

NATIONAL TREASURY (NT) WRITTEN RESPONSE TO QUESTIONS POSED DURING PRESENTATION OF THE 2018 MEDIUM TERM BUDGET POLICY STATEMENT TO JOINT STANDING & SELECT COMMITTEES ON FINANCE & APPROPRIATIONS HELD ON 25 OCTOBER 2018

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| No | QUESTION | NT RESPONSE |
| 1 | **Municipalities’ debt to Eskom needs government intervention to be resolved** | An Inter-Ministerial Task Team (IMTT) on Electricity Reticulation and Distribution is seized with the matter of Eskom debt and government debt, including addressing Constitutional, systemic and structural challenges.  The IMTT appointed an Advisory Panel in March 2018 to assist the IMTT in finding a way forward on the structural questions relating to electricity reticulation and distribution that will be in the interest of government as a whole taking into account the fact that Eskom is an important national strategic asset and its financial viability is of paramount importance. Equally important is the fact that municipalities must be able to provide sustainable and affordable services, to collect revenue and be financially sustainable. In executing its mandate, the Advisory Panel engaged intensively with relevant stakeholders to develop the recommendations in a form of a report to guide the IMTT with this critical decision. The report will be presented to Cabinet in due course.  In the meantime, municipalities should continue with their payment arrangements to Eskom. Negotiations are underway, through provincial facilitation, to assist to review payment arrangements in instances where the current payment agreements are not being honoured, or where such agreements are not in place. |
| 2 | **Corruption- What is NT doing about political influence on tenders?** | In terms of the MFMA SCM regulations, politicians are prohibited from participating in procurement processes, particularly at local government. |
| 3 | **What is happening at PIC** | In the absence of specifics, no reply is furnished. Members should however take note of the terms of reference for the Commission of Inquiry appointed by the President (attached), and whether these deal with matters a Member has questions and, if not, a parliamentary question with sufficient details could be submitted |
| 4 | **State is issuing tenders instead of creating capacity within the state to undertake certain functions** | While it is important for government to create internal capacity to render certain services as it already does in some areas, it should be noted that it may not be possible for government to build capacity for all services as this may have negative impact on the economy. Governments across the world use public procurement as a strategic lever to grow the economy, promote industrialization, small business for job creation and other broad socio-economic objectives. South Africa is no exception. Corruption is unfortunately an unintended consequence of a good policy that must be dealt with in collaboration with law enforcement agencies. |
| 5 | **What is being done on tax avoidance** | As mentioned in the committees’ meeting, the National Treasury is working towards implementing the 15 Action Items that were agreed by the G20/OECD BEPS project. A detailed description of the actions that are being taken was provided on page 137 of the 2017 Budget Review, and these interventions are continuing. For example, to tackle the Digital Economy action item, regulations were published alongside the MTBPS to apply VAT on digital services. Amendments were also made both last year and this year to restrict the avoidance of capital gains tax through share buybacks and dividends stripping and SARS are receiving information from multinationals through the country-by-country reporting from the start of the year. |
| 6 | **Clarity on wage bill** | In June 2018, government entered into a wage agreement with labour unions, which covers the 2018 MTEF period. The agreement as detailed in PSCBC Resolution 1 of 2018 covers the following key issues having direct financial implications, amongst other:   * A cost-of-living adjustment for employees on salary levels 1 to 12 and employees on Occupation Specific Dispensation (OSD)[[1]](#footnote-1) as set out in the table below.  |  |  |  |  | | --- | --- | --- | --- | | Cost-of-Living Adjustment | 2018/19 | 2019/201 | 2020/211 | | Projected CPI inflation | 5.5% | 5.3% | 5.5% | | Salary Levels 1-72 | 7% | CPI + 1.0% | CPI + 1.0% | | Salary Levels 8-102 | 6.5% | CPI + 0.5% | CPI + 0.5% | | Salary Levels 11-122 | 6% | CPI | CPI | | 1. CPI inflation projections provided by the National Treasury. | | | | | 2. Salary Levels 1-10 includes lower management and other production staff and Salary Levels 11-12 includes middle management echelon. Senior managers (Salary Levels 13-16) and public office bearers are not covered by the negotiations | | | |  * Equalisation of progression with that of public servants at 1.5 per cent per annum for educators in various sectors and SAPS members, implemented incrementally during 2018/19 and 2019/20 financial years. Previously, educators qualified for 1 per cent progression per annum while SAPS members qualified for 4 per cent every three years * An extension of the housing allowance to cover qualifying spouses of public servants who were excluded in the past. Previously, if both spouses were employed in the public service, only one spouse qualified for the housing allowance. Qualifying spouses of employees on salary levels 1 to 5 will be eligible for receiving a housing allowance with effect from 1 September 2018 and qualifying spouses of employees on salary levels 6 to 12 will be eligible with effect from 1 September 2019.   The three key items are estimated to cost the State R242.7bn over the 2018 MTEF. The budget envelope for improvements in salaries and other conditions of service for the same period amounts to R212.5bn. The above results in an estimated shortfall in relation to the baseline budget of R30bn over the 2018 MTEF across departments at both provincial and national spheres of government.  The fiscus is currently constrained due largely to poor economic performance. Departments at both national and provincial spheres of government are expected to fund any shortfalls attributable to the wage agreement through savings from within the current compensation baselines. In many cases, this will mean aggressive rationalisation of staff establishments and management of headcount in order to remain within set compensation ceilings. In other cases, departments will need to careful manage earnings of public servants through management of overtime, performance bonuses and other performance incentives, as well as curtailing various other allowances public servants are entitled to. Government spends R9bn on overtime, mainly in the health sector; R6bn on progression, mainly in the education sector; and R2bn on performance bonuses across the board.  Key sectors heavily affected by pressures on compensation of employees include those under Justice and Protection Services at the national sphere of government and education and health at the provincial sphere of government. Over 80 per cent of shortfalls in compensation budgets attributable to the wage agreement are concentrated in the identified sectors. In 2018/19, departments at both national and provincial spheres of government will need to mobilise at least R4.2 billion in savings from within the current baseline budgets to fund costs of the wage agreement. In some cases, this will mean reprioritisation of spending from other items of spending into compensation of employees. While this might impact somewhat negatively on composition of spending, it nevertheless ensures that overall budget ceilings of government are observed in line with the approved fiscal framework.  Government has undertaken to assist those departments facing increased cost pressures from rationalisation of staff establishments and active management of headcount. Redundant posts and those additional to establishments are likely to result in exits that have financial implications for the State either through early retirements and/or payments for accrued costs associated with specific allowances. The DPSA will issue guidance and directives on measures to effect efficiency gains in public administration to guide departments through the process. |
| 7 | **MTBPS silent on free fee higher education-how is it going to be sustained** | R20 billion was appropriated in the current year as a transfer to the National Student Financial Aid Scheme (NSFAS) for the implementation of the new DHET Bursary Scheme for qualifying students at universities and TVET colleges in their first year as well as for the continuing NSFAS students. The allocation was based on the costing done by the Ministerial Task Team on Higher Education.  While there have been difficulties in the administration of the DHET bursary scheme at NSFAS it appears that majority of students who qualified for acceptance at university and TVET college have had their tuition fees paid. NSFAS is in the process of reconciling these amounts with institutions. The payment of allowances for books, food, accommodation and transport has been accelerated since the organisation was placed under administration by the Minister of Higher Education and Training in August 2018.  The actual costs of the new bursary scheme (and its sustainability) will thus only be known once the NSFAS closes out the 2018 academic year. More information on this can be provided at the time of the Budget in February 2019. |
| 8 | **Principles on DORA and equitable share not fair - Municipalities unfunded budget is a result of principles of Division of Revenue which underfund local government, with only 9%** | The division of revenue allocations take into account government’s spending priorities and each sphere’s revenue-raising capacity and responsibilities. Unlike national departments and provinces, municipalities can raise substantial own revenues through property rates and service charges. As the division of revenue is presented at the level of the “Main Budget”, it does not reflect the substantial own revenues raised by municipalities; if these are included, local government accounts for about a quarter of the total revenue raised by the three spheres. To this end, about 71 per cent of the local government budget is funded through own revenue which amounts to approximately R285 billion in 2018/19.  A municipality is said to have adopted an “unfunded” budget when their expected revenues do not sustainably cover their planned expenditures. Many municipalities have unfunded budgets because their revenue estimates are not credible, in other words they budget to collect funds that they have not demonstrated the ability to actually collect. The division of nationally raised revenue does not cause these unrealistic revenue projections. The Division of Revenue Bill contains projections for how much will be transferred to each municipality over the next three-year period, enabling them to plan for these transfers with a high degree of certainty. As a result, many municipalities that depend on transfers to fund a large proportion of their revenues have been able to adopt funded budgets.  The division of revenue acknowledges that different levels of economic activity across the country mean that some municipalities will be much more dependent on transfers, as a result transfers to rural municipalities are more than twice as large per household as those to metropolitan municipalities.  Any municipality that plans its expenditure to be within its total revenues (including transfers and own revenues), can adopt a funded budget. Municipalities need to balance their plans to extend and improve services with available resources. Where revenue collection is not well planned or managed, or where tariffs are not properly set, serious financial problems can arise.  Government acknowledges the financial pressures in local government. As a result, the national and provincial treasuries have agreed to focus on seven “Game Changers” in their efforts to improve the capacity and financial performance of municipalities, these include an improved revenue management framework for municipalities that targets improving the internal controls, cash flow management and operational efficiencies in municipalities and reduce unnecessary and wasteful expenditure; and to ensure that budgets adopted by the municipal councils are funded. |
| 9 | **What is an acceptable debt level? What is Treasury doing about the fiscal slippage?** | Fiscal options have become increasingly limited, and higher revenues need to flow from a broad-based economic expansion. Taxes have increased substantially over the past few years. At the same time, government has repeatedly reduced the expenditure ceiling. Similarly, the growth of goods and services and capital budgets have been reduced. There is limited room to cut spending in a way that will not harm service delivery, or reduce public investment. Over the period ahead, government must focus on reforms that support economic growth, reduce wage bill pressures, and improve the sustainability of state-owned companies (SOCs).  The defining feature of a sustainable fiscal regime is one in which there is political and institutional commitment to fiscal prudence. Research and country experiences show that this commitment cannot be engineered through the introduction of a rigid quantitative rule. There are many examples of countries that have implemented and withdrawn fiscal rules, at great cost to their credibility. For that reason, any rule must be carefully designed to ensure that it supports the credibility of the framework.  There is no technical consensus on how to define an optimal debt-to-GDP ratio, making the choice of a limit appear somewhat arbitrary “What constitutes a safe level of debt … is, needless to say, very difficult to pin down precisely in practice and can never be established through some mechanical rule or threshold” (Ostry et al, 2015). Instead, government has focused on the need to stabilise debt while following a balanced consolidation path that supports the economy and front-line services. A paper by Saxegaard (2014) attempted to estimate a safe debt level for South Africa using a wide range of methodologies. The results ‘suggest that South Africa’s debt ceiling is around 60 percent of GDP, although uncertainty is high. Simulations suggest targeting a debt-to-GDP ratio of 40 percent of GDP would allow South Africa to remain below this debt ceiling over the medium-term with a high degree of confidence. |
| 10 | **What is the response of the rating agencies on the MTBPS?** | **Moody’s**   * According to the commentary note published by Moody’s on 25 October 2018, South Africa presented its Medium-Term Budget Policy Statement (MTBPS) that is weaker than the fiscal outlook presented in the February 2018. * Moody’s concedes that the MTBPS contains a number of policy measures aimed at addressing South Africa’s economic and social challenges, but larger budget deficits and higher government debt are projected amid slower growth, a weaker rand and higher interest rates than expected in February 2018, which is a credit negative. * On the positive note, risks to the latest fiscal projections are balanced. Revenue assumptions underpinning the medium-term fiscal projections are achievable, but the unchanged spending ceiling will be challenging to meet as government aims to strike a balance between economic, social and fiscal objectives, according to Moody’s.   **Fitch**   * According to the commentary note published by Fitch also on 25 October 2018, South Africa’s Medium-Term Budget Policy Statement has lowered the revenue to make them more realistic, but does not contain significant offsetting fiscal measures, which has the prospect of pushing debt stabilization further into the future * The plan to offset higher wage growth with headcount reductions might be difficult to achieve, given that it is difficult for some government departments to stick to their allocations. * Further, there is a high risk that State Owned Companies (SOCs) will need further cash injections. However, Fitch believes that spending overruns will continue to be met by re-allocations so that the expenditure ceilings are respected * Fitch indicates that the National Treasury’s updated projections of the GDP and budget deficits are close to Fitch’s projections and broadly realistic. * Roughly similar to Moody’s, Fitch also indicates that the main risk to debt projections stems from the possibility of SOCs requiring much larger than currently anticipated cash injections.   **S&P**   * S&P did not publish but has conducted physical visits from 30 October to 02 November 2018. |
| 11 | **What is NT’s view on the application of the Companies Act on SOCs** | It is important for SOCs to apply Companies Act since it promote, support and enhance the capacity of SOCs to perform their functions. In addition, it balances the rights and obligations of shareholders and directors within SOCs. |
| 12 | **How is NT going to deal with fruitless expenditure?** | The primary responsibility for detecting and preventing fruitless and wasteful expenditure vests with the accounting officer as head of the administration. It is also the responsibility of the accounting officer to implement consequence management when fruitless and wasteful expenditure has occurred.  National Treasury developed Treasury Instructions on wasteful expenditure. These will be published as Frameworks to be adopted by accounting officers in PFMA compliant institutions. The National Treasury also hosts regular information sessions with the aim of advocating sound principles of financial management. In terms of the MFMA, National Treasury has issued regulations to deal expeditiously with allegations of financial maladministration.  The National Treasury and Office of the Auditor-General are currently working hand in hand to interrogate the root causes of fruitless and wasteful expenditure. This will form the basis to review the adequacy of existing policies and guidance on this subject. The need for better centrally directed initiatives to arrest this problem will also be interrogated. |
| 13 | **SAA- what is meant by reconfiguration?** | During the 2016 Budget Speech, it was announced that the Ministers of Finance and Public Enterprises had “agreed to explore the possible merger of SAA and SA Express, under a strengthened Board of Directors, with a view to engaging a potential minority equity partner, and to create a bigger and more operationally efficient airline”.  Government currently wholly owns three airlines: South African Airways (SAA), South African Express Airways (SA Express) and Mango (which is a subsidiary of SAA). Both SAA and SA Express must turnaround their operational performance and efficiency and pursue partnerships which will facilitate long-term financial sustainability. This will require, inter alia, the reconfiguration of the airlines into a single aviation group resulting from the merger of SA Express into the SAA group. Reconfiguration of the airlines will allow synergies to be realised, improve the coordination between the airlines and allow Government the opportunity to introduce a Strategic Equity Partner (SEP) into the ownership structure of the airlines. |
| 14 | **Why did SANRAL receive R5.9 billion?** | For SANRAL, R5.75 billion was shifted from the non-toll allocation to the toll allocation to meet cash requirements in the toll portfolio. R3 billion is proposed as a shift from the transfer from PRASA to SANRAL’s non-toll budget to minimise the impact of the shift on running non-toll projects (The latter requires parliamentary approval). |
| 15 | **The 1% Vat increase- it seems that this increase will be used for Vat refunds instead of improving revenue- what is NT’s comment** | The full R20 billion is not only due to the clearing of the backlog. Page 21 of the MTBPS shows that R9 billion is due to a revision in expected VAT refunds, while R11 billion is to be paid out to clear the backlog of VAT refunds. It is true that revenues will be R11 billion lower this year because of the clearing of the VAT credit book, however in effect revenues in prior years were R11 billion higher, so this is more of a timing issue rather than an overall reduction in revenues of R11 billion. |
| 16 | **What is South Africa’s public sector debt?** | The table below provides an estimate of public sector debt:    Source: September 2018 Quarterly Bulletin/Consolidated annual financial statements |
| 17 | **Nationalisation of SARB** | As stated in the MTBPS speech: The President’s plan is achievable. But any growth plan must be built on two macroeconomic preconditions: a sustainable fiscal position and low and stable inflation. I am confident that Governor Kganyago and his team will continue to work tirelessly to keep inflation down. And please, let us not distract him with these regular attacks on the mandate and independence of the South African Reserve Bank. Today we reiterate what is contained in section 224 (2) of the Constitution:  “The South African Reserve Bank, in pursuit of its primary object, must perform its functions independently and without fear, favour or prejudice, but there must be regular consultation between the Bank and the Cabinet member responsible for national financial matters.” |
| 18 | **NT not able to oversee state institutions- IFMS seem to be faced with internal management systems** | On IFMS - Decisive steps were taken to address the problems around IFMS following a period of much negative publicity. This included a sweeping change of senior management on the IFMS programme and closer monitoring from both the Office of the Accountant-General and the Office of the Director-General. These changes achieved the desired result of stabilising IFMS. Since that time key milestones were achieved within budget and project timelines.  The core staffing of IFMS is under review as the project now enters into the pilot testing phase. The process of recruiting a Technical Director is well advanced and internal staff secondments have been activated to strengthen administrative capacity. Re-establishment of the Project Management Office will be expedited. This was put on hold pending the outcome of a forensic investigation. Management is confident that the most pressing issues have been stabilised and that the way forward will be much smoother. However, there are a few lingering legacy issues still being resolved, mainly around contractual issues with service providers from the original IFMS programme. |
| 19 | **The Committees welcomed the prioritisation of infrastructure spending, but expressed concern over the inability of departments and municipalities to spend funds effectively. The need for an infrastructure development master plan, as well as the strengthening of monitoring and evaluation of infrastructure management within National Treasury and across government, was emphasised. The effectiveness of punishing non-performing departments and municipalities by withholding funds, was also questioned.** | The South African Government adopted a National Infrastructure Plan in 2012 that intends to transform the economic landscape while simultaneously creating significant number of new jobs, and to strengthen the delivery of basic services. The master plan is aligned with National Development Plan (NDP). The NDP specifically identifies infrastructure investment in sectors such as water, energy, telecommunication, transport and social infrastructure as vital to grow the economy and reduce inequality.  The development of the National Infrastructure Plan was followed by the introduction of the Infrastructure Act in 2014. The Infrastructure Act seeks to achieve the following:   * provide for the facilitation and co-ordination of public infrastructure development which is of significant economic or social importance to the country; * to ensure that infrastructure development is given priority in planning, approval and implementation; * to ensure that the development goals of the state are promoted through infrastructure development; * to improve the management of such infrastructure during all life-cycle phases, including planning, approval, implementation and operations;   As a result of Act, the Presidential Infrastructure Coordinating Commission (PICC) was established to identify and implement of strategic integrated projects which are important to the development of the country.  National Treasury and provincial treasuries agree with the need to improve performance on infrastructure grants and are providing support to sector departments and municipalities. This support includes procurement reforms aimed at addressing non-compliance with prescripts of the law and compromised bid committee systems.  On the municipal side, National Treasury and the Municipal Infrastructure Support Agent are working to set up transversal contracts that can provide ‘turn-key’ solutions for infrastructure delivery.  Government allocates substantial resources to ensuring municipalities and provinces have the capacity to implement infrastructure projects. Five per cent of the Municipal Infrastructure Grant may be used for project management units in municipalities and 3 per cent of the Urban Settlements Development Grant can be used for capacity in metropolitan municipalities. Moreover, provincial education and health departments receive R45 million and R48 million respectively to capacitate the infrastructure units through the Education Infrastructure grant and Health Facility Revitalisation Grant. The intention is to improve infrastructure planning, implementation, monitoring and oversight. The appointments should be in line with the Department of Public Service and Administration’s prescripts.  The withholding, stopping and reallocation of funds is one of the most powerful tools available to minimise the underspending of conditional grant allocations. The use of these measures provides a consequence for poor performance by withholding allocations from municipalities or provinces that are not meeting planned expenditure targets or are not complying with grant rules. Without these penalties, a much larger number of provinces and municipalities may be tempted to violate grant conditions. These measures are therefore essential to ensuring that funds are used for their intended purpose. The reallocation of funds also allows grant managers to reduce underspending by shifting funds to where they can be spent. Over time, as the capacity of municipalities and provinces to spend their grant allocations improves, the need for reallocations should reduce, but at present these remain vital tools for managing the grant system. |
| 20 | **When will the BMA be established, funding implications and functions?** | The Border Management Authority will be established once the Border Management Authority Bill gets passed into law. The bill is going through the parliamentary process and it is now with the NCOP. The functions of the BMA will be to facilitate and manage the legitimate movement of persons and goods within the Border Law Enforcement Area and at Ports of Entry; facilitate the collection of revenue within the Border Law Enforcement Area and at Ports of Entry and co-operate and coordinate its Border Law Enforcement functions with other Organs of State, border communities or any other persons. The indicative annualised cost for the ideal end state of the BMA is estimated to be R11 billion. |
| 21 | **Why does NT cut budgets without consultation? Is there a consultation process that takes place?** | Departments were consulted about savings/budget reductions in this year’s budget process (see the 2019 MTEF Guidelines <http://www.treasury.gov.za/publications/guidelines/2019%20MTEF%20Technical%20Guidelines.pdf> )  Departments were asked to provide a list of items that could be cut as part of the 2019 MTEF budget submission in July. For example – savings could be made by providing the same service but doing it more cheaply (a value for money exercise) or winding down programme/projects that were not performing and not core to the departmental mandate. The savings were discussed in the budget meetings with departments and at MTEC after which a final list of budget reductions was then approved by Cabinet. |
| 22 | **List of spending targeted specifically to the poor** | Sanitary pads, school feeding programme, social grants, health services, Community health workers, Fee free education, low income housing subsidy, free basic water and sanitation, legal aid. |
| 23 | **Management of finances in nonperforming departments – any interventions** | S38 of the PFMA places the responsibility for managing finances of national and provincial departments on the relevant account officer. A breach of S38 constitutes financial misconduct in terms of section 81 of the PFMA. Given NTs responsibilities in S6, finding a balance between our responsibilities and that of accounting officers is critical. For the Department of Water and Sanitation, we have asked the accounting officer to develop a financial recovery plan to stabilise spending in order to minimise unauthorised expenditure. |
| 24 | **How serious is government to address maladministration - when will the public audit management bill be implemented and examples made?** | Government is committed to addressing maladministration, using the full force of the law and working collaboratively with the law enforcement agencies. Several cases of violations of the MFMA and PFMA are currently being investigated through the criminal justice system. These investigations may lead to the prosecution of officials where a case can be made that they are have violated the law. Previous cases have resulted in successful prosecutions. For example, an investigation by the Hawks in the Karoo Hoogland Local Municipality resulted in a jail sentences for fraud and corruption for three people, including the former municipal manager and former chief financial officer of the municipality.  The Public Audit Management Bill has not yet been signed into law. Once it is enacted, National Treasury will work with the Auditor General to support the full implementation of this Act, as required. |
| 25 | **What are other mechanisms for municipalities recovery now that the grant is no more being implemented** | The grant that was proposed in the 2017 MTBPS and 2018 Budget Review was not intended to address all aspects of municipal financial recovery. During deliberations with stakeholders during the budget process this year, it was agreed that the introduction of the proposed new grant would not be the optimal way to respond to the large number of municipalities currently facing financial crises. The 2018 MTBPS proposes the reprioritisation of the funds set aside for this grant for other initiatives that will assist the turnaround of municipalities. These initiatives include increased capacity to manage interventions in municipalities, a review of the local government capacity building system, funding the Department of Public Works to resolve issues on the ownership of government properties that are preventing debts owed to municipalities from being settled. Some funds are also reprioritised for disaster recovery projects.  The MFMA’s chapter 13 provides a clear directive on the procedure to be undertaken in the event that a municipality is in financial crisis. The Act includes measures to identify whether an intervention is required. Funding has been provided to increase the capacity of the Municipal Financial Recovery Service unit that is mandated to prepare financial recovery plans for municipalities. Funds have also been allocated to provincial treasuries to increase their capacity to manage interventions. In many instances, CoGTA has been collaborating in these interventions through the back to basics programme.  As at June 2018, 166 municipalities met aspects of the definition of financial crisis in terms chapter 13 of MFMA. Provincial Treasuries are implementing measures to assist these municipalities, including improving revenue management, expenditure management, and addressing unfunded municipal budgets.  Government also spends more than R2.5 billion per year on various forms of capacity support to local government that should enable municipalities to improve their capacity. The large number of municipalities at risk of financial crisis is one indication that this system of capacity support is not functioning optimally. Government has therefore announced its intention to review this system during 2019 and to implement reforms based on the outcomes of this review. |
| 26 | **Human Settlements grant continuously returned due to business plans not being in order (GT). What is NT doing to assist. Grants to upgrade informal settlements – NT must insist on a plan to use as instrument to measure progress.** | The transferring officer for each conditional grant is responsible for reviewing and approving business plans for the use of grant funds. This is important to ensure that the way provinces are planning the use the funds are in line with the purpose and conditions of the grant. In terms of section 10 of the Division of Revenue Act, 2018, the Department of Human Settlements is responsible for certifying to National Treasury that all business plans for the Human Settlements Development Grant were approved by them before the start of the financial year.  The new grants for informal settlements are proposed from 2020/21 to ensure that the planning and performance framework strengthens delivery, governance and accountability. We have 2019/20 to work on this. |
| 27 | **Whether NT has a short- and long-term plan for SOC (question raised at a meeting of 30 October 2018)** | The management of the SOCs does not fall within the ambit of the National Treasury, this area falls under the Department of Public Enterprises. However, the National Treasury is committed to working with the rest of government to reduce the risks that the SOCs pose to the fiscal framework and the economy. For example, the Departments of Energy and Public Enterprises, and the National Treasury, have begun work to determine how a restructured electricity sector can support long-term growth, a secure energy supply, a sustainable electricity utility and higher investment in electricity generation, transmission and distribution.  The Presidential SOC Council (DPE is the Secretariat), will need to convene and discuss these matters including approving the disposal framework. There is also the Shareholder Management Bill (DPE is overseeing this) which still needs to be finalised. The National Treasury can assist with enforcing implementation of reforms: PSP; board appointments; executive remuneration; and costing developmental mandates. The shareholder Ministers should ensure that entities under their “watch” achieve the following:  1. Reduce reliance on funding from the fiscus;  2. Reduce applications for guarantees;  3. Foster collaboration, where appropriate, with the private sector;  4. Identify non-core state assets for disposal and/or funding core mandates;  5. Approve sustainable turnaround plans meeting the above requirements;  6. Extract dividends where feasible, from performing entities;  6. Consolidation of SOCs;  7. Oversight of entities by an appropriate shareholder structure. |

1. Occupations covered by the OSDs include, but are not limited to, nurses, legal personnel, educators, correctional services officials, social services personnel, engineers, and allied health workers. [↑](#footnote-ref-1)