**Report of the Standing Committee on Appropriations on the Appropriation Bill [B7 – 2022] (National Assembly – Section 77), Dated 8 June 2022**

Having considered the Appropriation Bill [B7 – 2022], referred to in terms of section 10(1)(a) 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 Standing Committee on Appropriations reports as follows**:**

1. **Introduction**

Section 27(1) of the Public Finance Management Act No. 29 of 1999 (PFMA) requires that, the Minister of Finance (the Minister) tables the annual budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of the financial year, as the Minister may determine. Section 213(2) of the Constitution of the Republic of South Africa, provides that money may be withdrawn from the National Revenue Fund only in terms of an appropriation by an Act of Parliament. The Appropriation Bill proposes to appropriate money from the National Revenue Fund for the requirements of the State and to prescribe conditions for the spending of funds withdrawn. Section 26 of the PFMA requires that Parliament and each Provincial Legislature appropriate money for each financial year for the requirement of the State and the Province, respectively.

In executing this mandate, the Standing Committee on Appropriations, hereinafter referred to as the Committee, is established in terms of section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, 2009, and herein referred to as the Act. In line with section 10(1)(a) of the Act and after the adoption of the Fiscal Framework, the Act enjoins the Standing Committee on Appropriations with a responsibility to consider the Appropriation Bill, hereinafter referred to as the Bill, and report thereon to the National Assembly. The national budget for the 2022/23 financial year was tabled on 23 February 2022 by the Minister of Finance together with the Bill and referred to the Committee for consideration and report on 9 March 2022. In processing the Bill, section 4(4)(c) of the Act also requires the Committees on Appropriations of both Houses to consult with the Financial and Fiscal Commission (FFC). In addition to the FFC commenting on the Bill, the Committee also invited the Parliamentary Budget Office for comments. Furthermore, the Department of Public Works and Infrastructure, Department of Police, Department of Water and Sanitation, Department of Employment and Labour, and Department of Social Development were invited to comment on the Bill as it affects each department.

In terms of sections 10(5) and 10(6) of the Act, Parliamentary Committees may advise the Appropriations Committee on appropriations related matters. There were no formal submissions received from other Parliamentary Committees in terms of sections 10(5) and 10(6) of the Act.

Section 10(8) (a) and (b) of the Act also requires the Committees on Appropriations to hold public hearings on the Bill and proposed amendments; and for the Committee to report to the House on the comments on and amendments to the Bill. To this end, the Committee sent out invitations to interested parties and published advertisements in national and community newspapers from 6 to 13 April 2022 inviting them to provide their inputs/comments on the Bill. In response to the Committee’s advertisements, four submissions were received from Equal Education, South African Institute for Chartered Accountants, Congress of South African Trade Unions, and Mr V Kalikopu.The Committee held public hearings on the Bill on 31 May 2022 via the Zoom virtual meeting platform.

1. **Overview of the 2022 Appropriation Bill**

The Bill provides for the appropriation of money by Parliament from the National Revenue Fund (NRF) in terms of section 213 of the Constitution of the Republic of South Africa and section 26 of the PFMA. Spending is subject to the PFMA and the provisions of the Appropriation Act. The Bill deals with proposed national appropriations. In order to effect spending on conditional allocations from national’s equitable share to provincial and local government, the Division of Revenue Act sets out specific provisions on spending conditions.

The 2022 budget reiterates government’s priorities underpinning both budget 2021 and the 2021 Medium Term Budget Policy Statement (MTBPS), with the achievement of economic and social recovery alongside fiscal sustainability. The 2022 budget continues to consolidate public finances while providing immediate support for the response to the Covid-19 pandemic, job creation and social protection. Allocations are aimed at funding economic relief measures to the most vulnerable while also supporting programmes that contribute to South Africa’s economic recovery. The 2022 budget is the second main budget to be tabled since the onset of the Covid-19 pandemic, which decreased government’s revenue due to both slow economic activities and severe Covid-19 associated lockdowns. Even though this budget is set within severely constrained public finances, revenue collection has been better than anticipated for the current year, and if this improvement is sustained over the 2022/23 to 2024/25 medium term expenditure framework (2022) MTEF period, government will be able to reduce its debt and close the gap between spending and revenue. All temporary additional allocations have been funded through this improved revenue collection, drawdowns from the 2021 MTBPS unallocated reserves, technical adjustments and reprioritisation of existing budgets. These temporary funding measures have mainly been allocated towards social grants, to the health sector for the Covid-19 response efforts, and to fund initiatives to create jobs. The 2022 budget proposes adjustment to government spending plans and these adjustments affect the expenditure ceiling as follow;

* Relative to the 2021 budget, the main budget non-interest spending increases by a net R282.3 billion over the MTEF period, supported by higher than anticipated revenue collection.
* Consolidated government expenditure amounts to R2.2 trillion in 2022/23, R2.2 trillion in 2023/24 and R2.3 trillion in 2024/25, decreasing at an annual average of 1.2 per cent in real terms over the MTEF period. The main budget expenditure increases in nominal terms from R2 trillion in 2022/23 to R2.1 trillion in 2024/25, decreasing at an annual average of 1 per cent in real terms over the MTEF period.
* Additional allocations of R110.8 billion in 2022/23, R60 billion in 2023/24 and R56.6 billion in 2024/25 are made for several priorities that could not be funded through reprioritisation. These priorities include the special Covid-19 Social Relief of Distress Grant, the continuation of bursaries for students benefiting from the National Financial Aid Scheme, and the presidential employment initiative.
* Over the MTEF period, government’s proposed plans include an allocation of R3.3 trillion, or 59.4 per cent of total non-interest spending towards the social wage.

The Bill is tabled and processed in the third year of the 2019-2024 Medium Term Strategic Framework (MTSF). Departmental spending objectives must be aligned to the MTSF priorities, as these are short to medium-term government priorities intended to achieve the overall objectives as set out in the National Development Plan, Vision 2030 (NDP 2030) which was adopted by government in 2012. The MTSF is the implementation plan and monitoring framework for achieving the NDP 2030 priorities for the sixth administration of government. The NDP 2030 sets out the overall outcomes that the government wants to achieve by 2030 with associated impact of improving quality of life, by reducing unemployment, poverty and inequality. The MTSF aims to address the challenges of unemployment, inequality and poverty through three pillars, namely: achieving a more capable state, driving a strong and inclusive economy; and building and strengthening the capabilities of South Africans. The MTSF sets out the seven priorities of government with 81 intended outcomes to be achieved through 337 government-led interventions by achieving a set of 561 performance indicators. The three pillars set out in the MTSF underpin the seven priorities of the strategic framework (see table 1 below) and these priorities, which will be achieved through the joint efforts and collaboration among government, the private sector, labour and civil society, are as follows:

**Table 1:** 2019-2024 MTSF priorities, lead and contributing departments

|  |  |
| --- | --- |
| **Number**  | **MTSF 2019-2024 Priorities1** |
| Priority 1  | A capable, ethical and developmental state |
| Priority 2 | Economic transformation and job creation |
| Priority 3  | Education, skills and health |
| Priority 4 | Consolidating the social wage through reliable and quality basic services |
| Priority 5 | Spatial integration, human settlements and local government |
| Priority 6 | Social cohesion and safe communities |
| Priority 7 | A better Africa and world |

1. *Details of lead and coordinating departments on the 2019-2024 MTSF priorities are provided in the MTSF document.*

While the MTSF outlines the plan and outcome-based monitoring framework for implementing the NDP during the country’s sixth democratic administration, it also outlines the implementation priorities across South Africa’s national development priorities. The MTSF focuses on implementation that requires all three spheres of government to work collaboratively. Therefore, the MTSF is both a five-year implementation plan and an integrated monitoring framework. The plan focuses on the seven priorities and related interventions of the sixth administration of government, and the integrated monitoring framework focuses on monitoring the outcomes, indicators and targets towards the achievement of these priorities. On the other hand, the district development model coordinates implementation at local government level and this model bridges the gap between the three spheres of government to ensure better coordination, coherence and integration of government planning and interventions. The MTSF enables the sequencing and resourcing of priorities, taking into account the respective powers of each of the three government spheres. It is not the role of the MTSF to plan for each and every action, but to provide a clear, transformative framework within which national, provincial and local governments can plan for and drive service delivery.

While it is widely acknowledged that the MTSF had limited participation of the other social partners and was largely government led; on the contrary, the MTSF is a culmination of the steps government and non-government stakeholders have taken towards integrated national planning and monitoring. It serves as a five-year building block towards achieving Vision 2030. All national sector plans, provincial growth and development strategies, municipal integrated development plans, departmental strategic plans and annual performance plans must be aligned to the MTSF. However, it must also be acknowledged that the Covid-19 pandemic has had negative impact on both government finances and the achievement of some of the targets as set out in the MTSF priorities due to its associated lockdowns and limited economic activities.

Table 2 below provides an overview of the voted funds for each national department for the 2022/2023 financial year.

**Table 2:** Appropriated funds per vote - 2021 Appropriation Bill



*Source: National Treasury (2022 Appropriation Bill)*

The Bill also allocates funds in terms of economic classifications. It should be noted that even though the Bill allocates resources across the national sphere of government, 71.2 per cent of these allocations go into transfers and subsidies. These are transfers to provinces, municipalities, public corporations and other non-profit making entities. Current payments, payments for capital assets and payments for financial assets take up 24.9 per cent, 1.5 per cent, and 2.4 per cent respectively. It is worth noting that the economic classifications for Vote 2 (Parliament) are determined by Parliament in terms of the Financial Management of Parliament Act, 2009 as amended. Table 3 below provides an overview of the allocations in terms of economic classification.

**Table 3:** Allocation per economic classification-2021 Appropriation Bill

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Main Division | Current payments | Transfers and Subsidies | Payments for Capital Assets | Payments for Financial Assets |
| Compensation of employees | Goods and Services | Interest and Rent on Land |
|  | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Total  | 1 057 028 607  | 178 051 260  | 81 003 066  | 213 664  | 754 479 446  | 15 492 270  | 25 576 658  |

*Source: National Treasury (2022 Appropriation Bill)*

1. **Comments and hearings on 2021 Appropriation Bill with identified stakeholders**

The sections below provide a summary of the comments that were made by the invited stakeholders on the Bill.

* 1. **National Treasury**

National Treasury outlined the legislative process governing the processes that relates to the passing of the Appropriation Bill as outlined in Money Bills Amendment Procedure and Related Matters Act of 2009, as amended. Furthermore, National Treasury outlined the provisions made in section 29 of the PFMA, which makes provision for spending of government funds before the Appropriation Bill is passed. The Bill provides for the appropriation of money from the National Revenue Fund with spending subject to provisions contained in the PFMA (as amended). Furthermore, National Treasury presented an overview of the 2022 Appropriation Bill relative to the 2021 budget estimates. National Treasury also briefed the Committee on the preliminary expenditure outcomes for national departments as at the end of the 2021/22 financial year.

* 1. **Parliamentary Budget Office**

The Parliamentary Budget Office (PBO) confirmed that the total amount to be appropriated was R1 959 billion, excluding the provisional allocations, infrastructure fund not assigned to Votes and the contingency reserve. The PBO explained that the national allocation included the total Vote appropriations, which comprised all the conditional grants, except for the local government equitable share. On the other hand, the provincial and local government allocations only included the equitable shares. The PBO added that the Bill included the debt service costs and, amongst others, the fuel and skills levies. Further, the PBO, commented that the Bill included disaggregation per main division, except for Vote 2: Parliament. The PBO highlighted that the total increase since 2021/22 was R149.08 billion.

The PBO commented that additional funding in the 2022/23 financial year adjustments to the main budget had been made possible by an improved revenue outlook. Upward adjustments included compensation of employees, specifically for Health, Education and Police. The PBO was of the view, however, that increases to the local government did not guarantee that the needs of indigent households would be sufficiently met; especially if the systemic financial and operational challenges were not addressed. The PBO further warned that any new spending commitments, such as additional social protection, must be fully financed by tax measures or spending cuts; and that any shortfall in revenue collection, affecting expenditure would have to be absorbed within existing baselines. On transfers and subsidies, including transfers for specific purposes, the PBO indicated that appropriations for emergencies or disasters were contained in Vote 33: Human Settlements and Vote 40: Transport.

With respect to risks to the 2022 Appropriations, the PBO warned that contingent liabilities placed significant pressure on public finances, diverting resources away from spending priorities and negatively impacting sustainability. The PBO highlighted that the contingent liabilities, which included guarantees to state-owned entities (SOEs), independent power producers, public-private partnerships and provisions for multilateral institutions, amounted to R1.17 trillion in 2022 and therefore it was critical that government monitored and updated them. The PBO indicated that support to SOEs posed a further risk to the 2022 Appropriations. This support included R33.9 billion to settle the government-guaranteed debt of Eskom (R21.9 billion) and South African Airways (R1.8 billion); R3 billion for Denel to meet its general obligations; and R22 billion for the South African Special Risks Insurance Association (SASRIA) to settle the high volume of claims and ensure that the insurer had sufficient capital to meet regulatory requirements. The PBO submitted that the financial position of SOEs was under pressure, such that in order to meet short-term obligations in 2021, most of these companies deferred their capital investment projects to preserve cash; resulting in a 6.2 percent decline in their consolidated asset base.

The PBO further submitted that the sustainability indicators and the high unauthorised expenditure painted a picture of departments unable to operate within their budgets, resulting in deficits, cash shortfalls and bank overdrafts.

* 1. **Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) noted that the allocation to Vote 17: Higher Education and Training would increase from R98 billion in the 2021/22 financial year to R110 billion in 2022/23; due to additional funding of R32.6 billion to the National Student Financial Aid Scheme (NSFAS) for strengthening fee-free higher education. This was made possible as a result of the revenue windfall. However, the FFC warned that the funding of new students created future funding obligations. If revenue did not recover, the Department of Higher Education and Training’s budget would be under severe pressure, which could lead to under-funding of priorities.

The FFC further noted the positive growth projected for allocations to Vote 16: Basic Education over the next three years; as well as the strong growth projected for Vote 3: Cooperative Governance, where the increased funding of R28.9 billion was directed at the equitable share allocation to municipalities. Alongside increases to social protection programmes, the FFC pointed out that the Bill showed strengthening of allocations to economic development-related departments, reinforcing the infrastructure-led growth approach. With respect to job creation, the FFC noted that R9 billion was allocated to various votes through the Presidential Employment Initiative. The FFC supported government’s decision to prioritise funding for social protection alongside increases for key votes within the economic development cluster. However, the FFC strongly emphasised that a number of the increases were temporary and enabled by the revenue windfall; and that the increases across certain sectors would create future funding obligations for departments. In addition to the additional funding to NSFAS, mentioned above, this included the R24.6 billion allocated to the Department of Basic Education to hire teachers. In light of the fact that projections for total allocations by vote already showed a decline for the 2023/24 financial year, the FFC advised departments to be aware of the potential risk and to be proactive in terms of developing contingency plans to fund commitments, should the recovery of revenue not be realised. In particular, the FFC emphasised the importance of ensuring that the process related to the introduction of the New Higher Education Funding Model unfolded swiftly and was concluded in time for introduction in 2023.

1. **Departmental oral and written submissions**

The sections below provide an overview of the submissions that were made on the Bill by the invited departments.

**4.1 Department of Public Works and Infrastructure**

The Department of Public Works and Infrastructure (DPWI) gave an overview of the possible service delivery implications of the proposed allocation of R26.1 billion over the 2022 MTEF, relative to the 2021 budget estimates. DPWI also gave an overview of plans it has in place to use the proposed allocation of R9.4 billion over the MTEF towards the Expanded Public Works Employment Programme (EPWP). Furthermore, DPWI provided an assessment of the EPWP’s efficiency and effectives and reported that there is a positive impact in terms of creating work opportunities and poverty alleviation, although there were areas that needed to be improved. Furthermore, there was a high demand to scale-up the EPWP in future. DPWI reported that by the end of the 2021/22 financial year, a total number of 13 217 900 work opportunities have been created through the EPWP (A total of 988 917 work opportunities reported for 2021/22 was still provisional at the time of drafting the report).

With regards to its Immovable Asset Register (IAR), DWPI reported that it had a property portfolio comprising of 29 632 land parcels and 81 733 buildings/improvements with a value of R141 billion. It further submitted that 19 461 land parcels have been vested to date in accordance with the relevant prescripts and the remaining population to be vested was 4 617. The Auditor-General South Africa (AGSA) acknowledged a major improvement with respect to the valuation of immovable assets and classification of assets under construction. The IAR was unqualified for the 2020/21 financial year which constituted a good achievement taking into account that it served as the primary source of data for property related activities and transactions. DPWI also reported that it was in the process of implementing a programme to ensure full digitalisation of the IAR which included the creation and maintenance of a Single Repository. Furthermore, it reported that it is in the process of providing support to SOEs under DPE to enable them to release vacant land for integrated human settlement, agriculture and socio-economic development.

The Department reported that it occupied three buildings, with one being state-owned (Head Office) and two being leased (Centre City occupied by the EPWP and Nipilar Building being occupied by the Internal Audit and GRC units). The budgeted costs for these buildings during the 2022/23 financial year were R19.818 million for the state-owned building and R14.050 million for the leased buildings. DPWI submitted that it was responsible for managing the property portfolio for national government departments through various branches. The Real Estate Management Services (REMS) main mandate is to provide functional accommodation for various user Departments (including DPWI) on demand. In instances where there is no state owned facilities at the time of need, the REMS will lease from the private sector. In this regard, most of the government head offices are situated in Tshwane, which is a hybrid of state owned and leased accommodation. In terms of state owned properties, 14 national government departments occupied 750 000m2 of accommodation and the total lease portfolio consisted of 2 591 nationwide for user departments.

In terms of the preliminary expenditure recorded as at the end of the 2021/22 financial year, the DPWI submitted that the total expenditure amounted to R8.1 billion or 97 per cent of the total adjusted budget allocation of R8.4 billion. This resulted in a variance of R272 million as at the end of the financial year.

**4.2 Department of Police**

The Department of Police (SAPS) appraised the Committee on overall possible service delivery implications of the proposed allocation of R304.1 billion over the 2022 MTEF. SAPS reported that it started with substantial budget reductions introduced on compensation of employees and goods and services over the 2021 MTEF (2021/22 to 2023/24). These reduced compensation of employee baseline in 2021/22 required a reduction of about 6 000 in the staff establishment, up to 31 March 2022. SAPS reported that spending over the medium term will be in relation to the core programmes with Visible Policing on more than 51 per cent and Detective Service on more than 20 per cent as a weight of the total budget allocation in the 2022/23 financial year. Furthermore, provinces with the highest incidence of reported crime, have been prioritised in terms of the allocation of baseline budgets. As a result of previous MTEF baseline decreases in the SAPS budget Vote, reprioritisation was performed specifically targeting national competencies in order to allow for an increase on provincial baseline budget allocations.

SAPS reported that compensation of employees will remain the largest driver of spending, constituting more than 78 per cent of the total budget for 2022/23 providing for remuneration costs and personnel numbers. Operational expenditures, including goods and services, transfer payments and payments for capital assets, comprise less than 22 per cent of the total budget in 2022/23.

SAPS also reported on the R8,7 billion additional allocation over the 2022 MTEF and submitted that from this, an amount of R2,867 billion in 2022/23 will go towards the carry-through costs of Public Service Coordinating Bargaining Council agreement 1 of 2021 (monthly non-pensionable allowance for level 1 to 12). The remaining R5,835 billion over MTEF will be to rejuvenate and improve policing capacity through the appointment of police trainees and absorption of those who have concluded their training into Constables. SAPS will recruit 12 000 new police trainees, which comprise of 7 000 for the 2022/23 financial year and 5 000 for the 2023/24 financial year and their carry-through costs to the 2024/25 financial year.

With regards to Gender-Based Violence (GBV), SAPS reported that it developed profiles for the 30 GBV hotspots police stations to come up with intervention plans to address contributing factors and improve services to victims of GBVF at police stations by December 2020. A pilot programme to establish GBV Desks was initiated at the 30 GBV hotspots police stations and rolled-out to all other police stations in the country in three phases. An evaluation of the pilot of GBV Desks would be conducted between April 2022 and December 2023 to develop a guideline for uniform implementation across the country.

SAPS submitted that the introduction of legislative changes placed more pressure on its budget Vote as no additional funding was allocated, thus necessitating it to reprioritise existing resources when legislative changes are implemented. SAPS submitted that the estimated total cost for the implementation of the Criminal Law (forensic procedures) Amendment Bill would be R78,480 million. Furthermore, implementation of the Cyber Crime Act would require 52 new cybercrime units across South Africa at an estimated cost of R102 million. After many different options were investigated, it was recommended that the designated point of contact must be established in collaboration with the Council for Scientific and Industrial Research (CSIR) at an estimated cost of about R3,9 million per year. An additional R600 000 would be required during the 2022/23 financial year to cover the initial set up costs for the designated point of contact.

In terms of the preliminary expenditure recorded as at the end of the 2021/22 financial year, the SAPS submitted that the total expenditure amounted to R99.6 billion or 99.1 per cent of the total adjusted budget allocation of R100.5 billion. This resulted in a variance of R878.4 million as at the end of the financial year.

**4.3 Department of Water and Sanitation**

The Department of Water and Sanitation (DWS) reported that the R59.6 billion allocation over the 2022 MTEF will contribute immensely to service delivery in all the nine provinces through the rollout of infrastructure projects linked to reticulation resulting in provision of water to communities. DWS highlighted the following:

* Continued focus on enhancing regulatory measures, ensuring that infrastructure is protected and restored, and ensuring that water and sanitation services are managed effectively;
* Continue focus on ensuring the delivery of safe water and the effective management of wastewater through enforcing various regulatory measures and strengthening its oversight functions;
* Expected support to 32 district municipalities with developing water and sanitation reliability plans and monitoring the compliance of all water services authorities with regulatory standards;
* Ensuring that 80 per cent of applications to authorise water‐use are finalised within 90 days and that 963 wastewater systems are assessed for compliance against green drop regulatory requirements;
* Continued investment in water resources and implementation of projects such as the phase 2D of the Olifants River water resource development project, the Mokolo‐Crocodile water augmentation project, the raising of the Tzaneen and Hazelmere dams, and the Umdloti River development project; and
* Over the 2022 MTEF period, 2 mega, 24 large and 28 small regional bulk infrastructure projects are expected to be implemented and finalised.

With regard to the Bucket Eradication Programme (BEP), the DWS submitted that due to rapid rural-urban migration, new informal settlements are arising continuously. Legislation, however, does not allow municipal investment in infrastructure development in informal settlements before they are formalized. Municipalities therefore provide informal settlements with buckets or chemical toilets as temporary solutions or, alternatively, households in informal settlements build makeshift pit toilets. To this end, the BEP focused on eradicating buckets in formal areas. As informal settlements are formalized, more needs for eradicating buckets (in formal settlements) emerge, on an ongoing basis. In future, DWS will focus on ensuring that municipalities meet the minimum norms for sanitation in informal settlements and stop providing buckets. In the meantime, DWS is continuing with the BEP in formal settlements, with a target of removing the remaining 10 800 buckets in the Northern Cape and Free State by the end of March 2023. The budget allocation for the said BEP for 2022/23 was R504.302 million (Regional Bulk Infrastructure Programme – 6b) and R110.174 million (Water Services Infrastructure Grant – 6b).

DWS also provided an overview of how it monitored the condition of municipal water and sanitation infrastructure as well as the current municipal support and intervention mechanisms and their limitations. DWS submitted that a Water Services Improvement Programme (WSIP) has been introduced to strengthen its support and intervention at municipal level. The aim of the said programme is to make DWS support and intervention more consistent and systematic as opposed to the current ad-hoc approach • The WSIP consists of the following elements:

* In terms of the Water Services Act, DWS will issue updated and more comprehensive norms and standards for water and sanitation services;
* DWS will publish a National Regulatory Dashboard showing the extent of compliance with national norms and standards for water services for all Water Service Authorities, drawing on existing monitoring information, including from the Blue Drop, Green Drop and No Drop reports, National Treasury, and Department of Cooperative Governance reports (no new additional reporting requirements will be put on municipalities); and
* DWS will develop rolling regional support and intervention plans based on the evidence in the Regulatory Dashboard, managed by its regional offices, in consultation with provincial governments, municipalities and DDM structures.

With regard to Water Use Licenses Applications (WULA), DWS reported that from 1 June 2021 to 30 April 2022, it has finalised 897 WULAs. It further committed to finalising the remaining 546 backlog WULAs by 30 June 2022 and thereafter it would process at least 80 per cent of new applications within 90 days.

With regard to the preliminary spending results for the 2021/22 financial year, the DWS reported that is has spent R15.204 billion or 86 per cent of the total adjusted appropriation of R17.735 billion. This translated into a R2.532 billion or 14 per cent under spending as at the end of the financial year.

**4.4 Department of Employment and Labour**

The Department of Employment and Labour (DEL) appraised the Committee on overall possible service delivery implications of the proposed allocation of R11.7 billion over the 2022 MTEF, relative to the 2021 budget estimates. DEL submitted that it received baseline increases over the 2022 MTEF mainly in respect of a newly introduced allocation for the Government Technical Advisory Centre (GTAC) as well as an increased allocation to the Commission for Conciliation, Mediation and Arbitration (CCMA). Notwithstanding the aforementioned baseline increases, the DEL submitted that there are proposed reductions under the Goods and Services and Machinery and Equipment economic classifications during the 2022/23 financial year.

DEL reported that the Presidential Employment Stimulus was coordinated by the Project Management Office (PMO) in the Presidency and implemented by different departments and agencies. It was one of the key interventions under the South African Economic, Reconstruction and Recovery Plan (ERRP) and has created over 850,000 job opportunities since October 2020, of which 85 per cent were youth, through a combination of job creation, job retention and livelihoods support programmes. This includes over half a million young people placed as school assistants since the inception of the stimulus.

The Presidential Youth Employment Initiative (PYEI) was a direct response to the challenge that too many young people are not transitioning from learning to earning. The said intervention sets out priority actions which together seek to stimulate aggregate demand, provide a seamless mechanism for young people to be linked to the opportunities generated, and receive support appropriate to their context and pathway. The Pathway Management Network (PMN), which DEL is responsible for, brings together work-seekers and opportunity holders to address the barriers that young people face when seeking to transition into – and succeed in - the labour market. DEL reported that the process of establishing and operationalising the PMN comprised the following:

* Establishing the institutional and funding arrangements;
* Securing funding from National Treasury as part of the Presidential Employment Stimulus; and
* Transferring the funds to the Jobs Fund (GTAC), the partner appointed to support the implementation of the PMN.

DEL reported that a total number of 612 996 young people have been placed since the launch of the PMN (many of these young people have been placed as school assistants in phase 1 and phase 2 of the programmes funded through the Presidential Employment Stimulus). Furthermore, the PMN has also supported 144 884 young people to access work seeker counselling.

DEL further reported that it received an allocation of R20 million in October 2021 through the Presidential Economic Stimulus 2 (PES 2) to create 250 intern opportunities for unemployed graduates. The focus of the R20 million in terms of the bid that was approved, was to recruit intern psychologists, for the purpose of capacitating labour centres to deliver on the mandate to provide support to many unemployed workers devastated by unemployment. Thus far 188 young psychologists have been appointed across the nine provinces. DEL also had to ensure that the psychologists have the correct registration for accreditation by the Health Practitioners Counsel, which governs counselling services in South Africa. DEL reported that it requested National Treasury to roll over the R20 million stimulus funds to continue paying the stipends to the new interns. This will also enable the DEL team that is working on the project to learn from the experience and implement the current year’s recruitment much faster, as no outside consultants are utilised and no further recruitment costs are incurred.

DEL also reported on the proposed R120 million increased funding to the CCMA over the 2022 MTEF and reported that these funds will be utilised to increase the part-time commissioners’ allocation (although not fully restored to pre-Covid-19 levels) and to resuscitate the refresh-process on its ICT infrastructure. Despite the aforementioned increased allocation to the CCMA, the DEL reported that the following challenges remain:

* Unfunded vacancies were placed on hold as part of the reprioritisation measures;
* Limited number of days were allocated to part-time Commissioners in hearing cases;
* Continuous part-heard matters because of limited capacity; and
* Implementation of the Enforcement Strategy to execute CCMA awards and to enhance social justice – consequently the Sheriffs Board process will be affected;
* Inability to implement the information technology strategy to improve the business process and deliver services;
* The CCMA’s discretionary mandate (i.e. training,) has been severely reduced; and
* Due to the complexity of the geographic areas that impact the CCMA in conducting the cases outside the provincial/ regional offices, variable costs per case increased for items such as venue hire, travel, accommodation, and subsistence costs due to the increase in fuel and other maintenance costs. Most of the travel costs in case disbursement is influenced by the vast travel distances and remoteness of the venues to conduct cases. This is seen mostly in provinces such as Free State, Northern Cape, Limpopo, and Eastern Cape.

With regard to the preliminary spending results for the 2021/22 financial year, the DEL reported that is has spent R3.2 billion or 84.7 per cent of the total adjusted appropriation of R3.8 billion. This translated into a R584.3 million or 15.3 per cent under spending as at the end of the financial year.

* 1. **Department of Social Development**

The Department of Social Development (DSD) appraised the Committee on overall possible service delivery implications of the proposed allocation of R711 billion over the 2022 MTEF. It submitted that the Social Development Portfolio budget was reduced significantly, in particular for the Provincial Departments of Social Development. This budget reduction in the main has affected the appointment of social service professionals and the funding of the much-needed services rendered by the Non-Profit Sector, as well as the deployment of additional prevention programmes. Furthermore, DSD submitted that this had a negative impact on the provision of some of its community empowerment services, which in turn hampers its efforts to build vibrant and self-reliant and sustainable communities. The aforementioned includes the ability to provide foodto those that have become destitute due to loss of employment and those that have recently become homeless as a result of disasters.

With regard to the recently gazetted regulations relating to the distribution of the R350 Social Relief of Distressed (SRD) grant, the DSD submitted that with the lifting of the national state of disaster, the legal framework for the provision of this grant had to change, as it could no longer be provided under the Disaster Management Act. The SRD grant was brought in under the Regulations to the Social Assistance Act, 2004. The amended Regulations were published on 22 April 2022 and the application channels for the SRD grant were opened on 23 April. By implication, all existing applicants were required to reapply for the grant. In line with previous trends, DSD submitted that it expected the number of approved benefits in the first month or two to be less than the 10.9 million.

DSD also provided an overview on the new regulations for the SRD grant and further emphasised that it received a budget of R44 billion which was sufficient to cover only 10.5 million people. DSD submitted that aaccording to survey data, there were 13.4 million people with no income and 18.3 million people below the food poverty line. Unemployment was at 35.3 per cent (7.9 million people) using narrow definition and 46.2 per cent (11.7 million people) using expanded definition. It highlighted that given the proposed budget allocation for the 2022/23 financial year, additional restrictions will have to be added in order to remain within budget.

In terms of challenges faced in the uptake, distribution challenges faced by South African Social Security Agency (SASSA) with regard to the SRD grant, DSD reported that all applications, once validated against the various databases to which SASSA has access, have to be means tested. This can only be done by banks, who confirm whether the identity document number is linked to any bank account which has received an inflow of more than R350 in the preceding month (excluding social grants and the R350 SRD grant). However, the banks do not provide detail on the amounts coming into the accounts, but merely confirm whether or not there is inflow above the set threshold. Furthermore, there were delays in the finalisation of the contracting process with the banks and following engagements, facilitated by the Banking Association of South Africa, the final draft of the agreements with banks was ready for consultation on 23 May 2022 with the target date for signing these agreements being 31 May 2022. The means testing will begin after the aforementioned agreement has been signed, with payments which were meant to distributed in April 2022 to be distributed in June 2022.

With regards to its preliminary spending outcomes, DSD had an available budget of R232.1 billion in 2021/22. Of this, R231.2 billion was appropriated for transfers and subsidies. Of the budget for transfers and subsidies, R221.7 billion or 95.9 per cent was for transfer to households for social grants, R8 billion for transfer to SASSA for administration of social grants, and R246 million to the National Development Agency (NDA). The bulk of social grants allocation went to the child support grant which benefited 13.31 million children, and the old age grant which benefited 3.75 million people aged 60 and above. DSD had spent R233.1 billion by the end of the fourth quarter, about R962.6 million higher than the available budget. This was mainly due to overspending on the SRD grant as a result of higher than anticipated number of beneficiaries.

1. **Public submissions on the 2022 Appropriation Bill**

The sections below provide an overview of the submissions that were made in response of the advertisement that was published in print media.

**5.1 Equal Education**

Equal Education pointed out that quality basic education was a constitutionally recognised human right, which had been acknowledged and affirmed through various court cases. As such, the government had a duty to prioritise access to quality education, which required adequate funding in the budget. Despite this, basic education funding has experienced continued de-prioritisation in recent years, with the Covid-19 pandemic accelerating this trend. Furthermore, access to, and delivery of, quality basic education was affected by the weakened state capacity and corruption that had eroded national and provincial departments’ ability to properly plan for and spend money allocated to them in the annual budget.

Equal Education welcomed the following with regard to appropriated funds for Basic Education and Higher Education and Training:

* It was encouraging that the deep and regressive cuts made to Basic Education in the previous two years were not continued and that, for the 2022/23 financial year, funding to Basic Education was keeping up with inflation and that the funding had increased in real terms, albeit by a small amount.
* Infrastructure spending increased by approximately R700 million in the 2022/23 financial year. However, this was an insufficient step in addressing the deep infrastructure crisis facing South Africa, and beyond 2022/23, infrastructure funding once again decreased in real terms.
* More than R26 billion had been allocated to the National School Nutrition Programme (NSNP) over the following three years. However, there was concern that the funding was not keeping up with increases in food prices, which may affect the nutritional value of the meals that learners received.
* While supporting the fee-free higher education funding allocated to NSFAS for students from poor and working class households, Equal Education was concerned over the reported inefficiencies with the administration of NSFAS.

The quality of basic education provided to learners was also determined by the capacity of national, provincial and local governments to spend these funds effectively. Under-spending, irregular expenditure, and wasteful and fruitless expenditure were consistent issues in the basic education sector and fundamentally undermined government's functionality. Since 2012/13, at least R2.7 billion had been irregularly spent through the Accelerated School Infrastructure Delivery Initiative (ASIDI); and between 2011 and 2019, 30 percent of ASIDI funding had not even been spent.

Equal Education was of the view that National Treasury and the Appropriations Committees, together with other key role players, were mandated to take an active role in the oversight and capacity building of provincial and municipal governments and their departments. As such, Equal Education called on the Appropriations Committees to ensure that National Treasury fulfilled its duty in monitoring and assisting in the elimination of expenditure-related issues in the basic education sector.

Equal Education recommended that the Appropriations Committee:

* Advocate for Basic Education to receive funding that grew in line with learner enrolment and inflation and was pro- poor and gender inclusive;
* Called on National Treasury to provide meaningful oversight of the sector;
* Engage National Treasury on its decision to reduce infrastructure funding for Basic Education over the medium term, once inflation was taken into account;
* Ensure that provincial education departments received sufficient funding to meet the national minimum thresholds for per learner funding; and
* Ensure that National Treasury and the Department of Higher Education and Training (DHET), develop a cohesive policy that ensured that all learners had access to higher education.

**5.2 South African Institute for Chartered Accountants**

The South African Institute of Chartered Accountants (SAICA) questioned the budget allocated for VIP protection, which had received an increase of R1.7 billion in the 2021 Budget; while the National Prosecuting Agency (NPA) budget had been cut by R400 million in the same year, and the NPA had stated that it needed a further R1.7 billion to prosecute state capture cases and to modernise the organisation. SAICA further indicated that the 4.9 percent increase to SAPS for employees, did not show any intent on behalf of the government to meet its commitment to the Financial Action Task Force (FATF). The FATF is important in addressing the shortcomings related to the high levels of money laundering, financing of terrorism and counter financing of proliferation, thus putting the whole country at risk.

SAICA also questioned the use of the contingency reserve funds for bailouts to SOEs including South African Airways (SAA) and the Land and Agricultural Development Bank of South Africa (Land Bank). SAICA interpreted the definition of unforeseeable spending pressures to be events such as natural disasters or pandemics. Given the recent floods in KwaZulu-Natal and the need for relief measures, it would be rational to conclude that this should be funded from the contingency reserve. However, National Treasury had proposed that municipalities and provincial departments divert funds within their budgets for disaster relief and apply for unforeseeable and unavoidable expenditure. SAICA believed that the contingency reserve fund was underfunded given that, of the R10 billion budgeted for 2022, R5 billion had already been allocated to the Land Bank, R1 billion for immediate flood relief and R3.5 billion would most likely be directed to fund the restructuring of SAA, leaving a balance of R500 million for disaster relief and other unforeseen events.

SAICA was concerned that the South African Revenue Service (SARS) had insufficient funds to meet its April 2022 deadline for implementation of Generally Recognised Accounting Practice (GRAP) and that it could not fulfil its mandate successfully. SAICA had seen an increase in taxpayer dissatisfaction with SARS’ service, as was evidenced by the number of operational queries received from its members, as well as an increase in enquiries and complaints to the Office of the Tax Ombud.

SAICA indicated that unbudgeted items remained a significant risk to the credibility of the budget. These included the following:

* SOEs’ contingent liabilities of R1.17 trillion in guarantees were a lot closer in principle to being government debt, as the previous 10 years had shown that on a balance of probability, they would more likely than not need to be converted to bailouts or state funding.
* The allocation of R2.3 billion for Water and Sanitation over the following three years was not sufficient, given that infrastructure was imploding and access to drinkable water was becoming more problematic.
* Crime remained a fundamental problem in growing the economy and the state of the Police was a concern with effective service delivery decreasing, as reflected in the crime statistics. The Police’s ability to apply resources effectively was also a concern, with R4 billion unspent, even with all the shortage of vehicles and equipment and the state of disrepair at most police stations. In this regard, the Minister’s assessment that the Police would be supported by an increase of R8.7 billion in the medium term required unpacking.
* It seemed that no provision was made for contingent liabilities, legal claims or litigation costs. AGSA had stated that there were increasing claims against departments, flagging an emergency risk. SAICA had noted the claims against the Department of Health amounted to R105 billion and those against the Police, to R16 billion. When legal claims were incurred, they eroded the current year budget, as they were expensed when the department had cash flows, but at the expense of other budget items.
* The financial sustainability of the Independent Regulatory Board for Auditors (IRBA) was in jeopardy, considering a High Court judgement which, if not successfully appealed, would require it to repay auditors just over R60 million, which was almost half of its budget; and IRBA would then have to increase its reliance on the government to ensure its sustainability.
* The Government Employee Pension Fund (GEFP) had a long-term funding shortfall of approximately R2.5 billion per year according to its latest actuarial report, dated 31 March 2021.

SAICA asked the Committees the following questions:

* Considering the critical and urgent role of the NPA, did Members believe that the NPA was appropriately funded; and should the VIP unit be allocated relatively more money than the NPA, considering the number of individuals these units serve?
* Did Parliament accept joint accountability for the government’s obligations to FATF and the consequences of non-compliance?
* Were Members satisfied that the contingency reserve was used as a “suspense account” to pay the R5 billion to the Land Bank, rather than an account for unforeseen emergencies? Would the additional funding R3.5 billion required for SAA also be funded from the contingency reserve, pushing it even more into the red?
* Were Members aware of what services would no longer be delivered should municipalities and departments use a portion of their current budgets to fund the flood disaster efforts?
* Did Members know where the additional funds would come from to make up for the shortfall in the contingency reserve; that is, would further debt need to be taken on to fund this shortfall?
* If further real unforeseen emergencies occurred, as had happened with the recent flooding in KwaZulu-Natal and the Eastern Cape, would the government have sufficient financial resources to address these emergencies, considering the estimated balance of the contingency?
* Were Members satisfied that SARS had sufficient resources to continue its drive to use high-tech systems to target non-compliant taxpayers and to deliver its services to compliant taxpayers in such a way that it would not negatively influence their tax compliance behaviour? Did ambitious targets incentivise the wrong SARS behaviour when oversight was lacking?
* Considering the questionable practices resulting from the non-implementation of GRAP by SARS (and the whole public sector), were Members aware of National Treasury’s progress in this regard, and was the delay acceptable?
* Were Members satisfied that the budget was credible without considering the above unbudgeted expense items; and that Parliament had exercised proper oversight when amounts that clearly should be budgeted for, were not?
* How did Parliament believe the 12 000 additional police officers would be appointed when, after adjusting for inflation, the Police would have a lower budget in 2025 than in 2022?
* Did Members know why there was a difference between the Budget allocating R110 billion to police services and the Bill allocating R100 billion to the Police?
* From where would government obtain the additional R2.5 billion per annum needed to fund the shortfall in the GEPF?

Oversight was key to a credible budget process and therefore SAICA recommended that Parliament review its Committee mandate concerning the separation between the Finance and Appropriations Committees and the Committee on Public Accounts, to ensure that oversight obligations did not fall in-between the cracks and that Parliament was effective as a single collective arm of government.

**5.3 Congress of South African Trade Unions**

The Congress of South African Trade Unions (COSATU) was of the view that the Bill was not focused on enhancing the labour-absorbing capacity of the economy; but essentially maintained the composition of expenditure of the past years, which did not address the problem of economic stagnation. Despite COSATU’s overall disappointment with the Bill, it did welcome and support the funds allocated to the following national departments and programmes:

* The extension of the SRD grant.
* The allocation of R35 billion in loan and equity support for small, medium and micro enterprises (SMMEs) recovering from the Covid-19 pandemic.
* The additional allocation of R43 billion to Eskom and the progress made in reducing its debt burden by R100 billion.
* The allocation of R17 billion to the Department of Trade, Industry and Competition (DTIC) for industrial financing over the Medium Term Expenditure Framework (MTEF).
* The R120 million to the Commission for Conciliation, Mediation and Arbitration (CCMA) over the MTEF, even though this would not be enough to help undo the damage of the previous cuts to an overwhelmed CCMA that was struggling to cope with a flood of retrenchments.

COSATU made the following key recommendations:

* The SRD grant needed to be linked to skills training programmes to help its recipients find jobs.
* Development Finance Institutions (DFIs) should administer the allocation of R35 billion in loan and equity support for SMMEs, as opposed to the commercial banks that would sadly suffocate this programme as they did the Loan Guarantee Scheme.
* It was critical that the implementation of the Eskom Social Compact be accelerated to ramp up maintenance, bring on board new generation capacity faster and ensure a Just Energy Transition that would not lead to more unemployment or create ghost towns.

**5.5 Mr V Kalikopu**

Mr V Kalikopu requested financial assistance to help Cape Town Youth who stay along the N2 at the Cape Town International Airport bridge. The items listed by Mr Kalikopu included assistance for food, clothing, transport, a venue, and equipment.

1. **Committee Findings and Observations**

Having deliberated and considered all the submissions made by the above stakeholders on Appropriation Bill [B7-2022], the Standing Committee on Appropriations makes the following findings and observations:

* 1. The Committee notes that the Bill proposes a total Vote allocation of R1.057 trillion (excluding direct charges of R902.66 billion) for the 2022/23 financial year. Furthermore, the Committee welcomes that 61 per cent of the total budget is appropriated to the Departments of Cooperative Governance, Higher Education and Training, Social Development, Police and Transport mainly for free basic services, post-school education and training, social grants, crime prevention and investigation, and maintenance of the road transport network.
	2. The Committee notes and welcomes that 71.2 per cent of these proposed Vote allocations goes to transfers and subsidies. These are transfers to provinces, municipalities, public corporations and other non-profit making entities mainly for the payment of social grants, conditional grants allocations, transfers to public entities, university subsidies and NSFAS. The Committee views provinces and municipalities in particular to be at the centre of service delivery and these proposals are supported by the Committee since they are indicative of the bulk of government services.
	3. The Committee notes that relative to the 2021 budget, the main budget non-interest spending increases by a net R282.3 billion over the medium term expenditure framework, supported by higher than anticipated revenue collections that also does not jeopardise government’s path to deficit reduction.
	4. The Committee notes and welcomes the proposed additional allocation of R110.8 billion in 2002/23 (R227.4 billion over the MTEF) to fund government priorities that could not be funded through budget reprioritisation. The Committee is encouraged that government was able to fund some of the priorities like the extension of the special Covid-19 social relief of distress grant, the continuation of bursaries for students benefiting from the Student Financial Aid Scheme, and to fund the presidential employment initiative.
	5. The Committee notes and welcomes the proposed allocation of R9 billion in 2022/23 (R9.4 billion in 2023/24) for the Presidential Employment Interventions for the creation of about 513 905 (514 000 in total) short term jobs in 2022/23. The Committee would like to re-emphasise its appreciation of the negative impact caused by the Covid-19 pandemic, particularly on job losses caused by slow economic activities and its associated lockdowns. The Committee supports the Presidential Employment Initiatives to create jobs. However, the Committee would also like to re-emphasise on the need to ensure that the utilisation of these resources is done in a manner that demonstrates the understanding of the scarcity of these resources.
	6. The Committee notes and welcomes the proposed allocation of R44 billion in 2022/23 to extend the special Covid-19 social relief of distress grant until March 2023. The Committee acknowledges the negative impact caused by Covid-19 and its associated lockdowns, particularly on the livelihoods of many South Africans. The Committee is encouraged by this temporary intervention from government, designed to cushion the poor and the most vulnerable households against its severe negative impact. However, in consideration of the high levels of unemployment, poverty and inequality experienced by many South Africans, the Committee would like to encourage government to fast-tract its engagement with all stakeholders on the feasibility of introducing the basic income grant and its associated funding methodologies.
	7. The Committee notes COSATU’s support of the extension of the R350 special Covid-19 social relief of distress grant. The Committee further notes COSATU’s proposal that SRD grant needs to be extended and linked to skills training programmes to help its recipients find jobs.
	8. The Committee notes that the FFC welcomed the relief brought about the different social grants to poor and vulnerable households who rely on social security grants especially given the detrimental effects of the past two years. The Committee further welcomes the submission by the FFC that key consideration should be on the long term viability of any considered replacement of relief funding and its long run effect on the sustainability of the fiscus.
	9. The Committee notes and welcomes the proposed allocation of R7.8 billion in 2022/23 (32.6 billion over the MTEF) for financial support to current bursary holders and first year students under the National Student Financial Aid Scheme. The Committee supports this government policy of free fee higher education to deserving students. The Committee views education as an important pillar for any democratic and developing society and is of the view that the long-term benefits of an educated nation are far greater than current associated costs. This view is further supported by the submission of Equal Education who posits, “the single most important investment any country can make is in its people. Education has intrinsic and instrumental value in creating societies that are better able to respond to the challenges of the 21st century.”
	10. The Committee notes the recommendation by Equal Education that National Treasury and the Department of Higher Education and Training should consider developing a cohesive policy that ensures that all learners have access to higher education. The Committee has always held the view that all learners in South Africa should have equal access to education to ensure their proper development and preparing them to be independent adults who are ready for 21st century, irrespective of their backgrounds.
	11. The Committee notes with concerns the submission by Equal Education that expenditure issues in the basic education sector fundamentally undermine government's functionality, submitting that since 2012/13 at least R2.7 billion has been irregularly spent under the ASIDI programme while between 2011 and 2019, 30 percent of ASIDI funding was not even spent. The Committee holds the view that even if these infrastructure projects were completed and delivered, any violation of public finance laws and regulation should not be condoned. Furthermore, in instances where the Auditor General of South Africa reports such transgression, actions and consequence management should be applied.
	12. The Committee notes with concerns the submission by Equal Education that while NSFAS is the appropriate channel to ensure that students from poor and working class households access higher education institutions, however the scheme has been dysfunctional. The Committee is concerned by the report that there were universities who were still owed their NSFAS funding. The Committee is of the view that NSFAS funding should be paid immediately to allow universities to both cover their costs and for the well-functioning of these academic institutions.
	13. The Committee notes the recommendation by the FFC that government should be mindful of the urgency of ensuring that the processes related to the introduction of the new higher education funding model unfold swiftly and is concluded in time for introduction in 2023.
	14. The Committee notes and welcomes the proposed allocation of R9 billion in 2022/23 (R24.6 billion over the MTEF) to address teacher shortages in schools. The Committee views this as an important step in addressing both the shortages of teachers in schools, as well as achieving the correct balance in the teacher learner required ratio. The Committee holds a view that the shortage of teachers in schools needs to be addressed urgently if the quality of education and education outcomes are to be improved.
	15. The Committee notes and welcomes the proposed allocation of R4.2 billion in 2022/23 (R28.9 billion over the MTEF) to the Department of Cooperative Governance for the local government equitable share to assist municipalities to continue providing services as water, sanitation, electricity, refuse removal and other basic services. As pointed out in the submission by the FFC, these services are important for both social and economic development.
	16. The Committee notes with concerns the comment by PBO that suggests that the increase in local government funding through the Department of Cooperative Governance does not mean the needs of the indigent households and the poor will be met if the system of financial and operational challenges is not addressed. The Committee has on numerous occasions engaged the Department of Cooperative Governance and the South African Local Government Association (SALGA) in trying to understand both the financial and operational challenges faced by municipalities, in order to try and find solutions to these challenges. The Committee is concerned about constantly recommending to the National Assembly the appropriation of funds to local government when those funds are not helpful to indigent and poor households.
	17. The Committee notes with concerns the submission by SAICA that late payment to small businesses by government impacts their survival as they are heavily dependent on their cash flows. This further negatively affects government’s aim of creating jobs and growing the economy. The Committee holds the view that all government institutions (both national and provincial) should always pay invoices within 30 days as required by the PFMA and treasury regulations. However, due to the persistent nature of this problem, the Committee believes that both the Department of Planning, Monitoring and Evaluation and the Department of Small Business Development should clarify their roles in ensuring that all organs of the State adhere to the payment of invoices within the required timeframes. Furthermore, the Committee suggests that in cases where there are disputes on the invoices, a turnaround timeframe is a necessity.
	18. The Committee notes that COSATU supports the Presidential Employment Initiative, which according to COSATU has helped 840 000 people find work and gain experience and skills, and the proposed MTEF allocation of R76 billion was also supported.
	19. The Committee notes the submission by Mr Kalikopu who proposes that the Bill should cater for youth in Cape Town. In addition to the youth in Cape Town, the Committee is of the view that the Bill should adequately address the challenges faced by South African youth. Furthermore, the Committee is of the view that the Department of Women, Youth and Persons with Disabilities, Department of Social Development, and Department of Employment and Labour should play a pivotal role in ensuring that the challenges faced by South African youth are adequately addressed, as suggested by Mr Kalikopu.
	20. The Committee notes and welcomes the report by SAPS’s evaluation of the pilot of GBV desks in order to develop guidelines for uniform implementation of GBV cases which is already underway and will be completed in December 2023. However, the Committee is concerned that delays in finalising these guidelines pose a serious threat to the lives of women, children and the elderly, considering the high levels of reported gender based violence case in South Africa.
	21. The Committee notes the report by SAPS that the 2022 proposed allocations is distributed more to provinces with reported high crime rates. The Committee welcomes this submission as it is of the view that policing resources should follow the crime hotspots if South Africa is to make a serious dent to both reported and unreported crime. Furthermore, the Committee notes the proposed allocation of R5.8 billion over the METF to the SAPS to rejuvenate and improve policing capacity through the appointment of police trainees and absorbing those who have already concluded their training. However, the Committee would like to remind SAPS to ensure that the recruitment of new training should be corrupt free and should cover all corners of South Africa and demonstrate the understanding and respect of its demographic population.
	22. The Committee notes the submission by the Department of Water and Sanitation that it is targeting to remove the remaining 10 800 bucket toilets in the Northern Cape and Free State by March 2023 through the Bucket Eradication Programme. Notwithstanding all the challenges around the eradication of bucket toilets, the Committee is of the view that this programme is long overdue and this continues to expose poor households to unacceptable levels of indignity.
	23. The Committee notes the submission by the Department of Social Development that the lifting of the national state of disaster necessitated the change in the legal framework for the provision of this grant, as it could no longer be provided under the Disaster Management Act but under the Regulations of the Social Assistance Act, 2004. The amended Regulations were published on 22 April 2022 and the application channels for the SRD grant were opened on 23 April 2022. However, the Committee holds the view that government should have had adequate plans in place before ending the National State of Disaster as this would have ensured a seamless migration of the people who initially benefited from the SRD grant under the Disaster Management Act. Given the challenges experienced by poor people to register for this grant when it was initiated, the Department of Social Development should have developed a migration plan.
	24. The Committee notes the submission by Equal Education that the Department of Basic Education should receive funding that is equal to the learner’s enrolment, inflation adjusted, pro-poor and gender sensitive.
	25. The Committee notes with concerns the submission by National Treasury based on the 2021/22 financial year preliminary result that there are government departments/institutions who continuously underspend their allocated scarce resources. The Committee is concerned about the underspending of appropriated funds, considering that government has many competing priorities, funds are borrowed, and the requirement of government services are high, the perpetual underspending of appropriated funds should not be accepted.
1. **Recommendations**

The Standing Committee on Appropriations, having considered the above submissions and inputs on the Appropriation Bill [B7-2022], recommends as follows:

* 1. That the Minister of Higher Education, Science and Innovation ensures that the Department of Higher Education and Training pays all outstanding NSFAS funding to universities that are owed these funds, in order to allow universities to focus on their mandates and ease their financial burden.
	2. That the Minister of Finance and the Project Management Office in The Presidency ensure that the funds allocated towards the Presidential Youth Initiatives are spent within the required guidelines and framework in order to avoid potential abuse and corruption.
	3. That the Minister of Small Business Development and the Minister in the Presidency responsible for the Department of Monitoring and Evaluation ensure that the Department of Small Business Development and the Department of Monitoring and Evaluation, provide a detailed plan on how they will ensure that all organs of the state will pay invoices to small business within the required time frame of 30 days. This plans should include easy and reliable dispute resolutions.
	4. That the Minister of Police ensures that that the Department of Police provides a detailed report to Parliament on the guidelines for the uniform implementation of Gender-Based Violence Desk in all South African police stations.
	5. That the Minister of Social Development ensures that the Department of Social Development provide a detailed report on the status of migrating the beneficiaries of the special Covid-19 of Social Relief of Distress grant from the Disaster Management Act to the Regulations of the Social Assistance Act, 2004. This is to ensure that beneficiaries who benefited during the implementation of the Disaster Management Act are not left our due to application, administration and registration related barriers.
	6. That all Portfolio Committees of the National Assembly ensure that no organ of state accountable to each Portfolio Committee underspend on appropriated funds. Underspending on Parliament’s appropriated funds undermines government policies and has a negative impact on the services that government provides to South Africans, and the impact is worse for the poor majority who are mostly dependent on various government services for their daily needs and survival.
	7. That the Presiding Officers of the Parliament of the Republic of South Africa ensure that mechanisms are put in place that would ensure that members of the public, in particular the poor, have equal access to Parliamentary processes, especially relating to the budget.
1. **Committee Recommendation on the Bill**

The Standing Committee on Appropriations, having considered the Appropriation Bill[B7–2022] (National Assembly: Section 77) referred to it and classified by the Joint Tagging Mechanism; recommends that the Bill be adopted, without amendments.

1. **Conclusion**

The Committee appreciates the valuable contributions and advices made by the public and different organisations when processing the Bill. The Committee emphasises the need for government departments to always ensure efficient, economic and effective use of appropriated funds in line with the principles set out in Section 195 of the Constitution and other relevant legislations governing the use of public funds, and applicable to the Republic of South Africa.

The relevant Executive Authorities must send the responses to the recommendations as set out in section 7 above to Parliament as well as the Committee within 60 days of the adoption of this report by the National Assembly.

Report to be considered.