**REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE APPROPRIATION BILL [B3 – 2023] (NATIONAL ASSEMBLY – SECTION 77), DATED 6 JUNE 2023**

Having considered the Appropriation Bill [B3 – 2023], 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 Section 213(2) of the Constitution of the Republic of South Africa, provides that money may be withdrawn from the National Revenue Fund only in terms of an appropriation by an Act of Parliament.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from the National Revenue Fund for the requirements of the State and to prescribe conditions for the spending of funds withdrawn.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 Committee 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 2023/24 financial year was tabled on 22 February 2023 by the Minister of Finance. The Bill was referred to the Committee for consideration and report on 8 March 2023. National Treasury briefed the Committee on the Bill on 18 April 2023. 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 Basic Education, Department of Communications and Digital Technologies, Department of Water and Sanitation, Department of Health, Department of Public Works and Infrastructure, and the Department of Transport 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. Through the Office of the Speaker of the National Assembly, the Committee received recommendations arising from the report of the Portfolio Committee on Tourism, on Budget Vote 38 (Tourism) in terms of sections 10(5) and 10(6) of the Act. These recommendations were referred to the Committee on 31 May 2023.

Section 10(8) (a) and (b) of the Act also requires the Committee 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 12 to 19 May 2023 inviting them to provide their inputs/comments on the Bill. Furthermore, the advertisement was published on Parliament’s website and social media platforms. In response to the Committee’s advertisements, four submissions were received from Youth Capital, Congress of South African Trade Unions, Public Service Accountability Monitor, and Equal Education. The Committee held public hearings on the Bill on 26 May 2023 via the Zoom virtual meeting platform.

1. **Overview of the 2023 Budget proposals**

The 2023 budget reiterates government’s priorities as set out in the 2022 Medium Term Budget Policy Statement (MTBPS). The 2023 Budget continues to maintain the fiscal consolidation strategy of reducing the budget deficit and stabilizing government debt as percentage of GDP; supporting economic growth by maintaining a prudent fiscal stance while directing resources towards infrastructure investments, strengthening the criminal justice system to fight crime and corruption; and reducing the fiscal and economic risks, including through the Eskom debt-relief arrangement. Government has committed to achieve these objectives without resorting to tax rate increases that could harm economic growth. In pursuant of higher economic growth, the 2023 budget remains anchored on the objectives of ensuring a stable macroeconomic framework to create a conducive environment for savings, investment and growth; the implementation of growth-enhancing reforms in key sectors, particularly in energy, transport and logistics; and strengthening the capacity of the State to deliver quality public services, investment in infrastructure and fighting crime and corruption. The 2023 budget proposes adjustment to government spending plans and these adjustments affect the expenditure ceiling as follows:

* Relative to the 2022 budget, the main budget non-interest spending increases by a net R128.4 billion over the MTEF period, supported by higher than anticipated revenue collection.
* Consolidated government expenditure increases from R2.17 trillion in 2022/23 to R2.48 trillion in 2025/26, increasing at an annual average rate of 4.5 per cent over the same period, with 51 per cent or R3.6 trillion allocated towards the social wage. The social wage allocations consist of spending allocations for health, education, housing, social protection, transport, employment and local amenities.
* In addition, the 2023 budget allocates additional funding totalling R227 billion over the MTEF period (R91 billion in 2023/24, R61.3 billion 2024/25 and R74.7 billion in 2025/26). Over the MTEF period, this additional allocation consists of:
* A proposed total of R45.6 billion to fund the carry-through cost of the 2022/23 public-service wage increase.
* A proposed total of R42.8 billion in infrastructure related spending.
* A proposed total of R14.4 billion for the security cluster to fund the hiring of 5 000 additional police trainees per year, the State Capture Commission and Financial Action Task Force, the boarder Management Authority and the Mozambique deployment, prime mission equipment and SA navy defence system.
* A proposed total of R1.7 billion towards economic growth and employment (South African Revenue Services and the South African Weather Services.
* A proposed total of R53.9 billion in service delivery related expenditure (Basic Education Sector, and Health, including the local government equitable share to fund free basic services).
* A proposed total of R840 million in 2023/24 for the Department of Home Affairs Digitisation project.
* A proposed total of R36.1 billion in 2023/24 for the Covid-19 Social Relief of Distress Grant (DRDG).
* A proposed total of R29.6 billion for social grants increases.
* A proposed total of R2.1billion for other spending priorities.

1. **Overview of the 2023 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 Bill proposes a total appropriation by vote of R1.1 trillion in 2023/24 financial year (or R3.3 trillion over the next three years). Total direct charges against the National Revenue Fund (NRF) amounts to R950.6 billion in 2023/24 financial year (or R3 trillion of the MTEF period). Direct charges against the National Revenue Fund includes amongst others; Members of Parliament’s remuneration, Provincial Equitable Share (PES), debt-services costs, general fuel levy sharing with metropolitan municipalities, and skills levy and sector education and training authorities. Including direct transfers to provinces and local government, direct charges and total vote appropriation, (Appropriation Bill), provisional allocations not assigned to votes and the contingency reserve, total Estimates of National Expenditure amounts to R2.035 trillion for the 2023/24 financial year (see Table 1 below).

**Table 1:** Expenditure by national vote: 2023/24

|  |  |
| --- | --- |
| **R million** | **2023/24** |
| Total appropriation by vote (Appropriation Bill) | 1,077,437.8 |
| Total direct charges against the National Revenue Fund | 950,637.6 |
| Provisional allocation not assigned to votes | 1,504.7 |
| Contingency reserve | 5,000.0 |
| **Total National Expenditure Estimates** | **2,034,580.1** |

*Source: National Treasury (2023 Estimates of National Expenditure*

**Table 2:** Appropriated funds per vote - 2023 Appropriation Bill

|  |  |  |
| --- | --- | --- |
| **Vote** | **Department (s)** | **Main Division** |
|  | | **R'000** |
| **1** | The Presidency | 617,192 |
| **2** | Parliament | 3,423,486 |
| **3** | Cooperative Governance | 121,698,251 |
| **4** | Government Communication and Information System | 750,746 |
| **5** | Home Affairs | 10,863,343 |
| **6** | International Relations and Cooperation | 6,694,073 |
| **7** | National School of Government | 229,018 |
| **8** | National Treasury | 34,889,373 |
| **9** | Planning, Monitoring and Evaluation | 475,848 |
| **10** | Public Enterprises | 302,912 |
| **11** | Public Service and Administration | 553,460 |
| **12** | Public Service Commission | 292,119 |
| **13** | Public Works and Infrastructure | 8,782,105 |
| **14** | Statistics South Africa | 2,691,746 |
| **15** | Traditional Affairs | 193,121 |
| **16** | Basic Education | 31,782,713 |
| **17** | Higher Education and Training | 110,781,585 |
| **18** | Health | 60,111,434 |
| **19** | Social Development | 263,029,199 |
| **20** | Women, Youth and Persons with Disabilities | 1,036,444 |
| **21** | Civilian Secretariat for the Police | 154,152 |
| **22** | Correctional Services | 26,026,672 |
| **23** | Defence | 51,124,429 |
| **24** | Independent Police Investigative Directorate | 364,386 |
| **25** | Justice and Constitutional Development | 20,793,904 |
| **26** | Military Veterans | 894,704 |
| **27** | Office of the Chief Justice | 1,304,530 |
| **28** | Police | 102,137,656 |
| **29** | Agriculture, Land Reform and Rural Development | 17,254,348 |
| **30** | Communications and Digital Technologies | 3,512,185 |
| **31** | Employment and Labour | 4,092,225 |
| **32** | Forestry, Fisheries and Environment | 9,873,566 |
| **33** | Human Settlements | 34,942,401 |
| **34** | Mineral Resources and Energy | 10,701,218 |
| **35** | Science and Innovation | 10,874,221 |
| **36** | Small Business Development | 2,574,779 |
| **37** | Sport, Arts and Culture | 6,357,683 |
| **38** | Tourism | 2,524,244 |
| **39** | Trade, Industry and Competition | 10,922,547 |
| **40** | Transport | 79,552,447 |
| **41** | Water and Sanitation | 22,257,306 |
|  | **Total** | **1,077,437,771** |

*Source: National Treasury (2023 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, 73.6 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 24.3 per cent, 1.6 per cent, and 0.2 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-2023 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 | 1 077 437 771 | 178 781 881 | 82 388 900 | 233 485 | 793 318 501 | 17 374 398 | 1 917 120 |

*Source: National Treasury (2023 Appropriation Bill)*

1. **Comments and hearings on 2023 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 make 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). Additionally, National Treasury presented an overview of the 2023 Appropriation Bill relative to the 2022 budget estimates. Finally, National Treasury briefed the Committee on the preliminary expenditure outcomes for national departments as at the end of the 2022/23 financial year.

* 1. **Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) noted that the largest appropriation at the national sphere was for the Social Development Vote, which would receive R263 billion in 2023/24 (growth of 8.8 percent). This was mainly driven by the extension of the Social Relief of Distress (SRD) Grant and adjustments to the value of social security grants. The FFC indicated that there was still no clarity on sustainable and permanent support for unemployed individuals between the ages of 18 and 59, creating uncertainty for beneficiaries. The FFC continued that while the value of other social security grants had been adjusted, the value of SRD Grant remained unchanged since inception.

The FFC noted that the allocation to the Cooperative Governance Vote was projected to increase by 11 percent in 2023/24. The additional funding, that was directed at the Local Government Equitable Share (LGES), was welcomed as it served to protect the funding for basic services that is an integral part of the social wage package.

The FFC submitted that the Higher Education and Training Vote was projected to grow by 1.1 percent in 2023/24. However, an assessment of national spending by economic classification showed that transfers and subsidies to higher education institutions (HEIs) will decline by 3.7 percent in 2023/24. This decline affects current and capital transfers to HEIs. The FFC further submitted that, while a drive towards support for the development of a new, sustainable funding framework for fee-free higher education was carried through from the 2022 Budget to the 2022 Medium Term Budget Policy Statement (MTBPS) and the 2023 State of the Nation Address (SONA), the 2023 Budget was silent on this.

The FFC indicated that the Health Vote was projected to decline from R62.1 billion in 2022/23 to R60.1 billion in 2023/24. This included a reduction in the health allocation contained in the social wage package, implying that free healthcare will be affected. The FFC advised Parliament to request an explanation of how this reduction would impact the poor who rely on the public healthcare system.

The FFC further noted that the Transport Vote would dominate in respect of infrastructure spending over the next three years (R47.2 billion in 2023/24, R51.5 billion in 2024/25 and R56 billion in 2025/26), with the focus on the rehabilitation of provincial roads and reducing the rehabilitation backlog on national roads. However, notwithstanding increased infrastructure spending, the budget allocated to Transport declines from R94.9 billion in 2022/23 to R79.6 billion in 2023/24. The reductions are to the Aviation Oversight sub-programme (responsible for monitoring the performance of the Airports Company of SA, the Air Traffic and Navigation Services Company and the SA Civil Aviation Authority) and the Rural and Scholar Transport sub-programme. As these programmes are critical in ensuring safety in the sector, the FFC recommended that cuts should be focussed on non-essential spending items. In light of the high levels of crime in South Africa, the FFC welcomed the additional resources and recruitment drive being implemented under the Police Vote.

The FFC indicated that it was cognisant of government’s efforts to balance the protection of the social wage package with growth-inducing allocations to public infrastructure investment and additions to fight crime and corruption. However, it recommended that, in performing its oversight, Parliament should enquire how strategic departments will absorb reductions in their budgets and how the reductions are likely to affect service delivery; with particular focus on Health, Transport and Higher Education and Training. The departments with reduced allocations should, as far as possible, ensure that reductions are applied to non-essential spending items. The FFC further recommended that timelines needed to be devised for the finalisation of a new funding framework for the Higher Education sector.

* 1. **Parliamentary Budget Office**

The Parliamentary Budget Office (PBO) identified compensation of employees (COE) and contingent liabilities as possible risks to the 2023 appropriations. The PBO expressed concern over unfunded COE budgets in national departments. It indicated that both the departments of Correctional Services and Defence showed an increase in personnel numbers but a decrease in expenditure between 2022/23 and 2023/24. Furthermore, Police showed an increase of 5 000 police trainees, but a reduction in the expenditure.

The PBO indicated that contingent liabilities were set to decline from R1.07 trillion (16.1 percent of GDP) in 2022/23 to R904.1 billion (11.4 percent of GDP) in 2025/26, mainly due to the debt relief to Eskom, it was however concerned that many state-owned entities (SOEs) remained unable to adequately fund their operations and debt obligations and were even less able to optimally invest in infrastructure. Furthermore, independent power producers presented a low risk to public finances and exposure was expected to decrease from R187.1 in 2022/23 to R134 billion in 2025/26. Contingent liability exposure from public-private partnerships arose mainly from the early termination of contracts and was expected to decline from R7.1 billion in 2022/23 to R2.9 billion in 2025/26. The Road Accident Fund guarantee was set to increase to R371.7 billion by 2025/26 from R99.2 billion in 2015/16.

The PBO submitted that it was critical for government to monitor and update contingent liabilities. Furthermore, it was important to improve the management of SOEs to profitability and self-sufficiency as listed under Schedule 2 of the Public Finance Management Act (1999) and Presidential interventions.

1. **Departmental submissions**

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

* 1. **Department of Basic Education**

The Department of Basic Education (DBE) provided highlights on its intended spending plans for the total allocation of R31.782 billion for the 2023/24 financial year. DBE reported that R538.829 million would be spent on Administration; R3.526 billion on Curriculum Policy; R1.507 billion on Teachers, Education Human Resources and Institutional Development; R16.615 billion on Planning, Information and Assessment and R9.594 billion would be allocated to Educational Enrichment Services.

Regarding infrastructure, DBE reported that an updated the School Register of Needs has been compiled. This register contained details on the geographical location of each school in the country and its conditions. Using the data contained in this register, DBE reported that it would be able to do maintenance and refurbishment of the infrastructure through its Accelerated School Infrastructure Delivery Initiative (ASIDI).

DBE reported that according to the Schools Register of Needs (SRN) in 2006, there was a total of 8 823 schools without water supply. A total 1 306 water supply projects through ASIDI programme were underway, from which 1 292 have been completed. The remaining 14 schools were scheduled for completion during the 2023/24 financial year. Regarding the electrification of schools, DBE reported that 15 263 schools do not have electricity, however, 372 ASIDI electricity supply projects have been completed. With regard to schools with no toilets, DBE reported that there were 3 255 schools without proper toilets and that 1 085 sanitation projects from a total of 1 087 have been completed through the ASIDI programme while the remaining 2 sanitation projects were planned to be completed in the 2023/24 financial year. DBE also reported that the SRN 2006 recorded 9 600 schools were dependent on basic pit toilets. The SAFE programme started with 3 898 schools and from the 3 390 schools currently on the programme, 2663 have been completed. The remaining 727 sanitation projects were scheduled for completion in 2023/24.

Regarding the preliminary spending outcomes for the 2022/23 financial year, DBE reported that is has spent R29.270 billion or 98.6 per cent of the total adjusted appropriation of R29.693 billion. This translated into a R422.349 million or 1.4 per cent under spending as at the end of the financial year.

* 1. **Department of Communications and Digital Technologies**

The Department of Communications and Digital Technologies (DCDT) provided an overview of the spending plans for the proposed budget allocation of R3.512 billion for the 2023/24 financial year. DCDT reported that it will utilize R302.042 million towards Compensation of Employees; R1.545 billion for Goods and Services; R1.653 towards Transfers and Subsidies; and R10.882 million will be allocated towards for Payment of Capital Assets. DCDT reported how each of its programmes will be supported through the specific budget allocations. It highlighted that, among projected key spending areas of focus, attention will be paid on the achieving 100 per cent on the South Africa Connect Phase 2, implementation of the Broadband Access Fund, and the Digitization Programme. DCDT gave an overview of possible impact of the budget allocation on service delivery and emphasized that it will not be able to successfully implement the recommendations of the Presidential Commission for the Fourth Industrial Revolution (4IR), among others. Furthermore, the Department reported that the budget cut will not enable it to bridge the digital divide.

Regarding the preliminary spending outcomes, DCDT reported that as at the end of the 2022/23 financial year, an adjusted budget of R5.327 billion was allocated from which a total of R5.218 billion was spent. This resulted in an under expenditure of R108.920 million at the end of 2022/23. DCDT reported that it has introduced Budget Advisory Committee to monitor spending to avoid recurrent underspending.

* 1. **Department of Water and Sanitation**

The Department of Water and Sanitation (DWS) appraised the Committee on its spending plans for the R22.257 billion proposed budget allocation for the 2023/24 financial year. DWS reported that over the MTEF, it has been allocated an amount of R72.322 billion i.e., R22.257 billion, R24.180 billion and R25.885 billion in 2023/24, 2024/25 and 2025/26 respectively. DWS reported that, included in the budget allocation over the MTEF are strategic projects funded from the Budget Facility for Infrastructure in various provinces as follows:

* R692 million in 2023/24, R673 million 2024/25 and R557 million in 2025/26 to Magalies water to implement the Moretele North Klipvoor Bulk Water supply scheme;
* R608 million in each year of the 2023 MTEF to Magalies water to implement Phase 2: Pilanesberg Bulk Water Supply Scheme;
* R150 million in 2023/24, R600 million in 2024/25 and R3.6 billion in 2025/26 to the Water Trading Entity to implement the uMkhomazi Water Project - Raw Water Component (uMWP-1);
* R305 million in 2023/24, R593 million in 2024/25 and R481 million in 2025/26 to Drakenstein Local Municipality Sanitation to implement the Sanitation Infrastructure Project;
* R348 million in 2023/24, R250 million in 2024/25 and R390 million in 2025/26 to Nelson Mandela Bay Metropolitan Municipality to implement the Water Security Programme; and
* R86 million in 2023/24, R492 million in 2024/25 and R574 million in 2025/26 to Sol Plaaitje Local Municipality to implement the Integrated Bulk Supply System Intervention.

Regarding the impact of budget reductions on service delivery, DWS reported that there will be variances in certain budget items however, it will endeavor to do its best to operate within the confines of the allocated budget. DWS reported that the total Compensation of Employees' budget has been reduced from R1.836 billion to R1.790 billion. The total budget reduction of R46.273 million has affected the department as a whole. Furthermore, the Minister of Water and Sanitation approved the new organogram on 26 September 2022 and DWS is in the process of implementing the structure and this will include the absorption of employees into the PERSAL system. Once the absorption process has been completed, DWS reported that there will be approximately 3000 vacancies on the structure (out of a total of 9485 posts on the new structure).

In terms of preliminary spending outcomes, DWS reported that it had spent a total of R17.693 billion or 95.4 per cent of its adjusted appropriation of R18.555 billion as at the end of 2022/23 financial year. This resulted in a R862 million or 5.4 per cent under expenditure in the previous financial year.

* 1. **Department of Health**

The Department of Health (DoH) provided an overview on how it planned to utilize the budget allocation of R60.1111 billion during the 2023/24 financial year. DoH reported that the vote baseline has decreased as there was no allocation for Covid-19 Vaccination Programme in 2023/24. Furthermore, there was a reduction in District Health Programme’s Conditional Grant: District Health Component. DoH highlighted that the reduced budget would have a negative bearing on service delivery. Programmes that will be impacted are: Affordable Medicine Programme which experienced a decline of 37 percent; Communicable Disease Programme with a 70 percent decline; District Health Service Sub-Programme with 13.1 percent decline; Environmental and Port Health Services Programme at a 42 percent decline.

DoH reported that it had 288 vacancies and that the filling of these posts would require R207.058 million. It gave an update on the progress regarding the filling of vacancies and indicated that its COE allocation for 2023/24 was R685.135 million. DoH reported that the projected shortfall required to fill all vacant positions was R184.335 million and that this situation was exacerbated by the implementation of the PSCBC COLA 2023/24 resolution. DoH emphasized that for the department to deliver on its mandate, it was necessary for functions to be aligned to ensure that some posts are rationalized. DoH further reported that it had ringfenced R1.5 million for the appointment of the newly graduated interns as part of job creation.

Regarding the preliminary spending outcomes, DoH reported that from a total allocation of R64.555 billion, an amount of R62.876 billion or 97.4 per cent was spent as at the end of the 2022/23 financial year. This resulted in a variance of R1.679 billion or 2.6 per cent.

**4.4 Department of Public Works and Infrastructure**

The Department of Public Works and Infrastructure (DPWI) appraised the Committee on overall possible service delivery implications of the proposed allocation of R8.782 billion during the 2023/24 financial year. DPWI’s budget is expected increase at an annual rate of about 5.5 per cent over the MTEF to R9.569 billion in 2025/26. About 85.6 per cent of the DPWI’s total budget over the MTEF will go towards transfers and subsidies for the operations of entities, conditional grants to provinces and municipalities and to implement the Expanded Public Works Programme (EPWP). DPWI submitted that it will continue to focus on creating work opportunities and to facilitate the development of skills in the construction and built environment sectors.

DPWI reported that the EPWP has a total budget of R9.7 billion over the MTEF, increasing at an average annual rate of 3.6 per cent. Of this amount, R610.6 million was allocated over the medium term towards Compensation of Employees in the programme, and R605.8 million for goods and services. Furthermore, R17.1 billion will be allocated over the medium term towards infrastructure projects for 24 departments, including correctional centres, police stations, courts and office buildings. As part of this, an amount of R19 million over the MTEF will be spent on projects to retrofit buildings to allow access for people with disabilities. DPWI further reported that R41.3 billion was allocated over the MTEF towards property management functions, which include repairs and maintenance of state-owned buildings, payment of municipal services as well as payments for private leases. Of this, R4.6 billion was allocated for ad hoc building maintenance. It was further reported that R8.1 billion was allocated towards the operational expenses of the entity, i.e., compensation of employees, goods and service, machinery and equipment. As part of this, R415 million was allocated towards ICT projects which included the digitalisation and modernisation of projects.

DPWI reported that it had a total of 674 or 12 per cent vacancy rate from a total of 5857 positions. This vacancy rate was mainly due to a moratorium that has been imposed in order to brief the Minister and Deputy Minister on current programmes including the organizational structures, capacitation and other critical areas which required Executive intervention.

Regarding the preliminary spending outcomes for the 2022/23 financial year, the DPWI reported that it has spent R7.910 billion or 97 per cent of the total adjusted appropriation of R8.152 billion. This translated into a R242.562 million or 3 per cent under spending as at the end of the financial year.

* 1. **Department of Transport**

The Department of Transport (DoT) appraised the Committee on overall possible service delivery implications of the proposed allocation of the R79.565 billion for the 2023/23 financial year. DoT submitted that over the medium term, it aimed to streamline efforts towards improving mobility and access to social and economic activities. Transfers and subsidies accounted for an estimated 98 per cent of DoT’s expenditure over the next 3 years, increasing at an average annual rate of 9.7 per cent as follows:

* R155 billion will be directed towards transport public entities and agencies to carry out their mandated functions, and
* R98.5 billion will be transferred to other spheres of government with concurrent transport functions through the Provincial Roads Maintenance grant, the Public Transport Operations grant, the Public Transport Network grant and the Rural Roads Asset Management Systems grant.

DoT reported that the road maintenance component of the Provincial Roads Maintenance grant provided funds to maintain the provincial road network and prolong its life span. For this purpose, R52 billion was allocated over the medium term through the Road Transport programme. The grant prioritised different elements of road asset preservation strategies including maintenance and rehabilitation. The refurbishment and rural bridges components of the grant provided for road refurbishment efforts and the construction of 96 rural bridges, for which R10.9 billion was earmarked. These bridges were planned to be constructed through the Welisizwe Rural Bridges Programme, through the partnership between Department of Public Works and Infrastructure and the South African National Defence Force. DoT further submitted that provinces were expected to use funds from the grant to rehabilitate 9 893 lane kilometers, reseal 13 122 lane kilometers, regravel 19 355 kilometers and blacktop‐patch 6.5 million square kilometers. Furthermore, DoT reported that it shall accelerate Operation Vala Zonke, through using the South African National Roads Agency Limited (SANRAL) as its implementing agency and address the challenges of fixing potholes and resurfacing of roads where necessary in alignment with the S’hamba Sonke Programme. This will be done through partnerships with the various Road Authorities.

Regarding the national road, DOT reported that allocations to SANRAL were made through the Road Oversight subprogramme, which was responsible for transferring an estimated R89 billion over the MTEF period. SANRAL planned to use R56.5 billion of its departmental transfer to maintain the national non-toll network, R3.9 billion for the N2 Wild Coast project, R2.9 billion for the R573 (Moloto Road) development corridor and R2.2 billion for the Gauteng freeway improvement project. DoT further reported that SANRAL received a special allocation of R23.7 billion in 2022/23, a partial solution to the Gauteng freeway improvement project not generating enough toll revenue, to service the debt raised for its construction. This allocation was expected to provide SANRAL with significant cash to service several large debt redemptions and related maintenance in 2023/24.

Regarding the preliminary spending outcomes, DoT’s expenditure as at the end of the 2022/23 financial year was R94.5 billion against a budget of R96.1 billion. This resulted in a lower than anticipated spending by R591 million or 0.6 per cent.

1. **Public submissions on the 2023 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 Youth Capital**

Youth Capital’s submission focussed on the high levels of unemployment among the youth and it identified the low Gross Domestic Product (GDP) and the sluggish economic growth as the main causes for this unemployment. According to the organisation, the youth should be actively involved in growing the economy, however this was not happening. It made reference to the findings of a recent survey it conducted from which one of the findings was the difficult choice the youth had to make between buying food and looking for job, thus, indicating the state of desperation by the youth. Youth Capital continued to say that the youth stood a lower chance of absorption into the workforce and therefore, remained outside the employment environment. In order to address the problem of unemployment and youth unemployment, Youth Capital recommended the following:

1. Mobilizing vision and plan for the economy

* Government should introduce a new macroeconomic policy framework with a binding growth of 6 percent of the GDP for National Treasury and the South African Reserve Bank. This will help in achieving the NDP target of 5.4 percent annually.
* There should be investment in people and infrastructure to grow the economy.

1. Continuation of large-scale public employment programmes with long-term view to provide a job guarantee

* Public employment programmes should be extended to help the GDP in mitigating the unemployment challenge.
* Learning from the success of the Presidential Employment Stimulus especially in the employment of teacher assistants in the Department of Basic Education.

1. Industrial Policies

* New and stronger industrial policies must be introduced to create good environment for job creation and to increase industrial financing.
* Government needs to increase the annual industrial financing budget to 2.5 percent of the GDP with 1 percent directed towards the SMMEs.

1. Infrastructure investment

* Government should recommit to the NDP target on the investment-to-GDP ratio of 30 percent of the GDP. The public sector must increase its investment to between 10 percent and 15 percent of the GDP within the next five years.
* National Treasury should assist to get a roadmap on how the NDP target for public investment will be achieved.

**5.2 Congress of South African Trade Unions**

The Congress of South African Trade Unions (COSATU) indicated that it had hoped for a bold Bill that would protect workers from inflation, rebuild the state, decisively tackle corruption, provide relief to the unemployed and put measures in place to stimulate the economy. However, while acknowledging that there were positive interventions in the Bill at a macro level, it submitted that overall, the Bill failed to address the biggest challenge of economic stagnation.

COSATU welcomed the additional allocation of R37 billion to key frontline service departments, state-owned-entities (SOEs) and social security. However, COSATU expressed concern over continual under-spending by national departments in a climate of scarce resources. It further welcomed the funding increase of 6.1 percent to the National Student Financial Aid Scheme (NSFAS); the 7.7 percent increase in funding for Agriculture and Land Reform; and the 11.4 percent increase in funding for roads.  However, COSATU found the following below-inflation increases, amounting to cuts in real terms, deeply offensive:

* Basic Education (3.1 percent);
* Health (2.7 percent);
* Industrial Financing and Exports (2.4 percent);
* South African Police Service (SAPS) (3.7 percent);
* Courts and Correctional Services (2.9 percent); and
* Home Affairs (-0.8 percent).

COSATU was of the view that the austerity approach to key public services was reckless and would further weaken the capacity of the state to provide quality public services, upon which society and the economy depended. COSATU further submitted that additional funding to fill critical vacancies at the National Prosecuting Authority (NPA) and the South African Revenue Service (SARS) would boost the fight against corruption and tax evasion.

**5.3 Public Service Accountability Monitor**

The Public Service Accountability Monitor (PSAM) submitted that nearly three decades into South Africa’s democratic era, much had been achieved in alignment with one of the most progressive Bill of Rights in the world. However, many people, in particular blacks, remained without adequate housing or sanitation and access to quality healthcare or education. In addition to weak governance and public administration, the misuse of public funds constituted a serious threat to the progressive realisation of human rights and optimal service delivery. Fighting corruption and enhancing governance and accountability should therefore be at the core to realising sustainable and inclusive development and building a capable and developmental state. PSAM indicated that, while they were encouraged by the increased resource allocations to institutions established to prevent and eradicate corruption, provide oversight over procurement, manage the country's finances and support constitutional development, significant funding challenges remained.

PSAM reported that several challenges existed within the Department of Justice and Constitutional Development, where several crime and corruption fighting entities were located. These included poor internal controls, slow recruitment leading to persistent vacancies, and poor contract and supply chain management, leading to delays in the procurement of goods and services and under-spending. PSAM noted that increased allocations to the National Prosecuting Authority (NPA) had enabled it to fill vacancies and take important steps to rebuild capacity. However, NPA’s performance had not improved significantly and coordination with other departments remained an issue, resulting in outstanding cases and low conviction rates. PSAM noted that performance targets appeared to have been reduced over the MTEF, which it found concerning, given the increased budget allocation.

PSAM argued that the funding model of the Special Investigating Unit (SIU) and growing debt from departments and entities under investigation, was a threat to the sustainability of the SIU, which had, to date, performed relatively well on its mandate. In addition, PSAM highlighted that the National Anti-Corruption Advisory Council (NACAC) appeared to be funded from the Criminal Assets Recovery Account (CARA). It was unclear how the NACAC funds were allocated or spent, and it appeared that some allocated funds had not yet been spent. NACAC played an important role in supporting further development of the National Anti-Corruption Strategy (NACS) and establishment of a permanent body. PSAM emphasised that the funding arrangements should be transparent and funds allocated should be used to ensure coordination and implementation of the NACS.

PSAM submitted that numerous stakeholders were involved in anti-corruption efforts and weaknesses or performance challenges in one entity could impact overall outcomes. It was therefore critical that these entities worked collaboratively to improve the efficient use of resources and secure better outcomes.

**5.5 Equal Education**

Equal Education (EE) submitted that the education sector was plagued by learning, infrastructure, spending, and governance challenges which could lead to an education blackout. EE listed the national critical infrastructure backlogs, as follows:

* 3 677 inappropriate schools with an estimated cost of R4.48 billion;
* 13 655 schools with no sanitation facilities, projected to cost R17.95 billion to construct;
* 8 265 schools needing additional classrooms which could cost R44.50 billion; and
* 6 310 schools with no water supply, with an estimated R6,67 billion needed for the installation.

EE emphasised that funding to the sector must address rising inflation and increasing learner enrolment. It noted that the 2023/24 allocation did not meet the aforementioned criterion, despite nearly R1 billion being added to the 2022/23 MTEF projections.

EE welcomed the additional R1.5 billion for the Education Infrastructure Grant over the MTEF to address overcrowding in schools as well as the R283 million added in 2023/24 to repair flood damaged schools in the Eastern Cape and KwaZulu-Natal. However, EE pointed out that the whole sector, from the national Department of Basic Education to school level, suffered from endemic spending variances such as under-spending and irregular, fruitless and wasteful expenditure. The state of schools would be drastically improved if education departments were to spend judiciously. EE emphasised the importance of acknowledging the looming education blackout and ensuring that schools get the funding they needed to tackle the challenges. To this end, EE called on Parliament to do the following:

* Reject the 2023/24 budget and call for a budget for schooling that grows in line with inflation and learner enrollment;
* Take its oversight responsibilities seriously, by actively engaging the Department of Basic Education on how it spends budget allocations, and apply proper consequence management; and
* Ensure that proper oversight is provided if and when the norms and standards get brought to Parliament for amendment.

1. **Committee Findings and Observations**

Having deliberated and considered all the submissions made by the above stakeholders on Appropriation Bill [B3 - 2023], the Standing Committee on Appropriations makes the following findings and observations:

* 1. The Committee notes and welcomes the Bill proposed total Vote allocation of R1.077 trillion for the 2023/24 financial year, excluding direct charges against the National Revenue Fund (NRF), provisional allocation not assigned to votes and the contingency reserves. The Committee is of the view that this Bill is crucial if government is to continue to deliver the required basic services to South Africans.
  2. The Committee notes and welcomes that 74 per cent of these proposed Vote allocations goes towards 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 2022 budget, the main budget non-interest spending increases by a net R128.4 billion over the MTEF period, supported by higher than anticipated revenue collection.
  4. The Committee notes and welcomes that the 2023 budget allocates additional funding totalling R227 billion over the MTEF period (R91 billion in 2023/24, R61.3 billion 2024/25 and R74.7 billion in 2025/26) to fund various government programmes, including the extension of the Social Relief of Distress Grant until March 2024 and the carry-through costs of the 2022/23 publics service wage increase. On the Social relief of Distress Grant, the Committee has always emphasised on the need for government to protect the most vulnerable groups against any unexpected shocks that negatively impacts on their livelihoods.
  5. The Committee notes that the FFC welcomes and appreciates government’s efforts in balancing protection of the social wage package alongside growth inducing allocations to public infrastructure investment and additions to fight crime and corruption.
  6. The Committee notes the submission by the FFC who are in support of the increase of 11 per cent (R12.199 billion) in the total allocation to the Cooperative Governance vote in 2023/24, directed towards the Local Government Equitable share. The commission welcomes the protection of funding for basic services which is an integral part of the social wage package, a sentiment that is shared by the Committee. Moreover, the Committee is encouraged by overall government allocation towards the social wage, wherein more than 51 per cent (R3.59 trillion) will go towards the social wage, over the MTEF period.
  7. The Committee notes and welcomes the increase in allocation towards the Police vote over the MTEF period for the recruitment of 5000 police trainees per year. Given the high levels of crime in South Africa, the Committee welcomes the additional resources and recruitment drive being implemented under the Police vote, a sentiment that is also shared by the FFC.
  8. The Committee notes the submission by COSATU that welcomed the additional allocation of R37 billion to key frontline service departments, state-owned-entities (SOEs) and social security. However, COSATU expressed concern over continual under-spending by national departments in a climate of scarce resources. The Committee has always implored all government institutions to always spend all Parliament’s appropriated funds in a matter that is effective, efficient and economical. The Committee always engages government institutions on spending issues through the section 32 quarterly expenditure reports and as mandated by its founding legislation.
  9. The Committee notes the submission by COSATU that the austerity approach to key public services was reckless and would further weaken the capacity of the state to provide quality public services, upon which society and the economy depended. However, given the performance of the South African economy over the last decade, the limited available tax revenue, the Covid-19 pandemic, the Committee is of the view that difficult choices have to be made by government with the limited resources at its disposal.
  10. The Committee notes the submission by PSAM that in addition to weak governance, the misuse of public funds constituted a serious threat to the progressive realisation of human rights and optimal service delivery. Therefore, fighting corruption and enhancing governance and accountability should therefore be at the core to realising sustainable and inclusive development and building a capable and developmental state.

1. **Recommendations**

The Standing Committee on Appropriations, having considered the above submissions and inputs on the Appropriation Bill [B3 - 2023], recommends as follows:

* 1. That the Minister of Finance ensures the following:
     1. That Parliament’s appropriated funds through this Appropriation Bill are utilised in a manner as envisaged in the Constitution, the Bill and in compliance with all laws and regulations government the country’s public finances.
     2. That National Treasury make it mandatory for all municipalities to report monthly on all contracts that have been awarded including the successful bidders, rand value of contracts and itemised billing on National Treasury’s database.
     3. That National Treasury, together with local government, create a linked system in order to identify all registered businesses to enhance revenue collection and to prevent tax evasion and illicit financial flows.
     4. That National Treasury report on a bi-annual basis to the Committee on the financial status of all municipalities including cash reserves.
     5. That National Treasury report to the Committee on the latest developments in respect of the Integrated Financial Management System. This must be inclusive of how many people have been charged, those found guilty of misconduct, and the funds recovered in this regard.
  2. With the experience of the Portfolio Committee on Tourism, the Committee recommends that Parliamentary Budget Office (PBO) develops a framework and share with Portfolio and Select Committees, detailing the process to follow when considering something which may result in the amendment of Money Bills, including the Appropriations Bills.
  3. Committees must consult the PBO for advice as soon as they realise their action may have impact on the Money Bills. This will assist Parliament in ensuring contemplated changes are done in accordance with the law.
  4. The state of some provincial and local roads is deteriorating, with huge impact on the cost of doing business and social impact to the citizens. The Committee calls on the Minister of Transport and the national Department of Transport to intervene in the situation, especially where it is clear that the provincial and local governments have no human or financial capacity.
  5. The state of some local municipal water and sanitation services have become overwhelmed with challenges. The Committee calls on the Minister of Water and Sanitation and the Department of Water and Sanitation to intervenes directly in municipalities in instances that warrant their urgent attention.
  6. That the Minister of Public Service and Administration, the Department of Public Service and Administration and the Public Service Commission identify public servants who are employed in more than one government department and earn more than one salary.

1. **Committee Recommendation on the Bill**

The Standing Committee on Appropriations, having considered the Appropriation Bill[B3–2023] (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.