| **Summary of public hearing issues applicable to the DoRB** | |
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| 1. **Budget Justice Coalition** |  |
| **Provincial government**   * **Health**   + Reprioritisation of funding meant for health infrastructure is made to help increase allocations to human resources. Nonetheless, significant funds do remain available for much needed but delayed projects. More clarity as to the actual priority lists for projects within provinces is necessary to ensure investments are justified according to improving service delivery coverage   + Changes see the HIV, TB malaria and community outreach grant reconfigured and renamed as the district health programmes grant and the mental health and oncology services components being moved to the direct national health insurance grant. No indication is given as to how these essential services are to be carried out, risking whether the funds shifted along with them will be protected for their use and effectively utilised   + The reduction in funding over the medium term [of the District Health Programmes Grant] poses likely risks of failure to meet our 90/90/90 goals for HIV/Aids. Yet this may present an opportunity to review and refocus the retained components as well as strengthen their implementation   + For NHI direct grant across 2020/21, main output was 233 health professionals contracted: this suggesting significantly high per unit costs. High compensation is expected with regards to goals of securing highly qualified services. On the other hand, focus should be given to whether there is room to improve plans to produce maximised impact for more healthcare users, and to ensure these are effectively integrated with existing services? | * The Department of Health is responsible for administering the Health Facility Revitilisation Grant and the National Health Insurance Grant and therefore are better placed to provide the required information. * The decision to shift the mental health and oncology services to the direct *National Health Insurance Grant* was as a result of provinces demonstrating readiness to fully take over the delivery of these services. * The funding that was previously intended to cater for the 90/90/90 goals will still be used for this purpose, as funding for the programmes that are responsible for implementing this remain in the grant. The only funds that were shifted were for the mental health and oncology services. |
| **Recommendations**   * A joint committee to be set up temporarily to review and interrogate provincial departments’ [of health] budgetary decisions for 2022/23, in accordance with most optimally aligning allocation of available resources to meeting existing needs * This committee should be jointly comprised of the: National Department of Health, Portfolio of Health, National Council of Provinces, and Civil Society Actors in the scope of health * Appropriate representatives from provincial departments [of health], such as the head of departments, should engage with this committee to present on and explain how their allocations, given by their annual performance plan, are intentionally prioritising efficient coverage for the most vulnerable * Human Rights Impact Assessments as recommended by the UN Committee on Economic, Social and Cultural Rights, which South Africa is a party to - need to be undertaken whenever government wishes to propose a funding cut to socio-economic rights entitlements. A unique South African methodology for Human Rights Impact Assessments should be developed in partnership with civil society and other stakeholders, taking into account our constitutional values and the objectives in our national development plan objectives. The results of these assessments should be published and integrated into more meaningful public participation processes on the budget. * Reverse austerity measures in the health, education, social welfare, housing, grants and other sectors to be reflected in the October Medium-Term Budget Policy Statement * That oversight of the implementation of the free basic services be improved to ensure that more households actually receive the benefit | * This recommendation is noted. The Provincial Budget Analysis unit within the National Treasury conducts provincial benchmark meetings every year to interrogate provincial budgetary decisions, provide support to provinces as well as determine budgetary pressures within the provinces. There is also a technical forum that holds engagements on matters related to the budgets of the provincial health departments that comprises of provincial treasuries and provincial heath departments. * In previous MTEF periods significant reductions were made to the entire fiscal framework. In spite of this, government continued to allocate the majority of the resources available to health, education, housing, social protection, employment programmes and local amenities as a way to minimise the impact of the reductions on services. * In addition certain programmes were protected from reductions where possible, such as the Early Childhood Development Grant and the Learners with Profound Disabilities due to the nature of these programmes and the interventions that government is addressing through them.   The Local Government Equitable Share (LGES) is an unconditional transfer that supplements the revenue that municipalities can raise themselves. This means that while the funding is intended to increase coverage of the provision of free basic services, the responsibility for determining how the additional LGES funds will be spent is that of individual municipal councils.   * Prior to the introduction of the Municipal Standard Chart of Accounts (mSCOA), there was no way to track LGES expenditure. With the mSCOA reform, the National Treasury is now able to track what each municipality does with its equitable share. This is a long process and the reform is still unfolding but the tool will assist the National Treasury to improve its oversight of the LGES. |
| 1. **COSATU** |  |
| **Provincial Government**   * R566 billion is allocated for 2022/23. This is then cut significantly to R543 billion in 2023/24. Allocations are then increased slightly in 2024/25 to R562 billion. However once inflation, population and urban migration are taken into account, these are significant cuts in both nominal and real terms   + **Health:** The allocation of R8 billion to fund the National Health Insurance over the MTEF and R3.3 billion to employ medical interns and community doctors, are welcome. As is the R15.6 billion to manage Covid-19. However, the 0.2% growth in the Health budget over the MTEF will further weaken an already overstretched healthcare system.   + **Basic Education:** Infrastructure funds, including R471 million, for 30 new schools, water for 50 schools and sanitation for 450 schools is welcome. As are R24.6 billion to address teacher and materials shortages and R12.7 billion to hire over 310 000 teaching assistants. It is critical that the Department be held accountable for this expenditure and that we begin to see the school backlog of schools lacking adequate sanitation, water and classrooms begins to be addressed and is eradicated over the MTEF. | * The changes in the overall provincial allocations does not reflect a cut or a reduction in the allocations in 2023/24. The change is mainly as a result of funds that have been added to the provincial equitable share only for the first year of the MTEF, with no carry-through allocations. * In terms of the expenditure on the School Infrastructure Backlogs Grant and the funding added to the provincial equitable share, the recommendation is noted. |
| **Local Government**   * A new and sustainable funding model, as promised in the Budget is needed. This needs to include consolidating unsustainable municipalities and moving towards the District Development Model * Treasury and COGTA need to play a hands on role in the appointment of municipal managers, financial, supply chain, engineering, utilities and other senior managers in municipalities to ensure that those appointed can actually do the job | The LGES formula uses the best available costs estimates to determine the allocations for the 257 municipalities. Over the 2022 MTEF, the working group which is comprised of officials from the National Treasury, DCoG, the FFC and SALGA will work on refining some of the elements of the formula.  With respect to the conditional grants, there are two main methodologies for determining allocations for municipalities: (1) formula-based allocations and (2) project/application-based allocations. It must be noted that no methodology stands out as being better than the other and to this end, the local government grant system has a mix of different allocation types depending on the nature of the grant to be allocated. As part of the Review of Conditional Grants over the 2022 MTEF, the appropriateness of the methodologies used in several grants will be interrogated.  The proposal to merge unsustainable municipalities is not supported. The impact of such mergers during the 2016 re-demarcation process has clearly shown that doing this has no benefit. The National Treasury has provided the Municipal Demarcation Board extensive input on the key viability factors that need to be considered in future re-demarcations.  With respect to moving to towards the District Development Model approach, the National Treasury is in support. The 2022 DoRB includes a provision for the Municipal Systems Improvement Grant to support the institutionalisation of this approach.  Like the other two spheres of government, the local government sphere is an autonomous sphere of government. The recruitment and selection process undertaken by individual municipalities is unfortunately a process that the National Treasury and CoGTA cannot partake in. |
| 1. **HEALA** |  |
| **Key proposals for the utuiisation of the Health Promotion Levy (“sugar tax”):**   * **Increasing support to NSNP**   + Although the NSNP can improve punctuality, school attendance, mental concentration, and learners general well-being – it has fallen short in implementation   + Schools argue that they cannot meet the NSNP's nutrition requirements without sufficient funding, while most Provincial DBEs have underspent on their budgets for the NSNP implementation.   + In order to be a more effective program and meet the nutritional needs of many vulnerable children, the NSNP should be expanded to also include breakfast. Using the funds from the HPL to strengthen and expand this existing national intervention could be an effective way to address child hunger. | * Section 214(1) of the Constitution prescribes that all revenue that is raised nationally be divided equitably between national government, the nine provinces and 275 municipalities. The recommendation that is being put forward of taking the revenue from this levy and targeting it specifically for the health sector would go against the Constitution. * Any recommendation regarding the running and funding of government programmes would first have to be assessed by the relevant sector department. Proposals requiring new spending commitments should meet the requirements of sustainability and not deteriorate the fiscal balance. They would also need to also be evaluated against other pre-existing priorities of government that remain unfunded. |
| 1. **Rural health advocacy project** |  |
| **Provincial allocations**   * Without increased funding to hire additional healthcare workers, the freeze on filling critical and vacant posts is set to continue. Treasury directly recognises this in stating that the budget is “limiting the ability of provincial health departments to employ more frontline staff. This poses specific risks such as increased vulnerability to increasing medico-legal claims, but also curtails potential efficiency of outcomes across all health programmes. * Reprioritisation of funding meant for health infrastructure is made to help increase allocations to human resources. This continues the trend of cuts in this area, often justified on the basis of significant historical underspending. More clarity as to the actual priority lists for projects within provinces is necessary to ensure investments are justified according to improving service delivery coverage. * Changes see the HIV, TB malaria and community outreach grant - This sees mental health and oncology services components being moved to the direct national health insurance grant. No indication is given as to how these essential services are to be carried out, risking whether the funds shifted along with them will be protected for their use and effectively utilised. * The reduction in funding [of the District Health Programmes Grant] over the medium term poses likely risks of failure to meet our 90/90/90 goals for HIV/Aids. Yet this may present an opportunity to review and refocus the retained components as well as strengthen their implementation * National Health Insurance Direct Gran - across 2020/21, main output was 233 health professionals contracted; this suggesting significantly high per unit costs. High compensation is expected with regards to goals of securing highly qualified services. On the other hand, focus should be given to whether there is room to improve plans to produce maximised impact for more healthcare users, and to ensure these are effectively integrated with existing services? | * The Department of Health is responsible for administering the health conditional grants and is better placed to provide the required information on the projects that are funded and the contracting of medical professionals. * The decision to shift the mental health and oncology services to the direct National Health Insurance Grant was as a result of provinces demonstrating readiness to fully take over the delivery of these services and they will be more appropriately placed as part of the preparatory work for national health insurance. * The change to the baseline of the District Health Programmes Grant does not reflect a cut but is as a result of shifting funds that were funding mental health and oncology. The funding that was previously intended to cater for the 90/90/90 goals will still be used for this purpose, as funding for the programmes that are responsible for implementing this remain in the grant. |
| 1. **SALGA (comments and recommendations)** |  |
| * **Changes to direct conditional grants**   + In respect of the neighbourhood development partnership grant the initiative is welcomed. However, it must be aligned to the local government functions of the grant. We acknowledge the temporary nature of the initiative due to its response to the COVID19 impact on the economy. We note a risk of placing an expectation on municipalities to provide this form of employment for medium to long term period even after the funds are no longer available.   + In regard to the municipal disaster recovery grant SALGA highlights the need to factor-in rapid disbursements of the grant to municipalities, in the case of disaster. The responsiveness in the disbursement of the grant determines whether the grant would have the requisite impact. It is important to draw from lessons learnt during the COVD-19 hard lock-down responsiveness for disbursement of funds. | The jobs to be created by the additional funding will be created from projects typically funded by NDPG as per the purpose of the grant. Cities already had employment programmes prior to the introduction of this funding. The funding merely upscales these, with a focus on NDPG related outcomes. Once funding is no longer available to augment the baseline of the NDPG, cities will not be required to continue with employment creation specific to the outcomes of the NDPG, rather they will be required to continue with their employment programmes, in-line with the funding available in their respective budgets and alternative sources of funding.  The *municipal disaster recovery grant* is not for immediate relief. It is for reconstruction of damaged infrastructure, which takes some time to plan for.  Based on the disaster management cycle (mitigation, preparedness, initial response, recovery and rehabilitation), the funding framework responds accordingly. This is a two-step process:   * Immediate relief can be funded by reprioritising within existing budgets, using disaster response funds and reprioritising grant funds. * Funds for post-disaster repair and recovery is typically funded through the contingency reserve and the allocations are ring-fenced in the Adjustment Budget or the next Budget. |
| * **Recommendations**   + That the upward trajectory in local government allocations from nationally raised revenue be maintained in order to realise the aspirations contained on the White Paper on Local Government, 1998 in respect of subsidising the provision of basic services.   + The proposed increase in the allocation to local government over the next 3 years will gradually bring to reality the promise contained in the White Paper on Local Government of an equitable share of nationally raised revenue consequently, Organised local government supports the 2022 Division of Revenue Bill. | National Treasury notes these recommendations |
| 1. **Section 27** |  |
| * **Gender sensitive allocations**   + The Financial and Fiscal Commission (FCC) tabled its Submission for the Division of Revenue 2022/23 to Parliament and recommended addressing gender inequality through gender budgeting in the public sector. However, the Division of Revenue Bill of 2022 barely mentions gender and does not allocate grants in a gender responsive manner.   + SECTION27 recommends that Parliament request National Treasury to provide evidence of how, if at all, the Division of Revenue Bill has adhered to section 214 of the Constitution and considered the FFC’s recommendation for gender-sensitive budgeting. | * In the budget guidelines for the past two financial years, the National Treasury has requested disaggregated data from departments, in compliance with the Gender Responsive Budgeting, Monitoring, Evaluation auditing (2019) framework. The data gathered only confirmed that a reform of this magnitude cannot be done through the guidelines. There is a knowledge gap that needs to be filled for the framework to achieve the desired outcome. The International Monetary Fund (IMF) is assisting the National Treasury to develop a roadmap and implement GRB efficiently. |
| * **Basic Education conditional grants**   + Education Infrastructure Grant     - While we welcome the increases in allocations to provinces in which schools were damaged by natural disasters like KwaZulu Natal, the Select Committee on Appropriations should reject the nominal cuts proposed this year to provinces with a pre-existing infrastructure crises like the Eastern Cape (whose allocations have been reduced by 2,1% in 2022/2023 year despite the persistence of pit latrines and other unsafe school infrastructure in this province) and the North West (whose allocations were cut by 4,7% in 2022/2023 year in a context where more than three quarters of the province’s schools do not have libraries).     - Limpopo and Mpumalanga departments of basic education did not qualify for the incentive component of the EIG - SECTION27 would like to understand why these provinces did not qualify and what steps will be taken to enable them to qualify for the incentive component in future.     - Finally, there is a proposed nominal cut to the EIG in the outer year of the MTEF - after accounting for the projected inflation for that period, there is a reduction of 2,4% to the EIG. This is short-sighted and we call for it to increase at least in line with CPI inflation as any decrease has a severe impact on the lives of learners who are still learning in unsafe school conditions.   + School Infrastructure Backlogs Grant     - Despite the huge importance of addressing backlogs in school infrastructure, this grant increases by 0.3% this year, far below CPI, and is then cut significantly by 13.5% next year. SECTION27 calls for clarity on this massive cut considering the provinces that still have backlogs, and are failing to comply with the Regulations Relating to Minimum Norms and Standards for Public School Infrastructure.   + Early Childhood Development Grant     - It is concerning that only three provinces experience increases in the provincial equitable share in the ECD grant and that these increases are only marginal and below inflation over the medium term. Therefore, once inflation has been factored in, the amounts allocated for ECD funding in most provinces are set to decrease. The Division of Revenue Bill proposes the biggest cuts to the Free State’s share (14%), Mpumalanga (8,55%) and the Western Cape (8,25%). The ECD sector is grossly underfunded and under-supported by government, with attendance at ECD centres being below 50% even prior to the pandemic. | * The allocation for Education Infrastructure Grant was not reduced or cut. The change in the allocation from 2023/24 is as result of funds that have been added in the first 2 years of the MTEF for disaster response. Similarly for the School Infrastructure Backlogs Grant, funds were added in the first year of the MTEF to this grant for the once-off cash gratuity with not carry-through funding for the 2 outer years. * The Early Childhood Development Grant allocations to each of the provinces were determined by the national Department of Social Development in consultation with the provincial departments of social developments. |
| * **Health conditional grants**    + District Health Programmes Grant     - While this restructuring and consolidation could signal opportunities for improvements in grant performance, the budget proposes a reduced allocation to the DHPG over the next three years, over and above the reallocation of the oncology and mental health services component of the grant to the National Health Insurance (NHI) grant. This reduction in the budget allocated to HIV/AIDS prevention and treatment is both a regressive measure and also one that undermines the severity of the impact that the COVID-19 pandemic has had on access to testing and treatment for HIV/AIDS.     - The allocations made in the Division of Revenue Bill ignore the fact that performance on important HIV indicators is lagging. The budget and the Division of Revenue Bill must account for national strategies to increase HIV/AIDS testing and treatment in order to address the backlog caused by the pandemic. A post-pandemic budget and Division of Revenue Bill that does not do this falls short of the standard set out in section 214(2) of the Constitution.   + Health Facility Revitilisation Grant     - Firstly, the Division of Revenue Bill proposes cuts to the Health Facility Revitalisation Grant allocations in all the provinces in the next year, excluding the Northern Cape and the Western Cape. Secondly, the increases to these two provinces are not aligned with inflation, resulting in real cuts over the medium term. These budget allocations cannot be expected to meet the infrastructure backlogs in the provinces, which predate the COVID-19 pandemic, as well as address the rapid deterioration of hospital equipment because of the spike in hospital visitation due to the pandemic. | * The change to the baseline of the District Health Programmes Grant does not reflect a cut but is as a result of shifting funds for mental health and oncology. * The general administration of the District Programmes Health Grant is the responsibility of the national Department of Health. The department would therefore be responsible for the programmes that are funded through the grant and for overseeing the performance of the grant. * The changes that are seen in the Health Facility Revitilisation Grant is a reprioritisation of funds to respond to the increasing pressure that provinces are facing in the hiring of medical interns. |