

## **Report of the Standing Committee on Appropriations on the Division of Revenue Amendment Bill [B19 – 2021], Dated 26 November 2021**

The Standing Committee on Appropriations having considered the *Division of Revenue Amendment Bill [B19-2021]* (National Assembly – section 76), reports as follows:

### **1. Introduction**

The Minister of Finance tabled the Division of Revenue Amendment Bill (hereafter referred to as the Bill) in Parliament on 11 November 2021 during the presentation of the 2021 Medium Term Budget Policy Statement (MTBPS). The Bill was tabled in Parliament in terms of section 12(4) of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendments Procedure and Related Matters Amendment Act, No 13 of 2018). The Act requires the Minister of Finance to table a Division of Revenue Amendment Bill with a revised fiscal framework if the adjustments budget affects changes to the Division of Revenue Act for the relevant year.

The Bill was referred to the Committee on 24 November 2021 after the National Assembly adopted the 2021 Revised Fiscal Framework. The Committee received a briefing from National Treasury on the Bill in its entirety on 17 November 2021. To facilitate public participation, the Committee published adverts in print media in all 11 official languages from 5 to 12 November 2021. The Congress of South African Trade Unions made submission on the Bill in response to the afore-said advertisements. The Financial and Fiscal Commission, Parliamentary Budget Office and the South African Local Government Association were invited by the Committee to comment on the Bill.

The Bill and its annexures address the following:

- Changes to provincial allocations;
- Changes to local government allocation; and
- Changes to gazetted conditional grant frameworks and allocations.

This report focuses on the proposed amendments to the 2021 Division of Revenue Act (Act No 9 of 2021) as tabled by the Minister of Finance and the matters raised during the engagements with the invited stakeholders and the organisations that made submissions in response to the advertisements.

### **2. Summary of changes in the 2021 Division of Revenue Amendment Bill and its response to the Covid-19 pandemic**

An adjustments budget provides for unforeseen and unavoidable expenditure; appropriation of monies already announced during the tabling of the annual budget (but not allocated at that stage); the shifting of funds between and within votes where a function is transferred; the utilisation of savings; and the roll-over of unspent funds from the preceding financial year.

In response to the Covid-19 pandemic, the Bill proposes additional allocation as part of the public employment programme to create jobs through labour intensive programme. In the 2021 Budget Speech, the Minister of Finance announced that a provisional allocation amounting to R11 billion had been set aside for the Presidential Youth Employment Initiative for the 2021/22 financial year. The intervention is part of the continued response by government to address the impact of the Covid-19 pandemic on the rising unemployment in the country. The Minister of Finance conditionally approved the amounts to be allocated for the Presidential Youth Employment Initiative. These funds include allocations that are made through provincial and local government conditional grants and provincial equitable share as follows:

- A proposed R178 million is added to the *early childhood development grant* to provide unemployment risk support to 70 000 early childhood development related workers impacted by Covid-19 lockdown to supplement their income;
- A proposed R841 million is added to the direct *neighbourhood development partnership grant* for local government to create 32 663 jobs through precinct management, community safety, place-making, greening, integrated waste management and digitalisation, with special focus on poor and marginalised areas and economic nodes;
- A proposed R350 million is added to the *provincial equitable share* for employment of staff and assistant nurses, who will fulfil the responsibilities required in the Covid-19 vaccination

programme, Covid-19 wards, high care units, observing patients and other duties that are in the line of their work.

- A proposed R120 million is added to the *provincial equitable share* for contracting of social workers as part of short-term response to unemployment among social work graduates and
- A proposed R6 billion is added to the *provincial equitable share* to employ education assistants and general school assistants at public ordinary and public special schools. Schools will appoint the assistants and decide on the specific duties of these assistants depending on the needs of the school.

In addition, the Bill further proposes adjustments to the *Budget Facility for Infrastructure* (BFI) funding as follows:

- R81 million is added to the direct *regional bulk infrastructure grant* for George Local Municipality for the implementation of the portable water security and remedial works project;
- Due to delays in the implementation of projects approved through Budget Facility for Infrastructure (BFI), R150 million is reduced from the *national health insurance indirect grant* for the Limpopo Academic Hospital;
- R10 million is reduced from the *health facility revitalisation grant* for Western Cape for Klipfontein Hospital due to delays in the appointment of professional service providers for building design; and
- R1.3 billion is reduced from the *public transport network grant* for City of Cape Town to align to its revised implementation plan of myCiti phase 2A.

### 3. Equitable division of revenue raised nationally among the three spheres of government

Table 1 below outlines the equitable division of revenue raised nationally among the three spheres of government (National, Provincial and Local). The net effect of the 2021 adjustments is an increase in the 2021/22 budget allocation by R65 125 581 000, increasing the budget allocation from R1 834 252 150 000 to R 1 899 377 731 000. The R65 125 581 000 proposed additional allocation is attributed largely to increases in national and provincial equitable share to fund the increased costs associated with the implementation of the 2021 Public-Service Wage Agreement and the implementation of the Presidential Youth Employment Initiative. The Presidential Youth Employment Initiative forms part of the public employment programme to create jobs through labour-intensive projects in response to the rising unemployment associated with the negative impact of the Covid-19 pandemic. A proposed total of R43 977 021 000 is added to the national government equitable share, whilst a proposed total of R21 148 560 000 is added to the provincial government equitable share.

**Table 1:** Schedule 1: Equitable Division of Revenue raised nationally among the Three Spheres of Government

Spheres of government	Column A		
	2021/22 Main Allocations	Adjustment	2021/22 Adjusted Allocation
	R'000	R'000	R'000
<b>National</b> <sup>1, 2, 3</sup>	1 232 566 664	43 977 021	1 276 543 685
<b>Provincial</b>	523 686 351	21 148 560	544 834 911
<b>Local</b>	77 999 135	-	77 999 135
<b>Total</b>	<b>1 834 252 150</b>	<b>65 125 581</b>	<b>1 899 377 731</b>

1. National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations
2. The direct charges for the provincial equitable share are netted out
3. Adjustments for the national share includes money added in the Second Special Appropriation Bill

**Source:** National Treasury (2021 Division of Revenue Amendment Bill)

### 4. Changes to provincial government allocations and conditional grants

#### 4.1. Changes to provincial government equitable share

A proposed total of R21.15 billion is added to the provincial equitable share as follows:

##### Schedule 2 of the Bill

- A proposed total of R14.7 billion is added to the *provincial equitable share* to assist provinces to implement the wage agreement of the Public Service Co-ordinating Bargaining Council for the 2021/22 financial year;
- A proposed total of R6 billion is added to the *provincial equitable share* to fund the Presidential Youth Employment Initiative for the employment of education assistants and general school assistants at public ordinary schools and public special schools;
- A proposed additional R350 million is added to the *provincial equitable share* to fund the employment of staff and assistant nurses who will fulfil the responsibilities required in the Covid-19 vaccination programme, Covid-19 wards, High Care Units, patient observation and other duties through the Presidential Youth Employment Initiative; and
- A proposed additional R120 million is added to the *provincial equitable share* for the appointment of social workers as part of addressing the backlog of unemployed graduates through the Presidential Youth Employment Initiative.

#### 4.2. Changes to provincial government grants allocations (Rollovers, reprioritisations and conversion of grants)

##### Schedule 6, Part A of the Bill

- **School infrastructure backlogs grant:** a proposed total of R210 million is rolled over for the *school infrastructure backlogs grant* to complete projects that are part of the Sanitation Appropriate for Education initiative, which deals with the replacement and removal of inappropriate and unsuitable sanitation, including pit toilets at schools. The funds are for schools in Eastern Cape, Free State, KwaZulu-Natal and Limpopo;
- **School infrastructure backlogs grant:** a proposed total of R97 million of the *school infrastructure backlogs grant* is reprioritised from the goods and services portion allocated to the Department of Basic Education for planning and oversight of the grant. The Department of Basic Education will use these funds to fund a shortfall in the workbooks project, where there is an increased demand for the language, mathematics and life skills workbooks provided to public schools now that learners are expected to work on their own from home as many schools are using a rotational timetable to allow for the required social distancing;

##### Schedule 5, Part A and Schedule 6, Part A of the Bill

- **National health insurance indirect grant:** a proposed total of R243 million is reprioritised from various components of the *national health insurance indirect grant* to the *human resources and training grant*. This provides for the statutory obligation to place medical interns upon completion of their studies;
- **National health insurance indirect grant:** a proposed total of R167 million is converted from the personal services component of the *national health insurance indirect grant* to the *HIV, TB, malaria and community outreach grant* to allow provinces to procure directly for the provision of mental health and oncology services. These services are funded from both grants, and provinces have demonstrated readiness to take over the full funding and management of these services.

#### 5. Changes to local government grant allocations

##### Schedule 6, Part B of the Bill

- **Regional bulk infrastructure indirect grant:** a proposed total of R582 million is rolled over in the *indirect regional bulk infrastructure grant* to fund the operational payments for the Vaal River pollution remediation project in Emfuleni Local Municipality; and

##### Schedule 5, Part B and Schedule 6, Part B of the Bill

- **Neighbourhood development partnership grant:** a proposed total of R90 million in the *neighbourhood development partnership grant* is shifted from the direct component to the indirect component of the grant, to fund project preparation, planning and implementation for

municipalities facing implementation challenges. The affected municipalities are City of Johannesburg, Mogale City Local Municipality, Kwa-Dukuza Local Municipality, West Rand District Municipality, Sol Plaatjie Local Municipality, Ray Nkonyeni Local Municipality and City of Cape Town.

## 6. Changes to gazetted frameworks

- **Neighbourhood development partnership grant:** the grant framework is amended to remove reference to Built Environment Performance Plans and include the conditions attached to the approval of funds from the Presidential Youth Employment Initiative. The conditions require cities to expand the existing Expanded Public Works Programme projects and enter into new partnerships with the private sector and civil society;
- **Regional bulk infrastructure grant:** the grant framework is amended to include the conditions attached to the approval of funding from the BFI for the implementation of the portable water security and remedial works project in George Local Municipality. The conditions require that the municipality submit a business plan, a cost-benefit analysis report and enter into a co-financing agreement with the Department of Water and Sanitation and the Department of Cooperative Governance;
- **Integrated urban development grant:** the grant framework is amended to include a provision for purchasing special vehicles for waste management. This correction is needed to ensure alignment with conditions in the municipal infrastructure grant as municipalities can move between the two grants;
- **Municipal infrastructure grant:** the grant framework is amended to correct for the omission of the baseline allocation of R14.8 billion in 2019/20 in the past performance section of the framework. The amount was erroneously not captured. This correction is needed to show the audited past financial performance of the grant.

## 7. Other proposed changes to allocations

**Expanded public works programme integrated grant for provinces:** to correct for the allocation for the Department of Agriculture, Environmental Affairs, Rural Development and Land Reform in Northern Cape; in the expanded public works programme integrated grant for provinces, allocations of R2 million each that were allocated separately for the previous Department of Agriculture, Land Reform and Rural Development and Department of Environment and Nature Conservation in the same province are combined. The allocations to the previous Department of Agriculture, Land Reform and Rural Development and Department of Environment and Nature Conservation were identified by the Department of Public Works and Infrastructure (DPWI) and gazetted by the Minister of Finance, together with the conditional grant frameworks in terms of Section 15(1) of the Division of Revenue Act, 2021.

The DPWI has since requested that allocations to the former two departments be combined in line with Proclamation 16 of 2020, wherein the previous Department of Agriculture, Land Reform and Rural Development and Department of Environment and Nature Conservation are merged into one department named Department of Agriculture, Environmental Affairs, Rural Development and Land Reform. The expanded public works programme integrated grant for provinces framework requires that eligible provincial departments sign a grant agreement with DPWI. This correction will allow for the signing of one grant agreement with the newly formed department instead of the previous two with former departments.

## 8. Comments and hearings on the Bill with identified stakeholders

The section below provides an overview of the comments that were made on the Bill by the invited stakeholders.

### 8.1. Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) submitted that the 2021 MTBPS proposed a total provincial allocation of R1.9 trillion over the 2022 MTEF, which represents a 3 per cent nominal increase from the 2021 national budget. In comparison to the national budget, the provincial total allocation has been revised upwards by R20 billion in the 2021 MTBPS mainly to cater for compensation of employee adjustments. Furthermore, FFC submitted that the provincial equitable share was projected to decrease slightly in 2022/23

and 2023/24 before recovering to a level above the 2021 MTBPS. Conditional grants however remained stagnant over the same period. The FFC emphasised its previous recommendation that the ongoing expenditure moderation must be on condition that it is accompanied by comprehensive reports from the affected government departments indicating to Parliament on how these departments intend to manage tighter budgets and cushion delivery of basic social services provision.

Regarding local government, the FFC submitted that 2021 MTBPS was presented shortly after the tightly contested local government elections, which ushered in an unprecedented number of hung councils i.e. 31 per cent of the 213 contested municipalities. The FFC submitted that these hung councils will likely end in coalition councils placing service delivery sometimes at risk. It encouraged municipalities to challenge the traditional way of doing things and focus on maximising efficiencies and pursuing policies that leave no one behind.

Over the 2021 MTEF, the FFC submitted that the local government sector is to be allocated R450.6 billion; R254 billion in the form of unconditional grants and R149.7 billion in conditional grants. The FFC noted the slow growth in the local government allocations, cautioned against the negative implications of such on basic services delivery and contended that these reductions will add stress to an already dire situation that is faced by the majority South African citizens who continue to suffer from the adverse effects of the Covid-19 pandemic. Furthermore, the FFC expressed concerns that on average the Local Government Equitable Share (LGES) will register a negative 0.4 per cent growth over the 2021 MTEF. The Commission was concerned that poor and vulnerable will not be protected over the MTEF and the progressive realisation of basic rights was at risk. The FFC also noted with concern the slow growth and negative growth in conditional grant allocations over the 2022 MTEF, which will not only impact negatively service delivery, but also the recovery process in the local government sector.

The FFC made the following recommendations in respect of the Bill:

#### **For Provinces**

- The FFC believed that expenditure moderation must be followed by comprehensive reports from the affected government departments indicating to Parliament how they intend to manage tighter budgets and cushion delivery of essential social services.
- The FFC was concerned about the reduction in PES and its impact on social service delivery and recommended a review of the structure of conditional grants.

#### **For Local Government**

- The FFC implored coalition councils to shun adversarial politics and place people at the centre of their decisions.
- Government should set in motion programmes and resources to capacitate new councillors.
- That government should protect the local government equitable share as its continuous decline will compromise gains achieved in the progressive realisation of basic rights.
- That government should consider a review of the structure of conditional grants.

### **8.2. South African Local Government Association**

The South African Local Government Association (SALGA) submitted that there was an overall reduction in the local government allocation over the 2021 MTBPS when compared to the 2021 national budget. Despite these reductions, SALGA submitted that it acknowledged the tough economic outlook and limited fiscal space that has been exacerbated by the significant negative impact of Covid19 on the economy. Organised local government supported the reduction of the budget deficit and stabilising of the debt-to-GDP ratio. SALGA submitted that the macroeconomic strategy which includes fiscal consolidation to curb additional spending and maintain the expenditure ceiling was also supported. Furthermore, the increase in social spending to minimise the impact of Covid-19 on households was well received by SALGA. In conclusion, SALGA submitted that it supported the Bill.

### **8.3. Parliamentary Budget Office**

The Parliamentary Budget Office (PBO) provided summaries of the division of revenue across the three spheres of government including the changes to provinces and local government equitable share and conditional grants. It submitted that provincial and municipal governments faced multiple pressures over the medium term due to government reductions in spending and poor economic performance that affects other revenue and funding sources. However, changes to provincial and local government equitable share formulas aim to improve the equal division of revenue going forward. The PBO further highlighted that changes to conditional grant structures will be implemented in the 2022/23 financial year which include health, agriculture, social development and education, provincial roads, and municipal infrastructure grants.

## 9. Public submissions on the Bill

The sections below provide summaries of the inputs made by organisations and individuals in response to the advertisement calling for submissions from the public on the Bill.

### 9.1. Congress of the South African Trade Unions

The Congress of South African Trade Unions (COSATU) expressed its disappointment at the tepid MTBPS that was tabled by government. COSATU submitted that the MTBPS provided few new ideas or interventions to grow the economy with no new measures provided to increase the badly needed state revenue, nor to deal with the ballooning levels of corruption and wasteful expenditure. Furthermore, COSATU submitted that the essence of the MTBPS as with the previous Budgets of the past few years has been to shift the blame to the public service wage bill. According to COSATU, this approach is tantamount to outsourcing the bill for corruption, state capture and mismanagement to nurses and teachers as it fails to address the real causes of the economic and fiscal crises.

COSATU viewed the MTBPS as a missed opportunity and made the following comments and proposals with regard to the Bill:

Public Sector Wage Bill	<ul style="list-style-type: none"> <li>• Government should respect collective bargaining in the public service, entities, SOEs and local government and engage those bargaining councils and fora on matters of collective bargaining, including the wage bill and signed wage agreements.</li> <li>• Government should work with Organised Labour to establish a single collective bargaining and wage regime for the entire state, including SOEs.</li> <li>• Government should implement wage caps for executive managers in the SOEs and entities.</li> <li>• Government should implement a 25 per cent package cut for members of the Cabinet, Provincial Executive and Mayoral Committees as well as executive managers in the state, entities, SOEs and metros.</li> <li>• Open the Ministerial Handbook for public comment to ensure that the exorbitant perks for the executive are removed and a more modest regime adopted.</li> <li>• Government should reverse the head count reduction for key frontline service delivery posts e.g. SAPS and Basic Education.</li> </ul>
Basic Education	<ul style="list-style-type: none"> <li>• The failure by Basic Education to meet 80 percent of its target to provide sanitation to 1000 schools during the Covid-19 pandemic was indefensible and the Minister of Basic Education and the Director-General for the Department need to be held accountable.</li> <li>• Department of Basic Education should table a clear and realistic plan in Parliament to ensure all schools have access to decent water and sanitation by the end of 2022.</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Cuts to the National Health Insurance undermine government's programme to protect the lives of ordinary workers in the midst of the worst global pandemic in living memory, dilapidated public healthcare infrastructure and the need to lay the foundations for the NHI.</li> <li>• Government should reverse the cuts in the Department of Health and in particular funding for the NHI.</li> </ul>
Social Development	<ul style="list-style-type: none"> <li>• COSATU expressed concerns about the impact of cuts to key public service delivery functions, in particular the cuts over the next 3 years to Social Security by 16.9 per cent with the potential ending of the Covid-19 Special Relief of Distress Grant of R350</li> <li>• Government should reverse the cuts to key social security departments that will impact upon their ability to deliver essential social relief e.g. the Covid-19 SRD allocations to SASSA.</li> </ul>
Neighbourhood Development Partnership Grant	<ul style="list-style-type: none"> <li>• COSATU welcomed the adjusted allocation of R751 million to the Neighbourhood Development Partnership Grant which has also seen the employment of 32 663 persons in neighbourhood cleaning and greening programmes and contended that such programmes should be enhanced and extended and means found to ensure their sustainability.</li> </ul>

Local Government	<ul style="list-style-type: none"> <li>• COSATU highlighted the Auditor-General's reports on the dysfunctionality of countless municipalities are well known. However, the MTBPS provided no guidelines on how government would address this.</li> <li>• COSATU submitted that a clear stabilisation, recovery and repositioning plans be provided for embattled municipalities as well as a road map to move towards the District Development Model.</li> </ul>
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## 10. Committee findings and observations

Having deliberated and considered all the submissions made by the above stakeholders on Division of Revenue Amendment Bill [B19-2021], the Standing Committee on Appropriations makes the following findings and observations:

- 10.1 The Committee notes and welcomes the proposed additional allocation of R14.7 billion to the *provincial equitable share* to assist provinces implement the wage agreement of the Public Service Co-ordinating Bargaining Council for the 2021/22 financial year. The Committee has always expressed its views that proper budgeting for the public sector wage bill was important due to the unpredictable nature of salary negotiations at the collective bargaining forums.
- 10.2 The Committee notes and welcomes the proposed additional allocation of R6 billion to the *provincial equitable share* to fund the Presidential Youth Employment Initiative for the employment of education assistants and general school assistants at public ordinary schools and public special schools. Even though the Committee understand the impact that Covid-19 has had, particularly on the levels of unemployment amongst the youth, the Committee is concerned about the possibility of allocating scarce resources in a random manner. The Committee is concerned that schools are allowed to hire these school assistants and decide of specific duties, depending on the needs of each school. The Committee is of the view that a framework or standard guideline on the types of jobs to be created with a benchmark remuneration standard for each job category is necessary to avoid inconsistencies and potential abuse of these funds. The Committee is of the view that both National Treasury and the Department of Basic Education should have a well-defined approach to the implementation of this scheme, to ensure uniformity across all provinces.
- 10.3 The Committee notes and welcomes the proposed additional allocation of R350 million to the *provincial equitable share* to fund the employment of staff and assistant nurses who will fulfil the responsibilities required in the Covid-19 vaccination programme, Covid-19 wards, High Care Units, patient observation and other duties through the Presidential Youth Employment Initiative. However, the Committee is of the view that this proposed allocation is insufficient considering the unpredictable nature of the Covid-19 pandemic. The Committee is of the view that National Treasury should have provisionally allocated funding for the entire 2022 MTEF in order to cater for other possible waves of the Covid-19 pandemic, which might require these set of skills. Therefore, the Committee views this short-term measure as unrealistic due to the unpredictable nature of the Covid-19 pandemic.
- 10.4 The Committee notes and welcomes the proposed additional allocation of R120 million to the *provincial equitable share* for the appointment of social workers as part of addressing the backlog of unemployed graduates through the Presidential Youth Employment Initiative. However, the Committee is concerned of the apparent lack of long-term strategy by the Department of Social Development in dealing with these unemployed graduates. The Committee's concerns also arise from the fact that many of these unemployed social workers are funded through a government bursary scheme. This raises a concern to the Committee on the extent to which government bursary scheme for social workers is used to train social workers and deploy them in critical needy areas of South Africa. Considering the unacceptably high levels of domestic violence, particularly against women and children and the overall high crime rates in South Africa, it is concerning to the Committee that the Department of Social Development is still failing to employ and deploy enough social workers to various areas of South Africa to assist victims of crime and abuse.
- 10.5 The Committee notes and welcomes the proposed additional allocation of R841 million to *neighbourhood development partnership grant* for local government to create 32 663 jobs through precinct management, community safety, place-making, greening, integrated waste management and digitalisation, with special focus on poor and marginalised areas and

economic nodes. The Committee has always held a view that local government is at the centre of service delivery due to its close proximity to the people. The Committee is encouraged by this allocation as it places local government right at the centre of both service delivery, job creation and economic recovery.

- 10.6 The Committee notes and welcomes the proposed additional allocation of R178 million to the *early childhood development grant* to provide unemployment risk support to 70 000 early childhood development related workers impacted by Covid-19 lockdown to supplement their income.
- 10.7 The Committee notes with concern the proposed allocation reduction of R150 million from the *national health insurance indirect grant* for the Limpopo Academic Hospital due to delays experienced in the project. The need to upgrade the South African health system has been made clearer by the Covid-19 pandemic and the Committee is concerned about continued delays in concluding public health infrastructure projects. The majority of the poor South Africans and the most vulnerable groups, that government continuously commit to protect, are dependent on these critical public health facilities. The Committee is of the view that continuous delays in the rollout of these public health infrastructure projects is an injustice to the poor who are solely dependent on them and undermines government efforts to provide quality health care to the poor and vulnerable groups.
- 10.8 The Committee notes with concern the proposed total of R243 million reprioritisation of various components of the *national health insurance indirect grant* to the *human resources and training grant* to provide for the statutory obligation to place medical interns upon completion of their studies. The Committee is concerned by the lack of long-term planning by the Department of Health as these medical interns are trained through government bursary schemes. The Committee is of the view that planned intake on the bursary scheme for medical doctors should always be matched by a planned deployment/absorption plan for the medical interns.
- 10.9 The Committee notes with concern the proposed R210 million rollover for the *school infrastructure backlogs grant* to complete projects that are part of the Sanitation Appropriate for Education initiative, which deals with the replacement and removal of inappropriate and unsuitable sanitation, including pit toilets at schools. The Committee is concerned about the persistence nature in which funding allocation for this grant are continuously rolled-over. The Committee cannot overemphasise on the need for the replacement and removal of all inappropriate and unsuitable sanitation in schools.
- 10.10 The Committee notes and welcomes the submission by COSATU that the Department of Basic Education must table a clear and realistic plan to Parliament on how to ensure all schools have access to decent water and sanitation by the end of 2022. The Committee has been in constant engagement with the department over the provision of appropriate water and sanitation in schools; however, the problem persists despite many commitments by the department to address it.
- 10.11 The Committee notes the proposed R582 million rollover of the indirect *regional bulk infrastructure grant* to fund the operational payments for the Vaal River pollution remediation project in Emfuleni Local Municipality. However, the Committee is concerned that this project is taking too long to complete and is of the view that government sponsored projects should have clear time lines in order to avoid cost escalations, which have proved to be costly to the fiscus in other government sponsored projects.
- 10.12 The Committee notes with concern the proposed allocation reduction of R1.3 billion on the *public transport network grant* for City of Cape Town to align to its revised implementation plan of myCiti phase 2A. The Committee has always raised concerns about the reduction of this grant due the important role it plays in providing reliable public transport network and services for the poor majority who are still reliant on public transport to commute to various working places. The Committee is of the view that government needs to find a long-term solution in order to assist cities in spending this grant. The Committee is concerned about the continued reduction of this grant; which intends to address some of the apartheid spatial planning wherein the poor must commute every day from townships and far rural areas to their work places in the cities.

- 10.13 The Committee notes and welcomes the amendments made to the frameworks of the *neighbourhood development partnership grant*, *regional bulk infrastructure grant*, *integrated urban development grant* and the *municipal infrastructure grant*.
- 10.14 The Committee notes and welcomes the FFC's submission that ongoing expenditure moderation must be accompanied by comprehensive reports from the affected government departments indicating to Parliament on how they intend to manage tighter budgets and cushion delivery of basic social services. The Committee has always held a view that funding reduction must always be accompanied by service delivery impact assessments and evaluation reports that should in turn inform decision-making.
- 10.15 The Committee notes and welcomes the acknowledgement by SALGA that the tough economic outlook and tight fiscal space, exacerbated by the Covid-19 pandemic means that the local sphere of government must continue to provide services within a tight fiscal space. The Committee has always been of the view that money cannot be a panacea of all problems; the local sphere of government should also look at other sources of revenue including efficiency savings in order to continue providing the required services to the people.

## 11. Recommendations

The Standing Committee on Appropriations, having considered submissions from various stakeholders on the Division of Revenue Amendment Bill [B19-2021], recommends as follows:

- 11.1. That the Minister of Basic Education ensures that the Department of Basic Education provides a detailed report on the planning and framework used by various schools while using the R6 billion allocation for the Presidential Youth Employment Initiative to fund the employment of education assistants and general school assistants at public ordinary schools and public special schools.
- 11.2. That the Minister of Basic Education ensures that the Department of Basic Education (DBE) provides Parliament with a detailed plan and timeframes on how the department plans to ensure that all schools have access to decent water and sanitation by the end of 2022 as part of the Sanitation Appropriate for Education initiative. Furthermore, the DBE must provide a detailed list of all the schools that have inappropriate water and sanitation per province and regions, as well as the plan as to when each of these schools' water and sanitation needs will be addressed.
- 11.3. That the Minister of Social Development ensures that the Department of Social Development (DSD) provides a comprehensive report to Parliament on the policy around the funding and subsequent deployment of social work graduates who are beneficiaries of the government bursary scheme. Furthermore, the DSD must provide a comprehensive expenditure report on the numbers of social workers that were funded through the government bursary scheme over the last five (5) financial year, the total amount spent, and the number of those graduates who were placed to work areas by the department.
- 11.4. On the proposed allocation reduction of R1.3 billion on the *public transport network grant* for the City of Cape Town, the Minister of Transport and the City of Cape Town provides a detailed report to Parliament on the reasons and implications for the delays in implementing the myCiti phase 2A. The Committee wants to understand why there are delays in the implementation of this project and the remedial action taken to correct this problem. This will assist the Committee to avoid recommending the appropriation of funds that will not be spent and possible future reduction of this grant.
- 11.5. That the Minister of Water and Sanitation ensures that the Department of Water and Sanitation provides a detailed report to Parliament on the progress, challenges and status of the Vaal River pollution remediation project in Emfuleni Local Municipality.
- 11.6. That the Minister of Health ensures that the Department of Health (DoH) provides Parliament with a comprehensive report on the continuous repurposing and reprioritisation of various components of the *national health insurance grant*, and the status of the entire national health insurance programme. Furthermore, the Minister is requested to ensure that the DoH provide

the Committee with a progress report on both the Limpopo Academic and Klipfontein hospitals. The DoH must provide a report on the possible service delivery implications of the proposed reduction of funds to these projects.

- 11.7. That the Minister of Finance ensures that the funds allocated towards the Presidential Youth Initiatives are spent within the required guidelines and frameworks in order to avoid potential abuse and corruption.

## **12. Committee Recommendation on the Bill**

The Standing Committee on Appropriations, having considered the Division of Revenue Amendment Bill [B19-2021] (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

## **13. Conclusion**

The responses to the recommendations as set out in section 11 above must be sent to Parliament as well as the Committee by the relevant Executive Authorities within 60 days of the adoption of this report by the National Assembly.

Report to be considered.