides and that any other further information should be submitted as appendices. It is critical that the discussions remain at a strategic level with emphasis on progress made in realising the social and economic objectives of the state.

Other issues affecting budgets broadly include:

* Global developments in public finances point to three core areas as critical in ensuring public service delivery continues and expands over time, these are, namely, managing increases in the wage bill, realising efficiency savings and enhancing institutional capacity for effective oversight
* Parliaments worldwide are enhancing oversight strategies over the budget
* The role of the Parliamentary Budget Office will become critical in the medium to long term
* The allocation of resources over the next three years will be informed by government’s strategic priorities as guided by the National Development Plan (NDP).
* Budgeting will be underpinned by the provision of public services that prioritise doing more with less rather than higher expenditure.
* There is a need to improve the level of understanding of the Money Bills Act by all stakeholders
* The state has undertaken reprioritisation exercises in the past government term and this approach may not be sustainable in the long term

**9. Committee Annual Performance Plan**

**Table 1**

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| **Strategic Goal:** Enhance parliament’s oversight and accountability over the work of theexecutive to ensure implementation of the objectives of the MTSF |
| **Strategic Objective**  | **Key Performance Indicators**  | **Targets** | **2017/18** | **2018/19** |
| **2016/17** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
| **To consider and process all legislation referred to the Committee within the current term of Parliament** | Number of Money Bills processed, tabled and passed | 6 | 1 | 0 | 3 | 1 | 6 | 6 |
| Number of meetings held and minutes adopted | 26 | 16 | 0 | 10 | 8 | 26 | 26 |
| Number of Money Bill reports considered | 5 | 1 | 1 | 0 | 3 | 5 | 5 |
| % of Bills processed within deadlines and with no significant errors | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| % of Recommendation accepted on accelerating economic growth | 100% | 100% (DSBD on state procurement)  | 100% | 100% | 100% | 100% | 100% |
| % of Recommendation accepted on transforming economy | 100% | 100% (DSBD on states property portfolio) | 100% | 100% | 100% | 100% | 100% |
| % of Recommendation accepted on spending reforms | 100% | 100%’(best practice in EPWP) | 100% | 100% | 100% | 100% | 100% |
| % of Recommendation accepted on alignment | 100% | 100% (MTSF risk areas) | 100% | 100% | 100% | 100% | 100% |
| **Proactive and visible oversight** | Number of hearings with departments on quarterly expenditure reports | 3 | 3 | 1 | 1 | 1 | 3 | 3 |
|  | Number of quarterly engagements with AG on in-year progress on Internal controls | 2 | 1 | 0 | 1 | 0 | 2 | 2 |
|  | Number of press statements issued on oversight visits/efforts conducted by the Committee | 4 | 1 | 1 | 0 | 2 | 4 | 4 |
|  | Number of press statements issued on oversight visits/efforts conducted by the Committee | 2 | 1 | 0 | 0 | 0 | 2 | 2 |
|  | % of Recommendation accepted on oversight reports | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
|  | Number of proactive research assignments requested from stakeholders  | 2 | 1 | 0 | 0 | 0 | 2 | 2 |
| **Enhanced quarterly expenditure performance assessment** | % of departments invited by SCoA displaying successful cost containment measures  | 100% | 100% (All dpts committed)- To monitor- DWS, DBE, DoH, DHS, DHET, DPW, DSBD | 100% | 100% | 100% | 100% | 100% |
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|  | % of departments comply with the procurement legislative environment | 100% | 100% (All dpts committed) – To monitor-  | 100% | 100% | 100% | 100% | 100% |
|  | % of departments invited by SCoA attaining at least 90% of performance targets | 90% | 90% (All dpts committed) To monitor | 90% | 90% | 90% | 90% | 90% |
|  | % of departments invited by SCoA attaining clean audits | 90% | 90% (All dpts committed) To monitor | 90% | 90% | 90% | 90% | 90% |
|  | % of departments invited by SCoA with critical vacancies filled | 90% | 90% (All dpts committed) – To monitor | 90% | 90% | 90% | 90% | 90% |
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| **Value for money and improved coordination in the provision of social and economic for infrastructure** | Annual infrastructure hearings | 1 | 0 | 0 | 1 | 0 | 1 | 1 |
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**Table 2**

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| **Strategic Goal 2**: Co-operate and collaborate with other spheres of government on matters ofcommon interest and ensure co-operative and sound intergovernmental relations |
| **Strategic Objective**  | **Key Performance Indicators**  | **Targets** | **2017/18** | **2018/19** |
| **2016/17** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
| **Improve collaboration between Committees of both Houses and ensure proactive oversight on strategic issues** | Number of hearings in partnership with other Committees: Schools and health infrastructure; state’s funded industrial programmes, EPWP | 2 | 0 | 0 | 1 (EPWP) | 1 (health Infrastructure) | 2 | 2 |
| Number of briefings received on cross cutting issues  | 10 | 4 | 0 | 4 | 2 | 10 | 10 |
|
| % of joint resolutions/recommendations accepted | 4 | 0 | 0 | 4 | 0 | 4 | 4 |
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**Table 3**

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| **Strategic Goal:** Enhanced public involvement in the processes of Parliament to realise participatory democracy through the implementation of the public involvement model by 2019 |
| **Strategic Objective**  | **Key Performance Indicators**  | **Targets** | **2017/18** | **2018/19** |
| **2016/17** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
| **To facilitate public participation in the government’s budget process** | Number of briefings received from stakeholders | 10 | 4 | 0 | 4 | 2 | 10 | 10 |
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| Number of stakeholders actively maintained in the database | 10 | 4 | 4 | 2 | 4 | 10 | 10 |
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Table 4

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| **Strategic Goal:** Build a capable and productive parliamentary service that delivers enhanced support to Members of Parliament in order that they may efficiently fulfill their constitutional functions |
| **Strategic Objective**  | **Key Performance Indicators**  | **Targets** | **2016/17** | **2017/18** |
| **2015/16** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
| **To build and strengthen the capacity of members and staff** | Number of capacity enhancement meetings | 1 | 0 | 0 | 1 | 0 | 2 | 2 |
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| Planning sessions conducted | 1 | 0 | 0 | 1 | 0 | 1 | 1 |
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Table 5

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| **Strategic Goal:** Enhanced parliamentary international engagement and co-operation |
| **Strategic Objective**  | **Key Performance Indicators**  | **Targets** | **2016/17** | **2017/18** |
| **2015/16** | **Quarter 1** | **Quarter 2** | **Quarter 3** | **Quarter 4** |
| **To invite or visit international delegations to share best practices in budget oversight** | Number of meetings held | 1 | 0 | 0 |   | 1 | 1 | 1 |
|
| Number of best practice recommendations | 4 | 0 | 0 | 0 | 4 | 4 | 4 |
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1. Fiscal Monitor 2014 [↑](#footnote-ref-1)