STANDING COMMITTEE ON APPROPRIATIONS BRIEFED ON BUDGET CUTS AND MITIGATION MEASURES

The Standing Committee on Appropriations received a briefing from the Parliamentary Budget Office (PBO) and Financial and Fiscal Commission (FFC) on the Division of Revenue Bill, which was tabled by the Minister of Finance when he delivered the 2021 Budget Speech in February. The committee asked about the impact of budget cuts on the government’s social programmes and about measures to mitigate the impact of cuts on service delivery.

The FFC registered its concern about the fluctuations in conditional and equitable share, as this affects intergovernmental relations and the implementations outcomes at local and provincial levels of government. FFC analysis has shown that, in most cases, the formula used to work out provincial government equitable share is not responsive to the unique needs of individual provinces. Budget cuts have meant that provincial and local government have had to reprioritise their budgets and this has affected their ability to dispence critical service delivery, particularly to vulnerable groups, the FFC told the committee.

The Parliamentary Budget Office’s (PBO) presentation also underlined the impact of cuts on social programmes such as social grants. It shared a view that the current Division of Revenue Bill did not live up to expectation because of unseen financial pressure exacted by Covid. As a result, PBO Director Dr Dumisani Jantjies said: “Certain budget choices had to be made to address all concerns equitably.”

For example, a cut of well over R2 billion from the Public Transport Network Grant due to non-expenditure has a direct impact on local service delivery and many members of the committee considered this unacceptable. The cut has left 13 cities with no public transport network plans. FFC commissioner Prof Aubrey Mokadi said the FFC is still investigation why the grant was not spent.

Prof Mokadi told the committee that a lack of sound leadership often undermines performance, which in turn leads to the ineffective implementation of service delivery at local level. The standing committee commented that a lack of qualified personnel at local government is to blame for non-expenditure. In PBO Deputy Director Ms Nelia Orlandi’s view: “There is a correlation between lack of necessary skills and non-expenditure, which often leads to under-performance. This is reflective of a lack of necessary skills at certain municipalities to make budgetary decisions.”

The committee heard from both presentations that the current Division of Revenue Bill has contributed to a four percent cut in local government equitable share.

Mr Michael Sachs told the committee that cuts to the portfolios of defence, police, basic education and some healthcare provisions have eroded the value of the budget. “Most worrying is the decrease of basic education budget in the world of Covid, and other high employment sectors such as defence, police and health sector.”

The committee wanted to know how the objectives of the National Development Plan would be achieved in light of these cuts. In response, Dr Jantjies said that the budget did not live up to expectations.

 The Chairperson of the standing committee, Mr S’fiso Buthelezi, proclaimed that lack of funds for programmes is often emphasised. However, there is also a need to deal with underlying problem at many local municipalities. These challenges often contribute to wasteful and fruitless expenditure. “We need to ask: what has been done to rectify that? We can’t continue to stretch the rand too far and squeeze it until we get less than its expected value,” he added.

“We need to react to issues of incompetency not post facto, when the horse has bolted,” he continued. “We need to react in real time and we need people who advise us to ensure that that happens, so that we can deal with inefficiencies in various spheres of government to ensure that services are delivered to our citizens as expected.”

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