

REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM ON THE DIVISION OF REVENUE SECOND AMENDMENT BILL [B24 - 2020]

1. INTRODUCTION

The Speaker of the Legislature referred the Division of Revenue Second Amendment Bill [B24-2020] (the Bill) to the Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism for consideration and report back to the House in accordance with the legal prescripts.

In terms of Section 118(1) of the Constitution of the Republic of South Africa, 1996, the Legislature has a Mandate to facilitate public involvement in the legislative and other processes of the Legislature and its Committees. Therefore, the Committee solicited public inputs and views from members of the public on the above mentioned Bill.

2. OBJECTIVES OF THE BILL

To amend the Division of Revenue Act, 2020, as amended by the Division of Revenue Amendment Act, [B24-2020], in accordance with the Money Bills and Related Matters Act, 2009; and to provide for matters connected therewith.

3. METHOD OF WORK

The Bill was referred to the Committee immediately after being referred to the Legislature. Subsequently, the Committee interacted on the Bill as follows:

- a) On the 12 November 2020, the Committee joined the National Council of Provinces (NCOP) through the Select Committee on Appropriations for a joint briefing by the National Treasury on the Division of Revenue Bill [B24-2020]. The meeting was attended by all provinces.
- b) The Committee resolved to have a second meeting to receive a briefing from the National Treasury on matters and allocations affecting the Mpumalanga Province. The

Provincial Treasury was invited to join the briefing meeting. The meeting was took place on 19 November 2020.

- c) The Committee determined that public input should be solicited on the Bill and a virtual public hearing was held on the 23 November 2020.
- d) The Committee met on the 24 November 2020 to consider its Committee report and Negotiating Mandate on the Bill.

4. INTERACTION BY THE COMMITTEE WITH THE SELECT COMMITTEE ON APPROPRIATIONS AND THE NATIONAL TREASURY

The National Treasury made a presentation to the Committee, the Select Committee on Appropriations and other provinces. The following points were noted from the presentation:

- **R25 300 000.00** is reduced from the 2020 baseline as part of the reduction of **R160 000 000 000.00** to the growth of the public service wage bill.
- **R500 000 000.00** is added to provide for food relief in response to the impact of COVID 19 to mitigate the adverse effects of hunger. Allocations to provinces are determined in line with the provincial equitable share formula.
- **R7 000 000 000.00** is added to the baseline to employ education assistants at schools (e.g. Classroom assistants, cleaners, screeners, reading assistants, after school assistants) and to save school governing body posts at fee paying schools and government subsidised independent schools.
- **Mpumalanga Province has a net change of -R1,467,683 made up as follows:**
 - **R490 893 000.00** allocated for the Presidential Employment Initiative;
 - **R40 943 000.00** allocated for food relief and
 - **R1 999 519 000.00** reduced on the public service wage bill.
- **R12 000 000.00** is reprioritised from the department's budget into the indirect component of the water services infrastructure grant to Lekwa Local Municipality.

Subsequent to the presentation provinces were afforded an opportunity to interact with the presentations.

5. SECOND MEETING WITH THE NATIONAL TREASURY

The National Treasury made a presentation to the Committee on matters and allocations relating to the Mpumalanga Province. The following points were noted:

Summary of changes to provincial allocations

The table below outlines the changes to the allocations for the Mpumalanga Province:

MPUMALANGA							
	Main appropriation: 2020/21	Total: 2020/21 Adjustments	National adjusted appropriation: 2020/21	Second Adjustment, 2020/21		Total: 2020/21 Adjustments	National adjusted appropriation 2020/21
				Reductions	Additions		
	R'000	R'000	R'000	R'000		R'000	R'000
EQUITABLE SHARE	44,104,988	-	44,104,988	(1 999 519)	531 836	(1 467 683)	42 637 305
2020 MTEF Compensation of employees reductions				(1,999,519)		(1,999,519)	(1 999 519)
Food relief: Social development					40,943	40,943	40 943
Presidential Employment Initiative: Education					490,893	490,893	490 893
CONDITIONAL GRANTS:	8,312,315	(486,351)	7,825,964	(31,837)	154,547	122,710	7,948,674
Agriculture, Forestry and Fisheries	224,721	(35,231)	189,490	(2,096)	-	(2,096)	187,394
Comprehensive Agricultural Support Programme Grant	157,303	(24,904)	132,399	(1,417)		(1,417)	130,982
Ilima/Letsema Projects Grant	57,374	(10,327)	47,047	(560)		(560)	46,487
Land Care Programme Grant: Poverty Relief and Infrastructure Development	10,044	-	10,044	(119)		(119)	9,925
Basic Education	1,919,526	(273,892)	1,645,634	-	-	-	1,645,634
Education Infrastructure Grant	1,094,681	(263,992)	830,689				830,689
HIV and AIDS (Life Skills Education) Grant	19,994	(4,831)	15,163				15,163
Learners With Profound Intellectual Disabilities Grant	29,020	-	29,020				29,020
Maths, Science and Technology Grant	41,417	(5,069)	36,348				36,348
National School Nutrition Programme Grant	734,414	-	734,414				734,414
Cooperative Governance and Traditional Affairs	-	-	-	-	-	-	-
Provincial Disaster Grant	-	-	-				-
Provincial Disaster Recovery Grant	-	-	-				-
Health	2,976,028	173,061	3,149,089	(24,165)	39,278	15,113	3,164,202
HIV, TB, Malaria and Community Outreach	2,205,714	173,061	2,378,775	(19,165)	22,821	3,656	2,382,431
Community Outreach Services Component	260,315	-	260,315	(2,141)	22,821	20,680	280,995
HIV and AIDS Component	1,813,880	-	1,813,880	(14,918)		(14,918)	1,798,962
Malaria Elimination Component	28,795	-	28,795	-		-	28,795
TB Component	35,799	-	35,799	(294)		(294)	35,505
Covid-19 component	47,245	173,061	220,306	(1,812)		(1,812)	218,494
Human Papillomavirus	19,680	-	19,680	-		-	19,680
Health Facility Revitalisation Grant	423,922	-	423,922			-	423,922
National Tertiary Services Grant	135,793	-	135,793			-	135,793
National Health Insurance Grant	21,104	-	21,104	(5,000)		(5,000)	16,104
Statutory Human Resources, Training and Development	189,495	-	189,495		16,457	16,457	205,952
Human Settlements	1,119,527	(139,790)	979,737	(3,670)	-	(3,670)	976,067
Human Settlements Development Grant	1,081,044	(114,627)	966,417			-	966,417
Title Deeds Restoration Grant	38,483	(25,163)	13,320	(3,670)		(3,670)	9,650
Provincial Emergency Housing Grant	-	-	-			-	-
Public Works	62,841	-	62,841	-	-	-	62,841
Expanded Public Works Programme Integrated Grant for Provinces	27,907	-	27,907			-	27,907
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	34,934	-	34,934			-	34,934
Social Development	80,872	-	80,872	-	42,372	42,372	123,244
Early Childhood Development Grant	80,872	-	80,872		42,372		80,872
Sport, Arts and Culture	208,942	(52,544)	156,398	(1,906)	-	(1,906)	154,492
Community Library Services Grant	162,410	(34,700)	127,710	(1,542)		(1,542)	126,168
Mass Participation and Sport Development Grant	46,532	(17,844)	28,688	(364)		(364)	28,324
Transport	1,719,858	(157,955)	1,561,903	-	72,897	72,897	1,634,800
Provincial Roads Maintenance Grant	1,042,917	(157,955)	884,962		72,897	72,897	957,859
Public Transport Operations Grant	676,941	-	676,941			-	676,941
TOTAL: ADJUSTED NATIONAL TRANSFERS	52,417,303	(486,351)	51,930,952	(2,031,356)	686 383	(1,344,973)	50,585,979

Source: National Treasury

6. INPUTS BY THE PROVINCIAL TREASURY

The Provincial Treasury raised a concern on the reduction of the budget allocation for the province, particularly on the reduction of the wage bill. The Provincial Treasury reported that the court judgement is still awaited on this matter. Nonetheless, the Provincial Treasury acknowledged that the reductions are experienced by all provinces due to the current economic challenges faced by the country.

7. INPUTS BY THE LEGISLATURE LEGAL SERVICES

The Legal advisor reported that the the Bills satisfies all the legal processes and the Committee can process the Bill further and involve members of the public in line with section 118 of the Constitution.

8. DELIBERATIONS BY THE COMMITTEE

- The delay on the construction of the Moloto Rail Corridor was noted with serious concern. The National Treasury clarified the Committee that the issue relating to the Moloto Rail Corridor has been escalated to the National Department of Transport.
- The Committee raised a concern on the shortage of water due to the low water levels in the dams in Dr. JS Moroka Local Municipality. The Committee further pointed out that alternative interventions like the boreholes and trucking of water is not sufficient to alleviate the situation and the community is becoming very irritated by the lack of water. The National Treasury responded to the concern and reported that in responding to the drought, conditions are included in the water grants to respond to drought relief with some of the activities permitted includes protection of water sources and source identification amongst others. Water trucking is not a sustainable way of providing water and can only be used as temporary measure, an alternative more temporary solution must be found in communities where water trucking is currently being used. The concern from the Committee has been referred to the Department of Water and Sanitation through its CFO's office.

9. PUBLIC INVOLVEMENT

The Committee designed an advert informing and inviting stakeholders to the public hearing. The advert was placed on the following newspapers:

- i. MP Press
- ii. Khanyisa
- iii. 013 News

The Committee conducted a virtual public hearing on 23 November 2020. A number of stakeholders were invited and afforded an opportunity to interact on the Bill. The virtual public hearing was also streamed on the Legislature social pages.

The Bill was thoroughly presented to members of the public who were following the public hearing on the Legislature social media platforms as well as stakeholders who were connected to the virtual public hearing. The Committee responded to questions and addressed concerns raised by stakeholders. Issues that were raised which do not necessary relate to the Bill will be thoroughly processed through relevant channels.

The following stakeholders were invited to the virtual public hearing:

- a. Congress of South African Trade Unions (COSATU);
- b. South African Local Government Association (SALGA)
- c. SANCO
- d. Public Service Commission (PSC)
- e. Human Rights Commission:
- f. South African Council of Churches
- g. National Bar Council of South Africa (NBCSA)
- h. South African Women Lawyers Association (SAWLA)
- i. National African Federated Chamber of Commerce (NAFCOC)
- j. Congress of South African Student (COSAS)

The public was provided with a thorough overview on the Bill.

Comments by Stakeholders

After a brief presentation on the Bill, the stakeholders were afforded an opportunity to comment or make inputs on the Bill. The following are inputs made:

i. Congress of South African Trade Unions (COSATU)

COSATU reported that the Bill is welcomed and raised the following:

- A concern that the Bill as presented does not seem to address the economic challenges that are faced by the Country.
- The Federation requested that relevant departments must come together and develop a comprehensive recovery plan to address the current economic challenges.
- Noting the strain experienced by different sectors and companies that has led to massive job losses, COSATU enquired on the feasibilities that the National Treasury can look into stimulus packages that can be used to stimulate the main economic drivers i.e. agriculture and tourism. Furthermore, it enquired on the measures that are implemented to ensure that these sectors survive even beyond the COVID-19 pandemic.
- The reduction of the budget allocated to Compensation of Employees was raised as a serious concern.
- The Federation is of the view that the labour sector, especially those on the lower positions will be greatly disadvantaged.
- The allocations made to municipalities is appreciated. However, concerns were raised on the financial management and accountability by some municipalities.
- The monitoring of how the allocated budget is spent was raised sharply.

ii. National African Federated Chamber of Commerce (NAFCOC)

NAFCOC reported that the Small and Medium businesses (SMMEs) are contributing a lot in the fight against unemployment. A concern was raised that there was no allocation to resuscitate township businesses, which were hit hard by the national lockdown in the Bill.

10. OBSERVATIONS AND FINDINGS MADE BY THE COMMITTEE

The Committee made the following observation and findings:

- 10.1. An amount of **R1 999 519 000.00** has been reduced from the Public Service wage bill.
- 10.2. An amount of **R154 547 000.00** is added to direct conditional grants for the province for job-creation purposes
- 10.3. **R12 000 000.00** is reprioritized from the department's budget into the indirect component of the water services infrastructure grant to Lekwa Local Municipality.
- 10.4. The issue relating to the construction of the Moloto corridor remains a concern for the Committee. However, the Committee notes that the matter has been elevated to the National Department of Transport.
- 10.5. The Coal Haulage Grant will no longer be allocated to the province.
- 10.6. The Committee expresses its concern on the discontinuation of the grant, taking into consideration the amount of work still to be done on the roads of the province.

11. RECOMMENDATIONS

The Committee supports the Bill and made the following recommendations:

- 11.1. The National Treasury must closely monitor the process and ensure that provinces are able to implement the court ruling once the matter has been finalised.
- 11.2. The National Treasury, together with the Provincial Treasury must ensure that the allocation is used for its intended purpose and that it benefits the intended people.
- 11.3. The Committee notes the allocation to the Lekwa Local Municipality with appreciation. Furthermore, the Committee requests the National Treasury to consider making an allocation to the Dr. JS Moroka Local Municipality in order to address the drought that is experienced by the municipality.

- 11.4. The National Treasury must make follow up with the Department of Transport and provide a comprehensive report to the Committee in this regard.
- 11.5. The Committee expresses its concern on the discontinuation of the grant, taking into consideration the amount of work still to be done on the provincial roads.
- 11.6. The delegation representing the Province of Mpumalanga in the National Council of Province (NCOP) is conferred with authority and mandated to vote in favour of the Division of Revenue Second Amendment Bill [B24 – 2020] with no amendments, taking into account the inputs and observations noted in this Committee report.

12. CONCLUSION

The Chairperson, Hon M Latchminarain, extends her appreciation to Members of the Committee, the Select Committee on Appropriations of the NCOP, the National and Provincial Treasury and stakeholders for their active participation, input and contributions during the deliberations on the **Division of Revenue Second Amendment Bill [B24 - 2020]** as well as the support staff for contributing to the production of this report.



24.11.2020

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DATE