**REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE *APPROPRIATION BILL* [B7 – 2022] [NATIONAL ASSEMBLY (SECTION 77)], DATED 22 JUNE 2022**

1. **Introduction**

The *Appropriation Bill* [B7– 2022] was referred to the Committee, for concurrence, on 14 June 2022. In order to streamline the processing of the Bill, on 18 May 2022 the Committee received a thorough briefing on the Bill, as tabled by the Minister of Finance on 23 February 2022. Thereafter, on 25 May 2022, the Committee consulted with the Financial and Fiscal Commission (FFC) and the Parliamentary Budget Office (PBO) on the Bill. With respect to public participation, the Committee held a public hearing on 31 May 2022, during which submissions were heard from Equal Education, the Congress of South African Trade Unions (COSATU) and the South African Institute of Chartered Accountants (SAICA).

1. **Overview of the Bill**

The Bill outlines various provisions that govern utilisation of the appropriated funds for the 2022/23 financial year. These include, under Clause 3, an explanation that amounts marked as specifically and exclusively appropriated in the schedule may be used only for the purpose indicated, unless the amount or purpose is amended by, or in terms of, an Act of Parliament; and under Clause 4, that the Minister of Finance may, in writing, (a) impose conditions on an amount in the schedule, other than a conditional allocation, in order to promote transparency and accountability and the effective management of the appropriation and (b) stop the use of an amount in respect of which conditions imposed in terms of paragraph (a) are not met. Clause 5(1) explains that, despite Clause 3 of this Bill and Section 43(4) of the Public Finance Management Act (No 01 of 1999), the Minister may approve that unspent funds in an amount in the schedule allocated for -

1. Compensation of employees, be used within the same Vote for transfers and subsidies for the payment of severance of exit packages;
2. Goods and services, be used within the same Vote for compensation of employees;
3. Transfers and subsidies to other institutions, be used elsewhere within the same main division;
4. Payments for capital assets, be used elsewhere in any main division within the same Vote; or
5. Payments for financial assets, be used elsewhere within the same main division.

In Clause 5(2), the Bill states that the Minister may not approve the use of unspent funds in terms of subsection (1) (c), (d) or (e) for compensation of employees.

The amounts appropriated to each Vote are set out in the Schedule to the Bill. The Schedule is divided by Vote and by main division within a Vote. A purpose is set out for each Vote, programme and transfer and subsidy to a national department within a Vote. Furthermore, allocations within a Vote are categorised in terms of -

* Current payments (compensation of employees, goods and services, interests and rent on land);
* Transfers and subsidies;
* Payments for capital assets; and
* Payments for financial assets.

In the Bill, allocations marked with a single asterisk refer to specifically and exclusively appropriated allocations, including, but not limited to -

* All Votes and national departments compensation of employees’ appropriations; and
* Conditional grants (also listed in the *Division of Revenue Bill* [B6 – 2022].

Table 1: 2022 Appropriated funds

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| --- | --- |
| **Summary of 2022/23 Appropriated funds** | |
| 2022/23 | R’ 000 |
| **Total Appropriated**  *Of which*  **Current payments**  *Compensation of employees*  *Goods and services*  **Transfers and subsidies**  **Payments for capital assets**  **Payments for financial assets** | **1 057 029**  **260 954**  179 010  81 730  **754 992**  **15 506**  **25 577** |

For the 2022/23 financial year, a total of R1.06 trillion is appropriated among the 41 Votes. This is an increase of R31.2 billion from the 2021/22 revised appropriation of R1.03 trillion, which equates to a nominal increase of 3 percent. Of the total budget, 61 percent is appropriated to the Departments of Cooperative Governance, Social Development, Police, and Transport. This is mainly for free basic services, post-school education and training, social grants, crime prevention and investigations; and maintenance of the road transport network.

In summary, the 2022 Appropriation Bill is a reflection of cost pressures funded through a combination of reallocations, reprioritisation and additional funding. Priority was given to interventions associated with the impact of COVID-19 and to meet urgent service delivery needs. The largest allocations are -

* R44 billion in the 2022/23 financial year to extend the special COVID-19 Social Relief of Distress grant for 12 months;
* R7.8 billion (R32.6 billion over the MTEF) for financial support to current bursary holders and qualifying first year students under the National Student Financial Aid Scheme (NSFAS);
* R4.2 billion (R28 billion over the MTEF) for the local government equitable share;
* R9 billion (R24.4 billion over the MTEF) for provincial education departments, mainly to address the shortfall in compensation budgets;
* R7.4 billion (R15.6 billion over the MTEF) to provincial health departments to support their continued response to the COVID-19 pandemic, and to bridge shortfalls in essential goods and services; and
* R9 billion (and R9.4 billion in the 2023/24 financial year) for the Presidential Employment Intervention to create about 514 00 short term jobs in the 2022/23 financial year.

In the main, 71 percent of the total budget is allocated for transfers and subsidies, mainly social grants, conditional grants, transfers to public entities, university subsidies and NSFAS. The largest share of allocation (compensation of employees) goes to labour-intensive departments, such as within the Peace and Security Cluster. No provision is made for compensation increases above the carry-through implications of the 2021/22 public service wage agreement. The Bill outlines that departments are required to continue adhering to their compensation ceilings and if needed, they should reduce personnel numbers to sustainable levels. Payments for capital assets constitutes 1.5 percent of the total budget and are mainly for indirect grants (bulk of infrastructure funds allocated to provinces and municipalities mainly through conditional grants).

**3. Stakeholder submissions**

**3.1 Financial and Fiscal Commission** **(FFC)**

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.

**3.2 Parliamentary Budget Office (PBO)**

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 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 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.

**3.3 Congress of South African Trade Unions (COSATU)**

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 R350 Social Relief Distress (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.

**3.4 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 had 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 hampered 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 therefore 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 the National Student Financial Aid Scheme (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 Committees -

* 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), developed a cohesive policy that ensured that all learners had access to higher education.

**3**.**5 South African Institute of 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 the South African Police Services (SAPS) for employees, did not show any intent on behalf of the government to meet its commitment to the Financial Action Task Force (FATF) in addressing its shortcomings related to standards in 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 state-owned entities (SOEs) including South African Airways (SAA) and the 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 as to legal claims or itigation costs. The Auditor-General of South Africa (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.

**4. Findings and observations**

4.1 The Committee is concerned about whether proper governance systems are put in place by government departments to ensure the effective and efficient use of the R9 billion earmarked for the Presidential Employment Initiative Programme, given the history of under-expenditure on similar programmes and the fact that the Department of Health has returned R4 million to the fiscus unspent. The Committee is of the view that poor expenditure in such initiatives, which are meant to create jobs, is highly unacceptable as it disadvantages the neediest and most vulnerable, considering the high levels of poverty, unemployment and inequality in South Africa.

4.2 Whilst the Committee welcomes the R111.3 billion allocated to the Department of Cooperative Governance for the 2022/23 financial year, it remains concerned about the increasing number of municipalities facing financial distress and the slow progress in addressing the issue of provincial and national departments owing municipalities, as well as municipalities owing Eskom, and the impact on service delivery. The Committee is of the view that this issue is long overdue and requires urgent attention from both National Treasury, the Department of Cooperative Governance, Salga and other affected role players.

4.3 Whilst the Committee welcomes the R100.6 billion allocated for the South African Police Service (SAPS) for the 2022/23 financial year, it remains concerned about the state of construction and maintenance of (SAPS) infrastructure in some provinces, including delays in constructing new police stations. Moreover, the Committee is of the view that the R961 million earmarked for maintenance and construction of new police stations is inadequate, given that the amount also covers other things, such as shooting ranges and forensics laboratories. While noting the three new police stations to be built this current financial year in Limpopo, the Northern Cape and the North West, the Committee is concerned that the delays in completing infrastructure projects for SAPS and other government departments is caused largely by dependence on the Department of Public Works and Infrastructure as an implementing agent.

4.4 The Committee takes note of SAICA’s concern over the large portion of funding allocated for the VIP Protection Unit, compared to that of the National Prosecuting Authority (NPA); especially in light of the prosecutions expected to flow from the Zondo Commission. Moreover, in light of the need for an infrastructure-led recovery, the reduction in infrastructure funding is also concerning.

4.5 The Committee notes SAICA and the PBO’s concern around the contingent liabilities, which include guarantees to state-owned entities (SOEs), independent power producers, public-private partnerships and provisions for multilateral institutions, and amount to R1.17 trillion. Moreover, the Committee notes SAICA’s assertion that the contingency reserve should only cater for unforeseen and unexpected circumstances, such as the recent floods in KwaZulu-Natal and the Eastern Cape.

4.6 The Committee notes the PBO’s concern that the sustainability indicators and the high unauthorised expenditure painted a picture of government departments unable to operate within their budgets, resulting in deficits, cash shortfalls and bank overdrafts.

4.7 The Committee notes the overall cost of the damage caused by floods in KwaZulu-Natal and the Eastern Cape, which amounts to R25 billion to both public and private infrastructure; but further notes with concern the delay in transferring the R1 billion available for immediate relief, which is made up of various conditional grants and was promised by government given the extent of the damage to roads, bridges and other critical infrastructure. The Committee is concerned about the seeming lack of urgency demonstrated by some of the national transferring officers who have not yet submitted any request to National Treasury for such funds to be released to assist the affected provinces.

4.8 Whilst the Committee welcomes the allocation of almost R7 billion earmarked for the Comprehensive Agricultural Support Programme (CASP) for the 2022 MTEF to assist emerging and subsistence farmers with inputs for production, it is concerned over the unpredictable sharp increases in fuel and fertiliser prices and the effect this will have on food security and job creation in the country.

4.9 The Committee welcomes the extension of the Social Relief of Distress (SRD) Grant, and the amended criteria for beneficiaries, which include beneficiaries re- registering for the Grant, testing of income against bank statements and the proposal that the Department of Social Development should take into consideration the income of applicants’ spouses.

4.10 Whilst welcoming the R2.7 billion earmarked for the Department of Communications and Digital Technologies, the Committee is concerned over the issue of connectivity in rural areas, which remains a big challenge, with school learners being negatively affected by this situation. Therefore, it is the Committee’s view that more funds need to be injected to address this, given that education is one of the government priorities.

4.11 The Committee notes that the planning and budgeting for building of new school infrastructure is a provincial function; but remains concerned that the construction of new schools and the improving of education infrastructure is seemingly not keeping up with the country’s population growth.

4.12 The Committee agrees with Equal Education that, whilst financial assistance is needed for the many individuals who qualify for tertiary education without having the means to pursue further studies, such assistance should not be provided at the expense of basic education. It is for this reason that the Committee remains concerned that the budget allocated to Basic Education constitutes only one third of that of Higher Education and Training; while only 7 percent of South Africans have a tertiary education. The Committee believes that investing in education at an early stage will have a much better impact over the longer term.

4.13 The Committee agrees with Equal Education on the need for improved oversight in education, and the concern over the reported R2.7 billion being irregularly spent through the Accelerated School Infrastructure Delivery Initiative (ASIDI) in recent years, as well as the fact that 30 percent of ASIDI funds have not even been spent; while children are going to school in deplorable conditions.

4.14 Whilst the Committee welcomes the R8.5 billion allocation earmarked for the National School Nutrition Programme (NSNP) to provide meals to approximately 9 million school children, it remains concerned over the capacity challenges in some provinces to implement this programme effectively to achieve value for money. The Committee further notes that the NSNP allocation is reportedly not in keeping with the increasing food prices. The Committee is of the view that this is one of government’s most crucial initiatives to fight hunger and poverty and therefore decisive intervention to address hindrances is required urgently.

4.15 The Committee notes COSATU’s proposal that the Post Office needs a new operating model, such as becoming multi-purpose government services access points in small towns and rural areas and giving support to people who want to establish SMMEs; as well as the fact that there is an amendment Bill on the way to Parliament that will begin to address the repurposing of this critical institution, while ensuring that workers do not lose their jobs in the process.

4.16 The Committee agrees with COSATU’s proposal that the fuel price regime needs to be overhauled.

4.17 The Committee reiterates its previous finding on the failure of government departments to pay invoices within 30 days for work done by service providers or consultants. The Committee remains concerned about this as it is in contravention of the Public Finance Management Act of 1999 and Treasury regulations.

4.18 The Committee notes that the Department of Health, together with the Mpumalanga Provincial Department of Health, are investigating allegations that patients are required to collect their medication from a pharmacy situated next to the mortuary at KwaMhlanga Hospital in Mpumalanga, and will await the report once the investigation is completed.

4.19 The Committee notes the comments of the FFC that its observations on the rising debt burden have not been sufficiently addressed.  This shows little difference from the position of the late former Chairperson of the FFC who also lamented National Treasury’s responses to FFC observations and recommendations.

4.20 The Committee notes that National Treasury has abandoned the zero-based budgeting programme, citing the complexity and intensity of the programme.

**5. Recommendations**

5.1 The Presidency should table its monitoring report to Parliament on a quarterly basis detailing the performance and expenditure of the Presidential Employment Initiative Programme. This will assist Parliament to conduct oversight and closely monitor the implementation of the Programme and ensure that corrective actions are taken timeously to ensure value for money.

5.2 The Cabinet, together with National Treasury and provincial treasuries, should put a process in place, through appropriate intergovernmental relations channels, to resolve the issue of national and provincial departments that owe municipalities; notwithstanding the fact that accounting officers are responsible for cash management and following Treasury regulations to pay creditors within 30 days. A progress report should be tabled in Parliament by National Treasury in the next budget cycle.

5.3 The South African Police Service (SAPS) should put proper systems in place to ensure that the allocated budget of R100.6 billion for the 2022/23 financial year is spent effectively and value for money is achieved. Moreover, SAPS should expedite the process of constructing the three new police stations in Limpopo, the North West and the Northern Cape in the current financial year. Furthermore, the Committee urges SAPS and the Department of Public Works and Infrastructure to address any issues related to unnecessary delays, project management and lack of expenditure and performance. Most importantly, National Treasury should continue to engage with the two departments to ensure smooth implementation of infrastructure projects and improved expenditure patterns. Parliament will continue to monitor progress in this regard.

5.4 The transferring officers of the Departments of Human Settlements and Cooperative Governance should expedite the process of requesting funding from the Provincial and Municipal Housing Emergency Grants and the Provincial and Municipal Disaster Response Grants, respectively; to be released by National Treasury to deal with the effect of the floods in KwaZulu-Natal and the Eastern Cape. Moreover, National Treasury should assist in expediting the process to ensure that the R1 billion available through these grants is released to assist the affected communities. Parliament and the KwaZulu-Natal and Eastern Cape Provincial Legislatures should continue to monitor progress in this regard.

5.5 The Competition Commission should expedite its research work related to uncompetitive behaviour among the producers of agricultural inputs. This exercise can assist government in bringing stability to the prices of fertiliser and fuel. But most importantly, it will help to ensure that there is value for money for the R7 billion allocated for the Comprehensive Agricultural Support Programme (CASP) over the 2022/23 MTEF.

5.6 The Committee is of the view that maladministration, dysfunctionality and failure to spend allocated funds effectively, should not be allowed to continue at the National Student Financial Aid Scheme (NSFAS), and that National Treasury and the Department of Higher Education and Training should monitor the situation closely and intervene where necessary to ensure that students from the poor working class are not disadvantaged by administrative inefficiencies. Parliament will continue to monitor progress in this regard.

5.7 Whilst the Committee welcomes and appreciates the submissions made by civil society organisations, it would like to encourage SAICA, COSATU, Equal Education and any other organisations to continue reaching out to various levels of government, including Parliamentary sector committees, to ensure that there is follow-up on specific sector policy issues.

5.8 The Department of Basic Education should ensure that proper financial management systems and plans are put in place for the R8.5 billion earmarked for the National School Nutrition Programme (NSNP) to ensure efficient spending. This should eliminate any poor expenditure and poor quality of nutrition being provided to learners. Moreover, the Department should also monitor closely how food is being provided to learners and whether value for money is achieved in that regard.

5.9 The Department of Health and the Mpumalanga Provincial Health Department should expedite the investigation into the complaints that patients at KwaMhlanga Hospital are required to collect medications from a pharmacy right next to the mortuary. Once the investigation is completed, the report should be shared with the Committee. Parliament and the Mpumalanga Provincial Legislature should continue to monitor the progress made in this regard.

5.10 Whilst welcoming the R2.7 billion earmarked for the Department of Communications and Digital Technologies, the Committee believes that this allocation is inadequate given that connectivity in rural areas remains a big problem, affecting schools and other important public institutions, including the functioning of rural businesses and communities.

5.11 The Department of Cooperative Governance should ensure that proper financial management systems are put in place for the R111.6 billion earmarked for this Vote. The Department should ensure that the challenges facing municipalities, particularly those in financial distress, are addressed. The Department should further ensure that the issues around national and provincial government departments owing municipalities are addressed through the relevant channels, as well as the issue of municipalities owing Eskom. Parliament will continue to monitor and raise questions on this matter if it remains unresolved.

5.12 The National Treasury, together with the Departments of Higher Education and Training and Basic Education, should present the proposed new model for education funding to the Committee in a joint presentation with sufficient opportunity for engagement.

**6. Committee decision**

The Select Committee on Appropriations, having considered the ***Appropriation Bill* [B7 – 2022],** referred to it for concurrence, and classified by the Joint Tagging Mechanism as a Section 77 Bill, reports that it has agreed to the Bill without any proposed amendments.

The Democratic Alliance (DA) and the Economic Freedom Fighters (EFF) objected to the Report.

Report to be considered.