Report of the Select Committee on Appropriations on the *Division of Revenue Amendment Bill* [B33 – 2023], Dated 28 November 2023

The Select Committee on Appropriations having considered the *Division of Revenue Amendment Bill* [B33-2023] (National Assembly – section 76), reports as follows**:**

1. Introduction

The Minister of Finance tabled the *Division of Revenue Amendment Bill* [B33 – 2023] (hereafter referred to as the Bill) in Parliament on 01 November 2023 during the presentation of the 2023 Medium Term Budget Policy Statement (MTBPS). The Bill was tabled in Parliament in terms of section 12(4) of the Money Bills and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendment Procedure and Related Matters Amendment Act, No 13 of 2018). The Act requires the Minister of Finance to table a Division of Revenue Amendment Bill with a revised fiscal framework if the adjustments budget affects changes to the Division of Revenue Act for the relevant year.

The Bill and its annexures address the following:

- Changes to schedules.
- Changes to provincial allocations.
- Changes to local government allocations.
- Changes to gazetted conditional grant frameworks and allocations.
- Changes to Bill clauses.

2. Process followed

The Bill was transmitted to the National Council of Provinces (NCOP) and referred to the Committee on 22 November 2023 after the National Assembly adopted it. The Committee received a briefing from National Treasury on the Bill in its entirety on 16 November 2023. Provinces were invited to this meeting and were also individually briefed by Permanent Delegates on 08 November 2023 (Eastern Cape) and the rest on 23 November 2023. Negotiating mandates from provinces were submitted and considered on 27 November and final mandates on 28 November 2023.

3. Public consultations and stakeholder engagements

To facilitate public participation, the Committee published adverts in print media in all 11 official languages from 02 to 04 November 2023, in response to which submissions were received from the following stakeholders:

- Congress of South African Trade Unions (COSATU).
- Section27
- Amandla.Mobi
- Ilifa Labantwana
- Rural Health Advocacy Project (RHAP)
- TB Accountability Consortium (TBAC)
- National Union of Metalworkers of South Africa (NUMSA).

All the above stakeholders, except for NUMSA, also made oral presentations during a public hearing on 17 November 2023, held jointly with the Standing Committee on Appropriations. A total of 453 e-mails were also received via a platform called Dearsqth@pegasus.aserv.co.za. In compliance with section 214(2) of the Constitution and section 10(4) of the Intergovernmental Fiscal Relations Act No.97 of 1997, the Committee consulted with the Financial and Fiscal Commission (FFC) and the South African Local Government Association (SALGA) on the Bill and was further briefed by the Parliamentary Budget Office (PBO).

4. *Division of Revenue Amendment Bill* [B33 – 2023]

The adjusted Budget proposes an overall increase of R13.6 billion in expenditure, from R2.03 trillion to R2.05 trillion, to fund the 2023/24 wage agreement, increases in debt-service costs and disaster response funding. These additional funds have mainly been sourced from reductions to the Vote baselines and provincial and local government conditional grants.

As shown in Table 1, national government's equitable share allocation is reduced by R2.6 billion and provincial government's equitable share allocation increases by R17.6 billion, while the local government's equitable share allocation is reduced by R1.4 billion.

Table 1: Equitable division of revenue raised nationally among the three spheres of government.

Spheres of government	Column A		
	2023/24 Main Allocations	**Adjustments**	**2023/24 Adjusted Allocations**
	R'000	**R'000**	**R'000**
National[1, 2, 3]	1 370 506 089	-2 555 077	1 367 951 012
Provincial	567 527 713	17 558 206	585 085 919
Local	96 546 258	-1 357 517	95 188 741
Total	**2 034 580 060**	**13 645 612**	**2 024 145 166**

1. *National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations.*
2. *The direct charges for the provincial equitable share are netted out.*

5. Reasons for 2023/24 budget adjustments

National Treasury provided the following reasons for the proposed reductions and additions to the equitable share allocations:

5.1 The R2.6 billion reduction to the national government equitable share is the net effect of in-year adjustments, which include reductions to Vote baselines, additions to Vote allocations for the 2023 wage agreement, declared unspent funding, as well as adjustments to direct charges against the National Revenue Fund (NRF).

5.2 The R1.4 billion reduction to the local government equitable share (LGES) is due to the declared under-expenditure of the unallocated funding that was set aside in the 2023 Budget. This amount was set aside in anticipation of the National Energy Regulator of South Africa (NERSA) approval of the municipal electricity tariff increase, above the threshold of 20.7 percent. In June 2023, NERSA approved a municipal tariff increase of 15.1 percent. Therefore, since the tariff increase threshold was not exceeded, the R1.4 billion is surrendered to the NRF.

5.3 The R17.6 billion added to the provincial equitable share (PES) is to fund the implementation of the 2023/24 public wage agreement and is based on the headcount per province in the Health and Education sectors.

6. Additional funds to the provincial equitable share

As can be seen in the table below, a proposed amount of R17.6 billion is added to the provincial equitable share to fund the costs of implementing the 2023/24 wage agreement in the Health and Education sectors.

Table 2: Changes to provincial allocations in 2023/24

Province	Original PES allocations R'000	Additional to PES R'000	Revised PES allocations R'000
Eastern Cape	73 292	2 313	75 605
Free State	31 380	1 049	32 429
Gauteng	120 752	3 713	124 465
KwaZulu-Natal	115 948	3 772	119 722
Limpopo	65 349	2 010	67 359
Mpumalanga	46 674	1 377	48 051
Northern Cape	15 150	422	15 573
North West	40 096	1 193	41 289
Western Cape	58 886	1 707	60 593
Total	567 528	17 558	585 086

7. Changes to provincial conditional grants

Provincial conditional grant transfers are adjusted downwards by R6.4 billion, from R131.6 billion to R125.2 billion for the 2023/24 financial year. Direct conditional grant transfers are reduced by R6.2

billion and indirect conditional grant transfers by R179.8 million. Reductions to grant allocations had to be made to maintain government's fiscal consolidation efforts and have been made to grants and programmes where there had been significant under-spending in recent years.

7.1 The proposed reductions to allocations are as follows:

- Education Infrastructure Grant, reduced by R1.6 billion.
- Provincial Roads Maintenance Grant, reduced by R550 million.
- Comprehensive Agriculture Support Programme (CASP) Grant, reduced by R124.9 million.
- Ilima/Letsema Projects Grant, reduced by R35.5 million.
- Land Care Programme Grant: Poverty Relief and Infrastructure Development, reduced by R6.9 million.
- Early Childhood Development (ECD) Grant, reduced by R58.1 million.
- HIV and AIDS (Life Skills Education) Grant, reduced by R27.8 million.
- Maths, Science and Technology Grant, reduced by R49.8 million.
- District Health Programme Grant, reduced by R1 billion.
- Health Facility Revitalisation Grant, reduced by R1.7 billion.
- Informal Settlements Upgrading Partnership Grant for Provinces, reduced by R476.7 million.
- Expanded Public Works Programme (EPWP) Integrated Grant for Provinces, reduced by R31.2 million.
- Social Sector EPWP Incentive Grant for Provinces, reduced by R30.6 million.
- Community Library Services Grant, reduced by R68 million.
- Mass Participation and Sport Development Grant, reduced by R43 million.

7.2 It is important to note that indirect grant reductions only affect the School Infrastructure Backlogs Grant, with a net reduction of R179.8 million, made up of reductions, reprioritisation, and roll-overs, as follows:

- A reduction of R260 million, of which R175 million forms part of the budget consolidation and R85 million will lower the reduction to the ECD Grant.
- An amount of R57 million is reprioritised towards the Department of Basic Education Vote, of which R32 million is to alleviate compensation of employees pressures and R25 million is to fund information and communication technology (ICT) upgrades.
- A total of R137 million is rolled over for the completion of school projects in the Eastern Cape, KwaZulu-Natal and Limpopo, of which R93 million is for the completion of projects under the auspices of the Sanitation Appropriate for Education (SAFE) Initiative for Schools, aimed at replacing and removing inappropriate and unsuitable sanitation structures, including pit-latrine toilets; R26 million is for the completion of projects falling under the Accelerated Schools Infrastructure Delivery initiative (ASIDI), aimed at eradicating backlogs in schools without water, sanitation and electricity and the replacement of schools constructed from inappropriate materials; and R18 million is for associated management costs.

8. Changes to local government conditional grants

Proposed downwards adjustments to local government conditional grant transfers amount to R2.2 billion, from R60.5 billion to R58.3 billion for the 2023/24 financial year. Direct and indirect conditional grant transfers are reduced by R3 billion and R215 million, respectively. As with provincial allocations, these reductions had to be made to maintain government's fiscal consolidation efforts; and have been made to grants and programmes where significant under-spending had been identified in recent years.

8.1 Reductions to grant funding

The proposed fiscal consolidation reductions are as follows:

- Municipal Infrastructure Grant, reduced by R1.2 billion.
- Urban Settlements Development Grant, reduced by R553 million.
- Informal Settlements Upgrading Partnership Grant, by R306 million.
- Public Transport Network Grant, reduced by R600 million.
- Neighbourhood Partnership Development (direct) Grant, reduced by R129 million.
- Integrated National Electrification Programme (Municipal) Grant, reduced by R180 million.
- Regional Bulk Infrastructure (direct) Grant, reduced by R237 million.
- Water Services Infrastructure (direct) Grant, reduced by R244 million.
- Integrated National Electrification Programme (Eskom) Grant, reduced by R250 million.
- Regional Bulk Infrastructure (indirect) Grant, reduced by R309 million.

- Infrastructure Skills Development (direct) Grant, reduced by R9 million.
- Programme and Project Preparation Support (direct) Grant, reduced by R58 million.
- EPWP (direct) Integrated Grant for Province, reduced by R32 million.

8.2 Additions to grant funding

The proposed additions to grant allocations are as follows:

- R88 million is added to the Neighbourhood Partnership Development (indirect) Grant. These funds have been converted from a direct transfer to municipalities (the Neighbourhood Partnership Development (direct) Grant, to an indirect transfer to expedite project implementation in municipalities that are experiencing administrative and financial difficulties. The R129 million reduction to the direct component of the Neighbourhood Partnership Development Grant and the addition of the R88 million to the indirect component of this Grant, results in a net reduction of R41 million.
- R309 million is added to the Water Services Infrastructure (indirect) Grant (WSIG). These funds have been shifted from the Regional Bulk Infrastructure (indirect) Grant to the indirect component of the WSIG to enable the Department of Water and Sanitation to manage contractual obligations, budget pressures and payables for projects in several municipalities.
- R1.2 billion is added to the Municipal Disaster Recovery Grant. These funds are allocated for the reconstruction and rehabilitation of municipal infrastructure damaged by the floods that occurred between February and March 2023.
- R372 million is added to the Municipal Disaster Response Grant, which was depleted by June 2023, due to the floods that occurred between February and March 2023. The additional allocation enables municipalities to respond timeously should another natural disaster occur in the remaining months of the 2023/24 financial year.

8.3 Conversion of direct to indirect grant funding

R30 million of the Municipal Infrastructure Grant (MIG) funding is converted from direct to indirect funding as follows:

- R10 million from uThukela Local Municipality's MIG allocation is converted to an indirect allocation for the implementation of the Ekuvukeni Water Supply Project by the Department of Cooperative Governance on the Municipality's behalf. The Project entails the replacement of asbestos, mainly from the Oliphantskop Water Treatment Works.
- R20 million from Emfuleni Local Municipality's MIG allocation is converted to an indirect allocation to address the leakage of sewer in the areas of Evaton and Sebokeng.

8.4 Reprioritisation

R53 million is reprioritised from the Integrated National Electrification (Eskom) Grant. The funds are shifted to the Department of Mineral Resources and Energy Vote to fund the rehabilitation of derelict and ownerless mines.

9. Changes to conditional grant frameworks

The following changes are proposed to the conditional grant frameworks, for approval by Parliament in terms of the process set out in section 15(4) of the Division of Revenue Act:

- Expanded Public Works Programme (EPWP) Integrated Grant for Provinces: The former Western Cape Departments of Human Settlements and Transport and Public Works were merged to create the new Department of Infrastructure. Allocations of R3 million and R4 million that had previously been allocated to the former two departments, respectively, have been combined; due to the framework of the EPWP Integrated Grant for Provinces requirement that eligible provincial departments sign a Grant agreement with the Department of Public Works and Infrastructure. This change will allow for the signing of one Grant agreement with the newly formed Department.
- Municipal Disaster Recovery Grant: The framework is amended to ring-fence the additional funds for the repair and reconstruction of municipal infrastructure damaged by the floods that occurred between February and March 2023, and will also be gazetted in terms of Section 15(2) of the Division of Revenue Act, 2023, after consulting Parliament.
- Regional Bulk Infrastructure (indirect) Grant: An amount of R20 million for the Kirkwood Water Project was erroneously allocated to Dr Beyers Naude Local Municipality in the Eastern Cape, and this is corrected with an allocation to the Sundays River Valley Local Municipality in the same Province.

10. Stakeholder comments

10.1 Financial and Fiscal Commission (FFC)

The Financial and Fiscal Commission (FFC) submitted that over the 2024 Medium Term Expenditure Framework (MTEF), the budget for provinces would reach R784.6 billion. Between 2023/24 and 2024/25, the allocations would increase from R706.4 billion to R720.5 billion, representing an insignificant nominal growth of 2 percent. The total allocation for provinces was expected to remain low in the outer years of 2024 MTEF, with marginal nominal growth of 4.44 percent and 4.27 percent in 2025/26 and 2026/27, respectively. The FFC further submitted that the provincial equitable share (PES) was expected to increase from R585.1 billion in 2023/24 to R589.5 billion in 2024/25, a marginal nominal increase of R4.4 billion, or 0.75 percent; and was expected to increase marginally in the outer years of the 2024 MTEF and reach R644.3 billion in 2026/27. The FFC reported that the key driver of this marginal increase in the PES funding was compensation of employees, particularly in the Education and Health sectors. The FFC pointed out that the additional funding to the amount of R68.2 billion over the 2024 MTEF was not meant for any improvement of service delivery. The FFC further submitted that the PES was projected to increase by lower than inflation over the 2024 MTEF, which would negatively affect the provinces' finances.

With respect to conditional grant allocations, the FFC submitted that there had been a decrease of R2 billion in 2023/24 to fund the 2023 public service wage agreement and debt service costs. The FFC was of the view that this would negatively affect provinces' ability to deliver services and infrastructure to poor households, including housing. However, the FFC noted that the allocation of provincial conditional grants was projected to increase by 8 percent in 2024/25 and further increase marginally in the outer years of the 2024 MTEF. The FFC explained that this marginal growth in conditional grants for provinces, especially in the outer years of the 2024 MTEF, was viewed against expenditure needs in key sectors such as Education and Health and the dependency of provinces on conditional grants to deliver infrastructure. In addition, some reforms, such as the implementation of the National Health Insurance (NHI) was likely to affect the implementation of key government projects and programmes negatively.

Regarding local government, the FFC noted the additional funds in the 2023 MTEF; explaining that multiple risks impacted on municipalities' ability to deliver services. The FFC stated that the local government equitable share (LGES) would grow at a nominal average of 5 percent, with 6 percent in 2024/25 and 5 percent and 4 percent, respectively, in the outer years of the MTEF. However, in real terms, it was set to grow by an average of 0 percent over the 2023 MTEF. As such, the FFC encouraged government to reconsider the growth rate of the LGES in the outer years so that poor households were cushioned against the rising cost of free basic services. The FFC pointed out that while there was a need for municipalities to be funded equitably, municipalities should make use of available resources efficiently, while optimising their existing own revenue base.

The FFC stated that local government conditional grants were primarily used to fund the development of bulk infrastructure underpinning basic service delivery. The FFC welcomed the decision to reconfigure and revise the Urban Settlement Development Grant (USDG), the Integrated City Development Grant (ICDG) and the Municipal Infrastructure Grant (MIG) to ensure that municipalities were better positioned to respond to climate change. In addition, the FFC welcomed the additional R370 million to the Municipal Disaster Recovery Grant, in response to the recent disasters affecting many parts of the country. However, the FFC implored municipalities and government to be more proactive than reactionary about climate change. The FFC reiterated its concern over the poor spending on repairs and maintenance of municipal infrastructure; saying that proper infrastructure maintenance played a crucial role in addressing climate change impacts.

The FFC stated that overall, local government conditional grant allocations were set to increase by 7 percent in the 2024/25 financial year. Thereafter, the allocations were set to increase at diminishing rates of 5 percent and 1 percent in 2025/25 and 2026/27, respectively. In real terms, local government conditional grants would increase by an annual average of 0 percent. In the context of the 2023 Budget, in which several fiscal consolidation measures had been announced, the FFC found this trend not surprising, but worrisome, given the infrastructure backlogs plaguing the local government sphere. The FFC implored government to rethink the growth of these conditional grants in the outer years, and implored municipalities to strengthen the spending capacity for these grants.

The FFC commended government on the Eskom debt relief afforded to municipalities and explained that the Municipal Finance Management Act (MFMA) Circular No.124 set out conditions meant to help municipalities restore financial prudence, accountability, and overall integrity while receiving relief of their debt to Eskom. However, the FFC raised concerns over the punitive nature of the conditions attached to the debt relief, particularly the condition that Eskom would take over the electricity provision function from a municipality who failed to meet the debt relief conditions. The FFC explained that electricity was the main revenue source

for municipalities and taking this function from them would have detrimental consequences on municipal sustainability, further worsening their dependency on national transfers.

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

- Noting the significant cuts to conditional grant funding to provinces, which were likely to negatively affect implementation of key projects including the NHI and infrastructure projects; the FFC recommended that government developed a comprehensive macroeconomic policy framework to inform its fiscal consolidation efforts and a funding plan to ensure implementation of key projects and programmes were not negatively affected.
- The FFC reiterated its previous recommendation that National Treasury, in consultation with SALGA, the Department of Cooperative Governance (CoGTA) and provincial governments, should urge local municipalities to apply effective revenue enforcement and credit control mechanisms and improve billing and accounting systems to increase payment and cost coverage levels. Officials responsible for managing municipal finances should possess the competencies and skills required to perform their roles. In addition, municipalities should apply the prescripts of legislation such as the Municipal Systems Act, the Municipal Property Rates Act, the Municipal Structures Act, the MFMA, and other municipal service provision by-laws to enforce payment from residents.
- The FFC recommended that the National Treasury review the condition for municipal debt relief that involved the taking over of the electricity license from a municipality who failed to comply with the other conditions of the debt relief. Alternatively, the FFC recommended that CoGTA, in consultation with SALGA, ensured that the credit control systems of Eskom and municipalities were aligned by means of a memorandum of understanding (MOU), and that Eskom assist municipalities with credit control via electricity disconnections within areas supplied by Eskom.

10.2 South African Local Government Association (SALGA)

The South African Local Government Association (SALGA) indicated that a weaker global growth outlook and the associated risks would have significant implications for local government; as it may result in reduced nationally raised revenue that would impact on the funding allocation to local government. Local government faced increased pressure to deliver more services with declining budgets. This would lead to delays in service delivery and deteriorating service quality as municipalities struggled to cope with limited resources. SALGA submitted that the downward revision of the GDP forecast would have further negative implications for local government. In addition, loadshedding continued to impact negatively on municipalities as was evident from an impact study on finances and infrastructure (2023), which found that -

- R21 billion was lost due to unserved energy;
- R1.6 billion was spent on fixing vandalised, stolen electrical infrastructure and equipment;
- R1.4 billion was spent on fixing vandalised waste water treatment (WWT) facilities;
- R1.1 billion was spent on overtime and contractors; and
- R596 million was spent on security (electrical and WWT).

SALGA welcomed the initiatives to include the private sector in the financing of public infrastructure as well as the review of the public private partnership (PPP) regulations that would unlock financing, technical abilities, and greater participation in PPP projects. SALGA proposed that there be consultation with organised local government on all municipal legislative changes as well as constant impact assessments to ensure legislation achieved its intended outcomes. SALGA made the following recommendations in respect of the economic outlook:

- National government should design a comprehensive social security programme to protect vulnerable communities impacted by the effects of the negative global economic outlook.
- National Treasury should note the financial impact of power outages and consider compensating municipalities for costs associated with the energy crisis.
- The implementation of the economic recovery strategies should be inclusive of local economies to assist businesses in distress.
- Local government must be allocated funding for the rehabilitation of roads damaged due to the failure of the rail system.

SALGA did not accept the R3.3 billion, or 0.02 percent, downward revision of the gross allocation to local government for the 2023/24 financial year; indicating that the allocations over the MTEF continued to stagnate and decline for local government, ignoring the current realities of growing expenditures which

outpaced eroding own revenues of municipalities. SALGA asserted that the structural under-funding of the local sphere of government and the realisation of the aspirations contained on the 1998 White Paper on Local Government could not be attained by decreases from nationally raised revenue.

SALGA welcomed the 6 percent increase in the Local Government Equitable Share (LGES) in the 2024/25 financial year; however, the growth was on a downward trend over the outer years. This was concerning when looking at population growth and unemployment trends in municipalities. SALGA recommended that increments should be adjusted for inflation to determine the real increases. Without considering inflation, the proposed increases may not reflect genuine growth in funding. SALGA recommended that national government consider the full costs when determining the LGES formula.

SALGA asserted that section 152(2) of the Constitution obligated municipalities to strive to achieve the objects of local government within the existing financial and administrative capacity. A deeper analysis of these obligations indicated that the functions allocated to local government far outweighed functions allocated to the other two spheres of government. SALGA's own analysis had established that local government was responsible for 46 percent of the constitutional functions whilst it received the lowest share of nationally raised revenue. Thus, there was disequilibrium in the allocation of resources versus the allocation of functions.

SALGA referred to MFMA Circular 124 (Municipal Eskom Debt Relief) dated 31 March 2023 and submitted that it supported most of the conditions except for condition 6.14 which related to the revocation of distribution licenses of municipalities. SALGA asserted that this condition must be removed and replaced with section 78 of the Municipal Systems Act assessment and that funding be made available for smart meters and water collection tools for recipients of the Eskom Debt Relief Package.

10.3 Parliamentary Budget Office

The Parliamentary Budget Office (PBO) provided an overview of the division of nationally raised revenue between the three government spheres, with national receiving 48.8 percent, provincial 41.7 percent, and local government 9.5 percent to fulfil their respective responsibilities. The PBO submitted that the average annual growth over the 2024 MTEF to the national, provincial, and local government spheres were 2.3 percent, 3.6 percent, and 4.4 percent, respectively. The PBO commented that growth from the revised 2023/24 to the 2024/25 financial year was only 1.8 percent at national level, 2.0 percent at provincial level, and 5.3 percent at local government level. The PBO added that the increase in the PES might not be sufficient to cover the implementation of the public service wage agreement.

The PBO indicated that government was continuously attempting to increase the proportion of available non-interest spending to local government due to spending pressures from lower economic growth and high borrowing costs, which was not evident in the outcomes. However, transfers to provinces and municipalities were estimated to grow by 4.8 percent over the 2024 MTEF, which was lower than the previous estimate of 6.8 percent in the 2023 MTEF.

10.4 Congress of South African Trade Unions (COSATU)

The Congress of South African Trade Unions (COSATU) appreciated that a large component of the adjustments in the Bill, namely R17.6 billion, catered for the 2023/24 public wage agreement, indicating that workers had the right to a living wage and protection from inflation erosion; and that rebuilding collective bargaining and multi-year agreements would prevent the need to adjust budgets after the fact to accommodate wage agreements. COSATU further welcomed the additional allocations of R1.2 billion and R372 million to repair infrastructure damaged by natural disasters.

However, COSATU expressed concern over cuts in provincial grants worth R6.2 billion, cuts to infrastructure grants of R1.7 billion, and to municipal infrastructure to the amount of R1.2 billion. Whilst appreciating the pressures to reprioritise, COSATU expressed deep concern over significant budget cuts to the following departments and programmes:

- Basic Education: Education Infrastructure, R1.6 billion; School Infrastructure Backlogs, R179 million; and Early Childhood Development Infrastructure, R58 million.
- Health: District Health (HIV/AIDS) R1 billion; and Health Facilities Revitalisation R440 million.
- Agriculture, Land Reform and Rural Development: Comprehensive Agricultural Support R124 million.
- Human Settlements: Urban Settlements Development R1.7 billion and R553 million; Informal Settlements Upgrade R476 million and R305 million.
- Transport: Provincial Roads Maintenance R550 million; and Public Transport Network, R600 million.

- Integrated National Electrification Programme: R302 million and R180 million.
- Water and Sanitation: Regional Bulk Water Infrastructure, R236 million; and Water Services R244 million.

COSATU found it worrying that the Bill was silent on the reasons for, and impact of, some of these cuts; and about what mitigation measures could be put in place. COSATU further asked what measures were being put in place to capacitate provincial and local governments to spend efficiently.
COSATU made the following recommendations:

- Government needed to urgently intervene at Transnet and Metrorail to secure and rebuild the freight and passenger railway network and modernise ports. Turning Transnet around was crucial to avoid a mining jobs bloodbath and a revenue crisis.
- Government needed to deal with the real obstacles suffocating the economy, workers, and businesses if the economy is to grow, and unemployment and debt reduced. Government needed to table an aggressive Budget that protects the poor and rebuilds the State.
- Government must provide additional support to Eskom, which was making considerable progress, to end loadshedding and ensure reliable and affordable electricity.
- Dysfunctional municipalities needed to be overhauled and basic services restored. Debt relief provided for various municipalities was positive but needed to be accompanied by capacity-building interventions.
- SARS needed to be allocated additional resources to tackle tax and customs evasion, conduct lifestyle audits of the wealthy and generate badly needed revenue. SARS had proven itself to be efficient and needed further funding to increase tax compliance from 64 percent to 70 percent over next two years, generating an additional R120 billion in revenue.
- Critical frontline vacancies in the South African Police Service (SAPS), the National Prosecuting Authority (NPA) and courts needed to be filled to enable them to crack down on crime and corruption.
- Government must grant relief to commuters and the economy by reducing taxes consuming 28 percent of the fuel price and place the chaotic Road Accident Fund (RAF) under administration to lessen its need for fuel levy hikes.
- The Presidential Employment Programme must be expanded to accommodate two million active participants by the February 2024 Budget, to help young people earn a salary, gain experience, and enter the labour market.
- The crucial SRD Grant needed to be increased to the food poverty line to recover value lost to inflationary erosion, and its recipients must be linked to skills and jobs.
- Badly needed infrastructure investments must be expedited and not frozen.
- Government should ensure that the two-pot pension reform is implemented in 2024 and the immediate relief increased to R50 000 for indebted workers, providing relief for millions and injecting a badly needed stimulus into the economy.

10.5 Section27

Section 27 expressed concern about the general impact of budget cuts on the delivery of services. Under-funding of the Education and Health sectors was cited as having a devastating effect, especially on children's access to education and on general access to primary health care services.
Section 27 further expressed concern that the budget was not gender-sensitive and did not address the plight of women. Reference was made to the negative impact the budget had on women-headed households and employment opportunities where women were underpaid; and Section 27 recommended that fiscal policies reflect interventions to address gender and racial inequalities.

Section 27 welcomed the increase of the Provincial Equitable Share (PES) to make funds available to assist with the compensation of teachers and nurses. However, it bemoaned the effects of the real-term budget reductions as these impacted on the quality of services to communities. It further expressed concern over the contracting allocations regarding compensation of workers and the severe understaffing in key areas like education and health.

Section 27 made the following recommendations:

- Parliament should develop a more open, broad-based, and inclusive budget in line with a human rights impact assessment during the budget consultation process.
- Government should introduce gender-based budgeting to address the plight of women-led households.
- Gender-based budgeting should find expression in the review of the public sector wage bill.

- Healthcare allocations should be aligned to the CPI and government must communicate its plans to meet its health goals with a lean budget.

10.6 Amandla.Mobi

Amandla.Mobi (AM) welcomed the extension of the R350 Social Relief of Distress (SRD) Grant to March 2025, but noted that the budget allocation had decreased from R40 billion in 2022 to R34 billion. AM submitted that the Grant had been plagued by maladministration, that exclusionary regulations had led to millions of applicants being rejected; and that this cut would lead to more people being pushed into deeper poverty. AM repeated its previous call for National Treasury to increase the grant amount and to urgently turn it into a basic income grant (BIG) and further asked that all social grants be increased by R500.

AM reported that, since its inception in 2020, the Presidential Youth Employment Initiative (PYEI) had provided employment opportunities for more than 830 000 youth and that by August 2023, four million young people were reported to have been registered onto its network. However, AM expressed disappointment that its year-long extension came at the expense of other social intervention programmes under the Presidential Employment Stimulus. It remained unclear which programmes would be defunded; while youth organisations such as the Youth Capital, were actively advocating for more funding because unemployed youth relied on it for money and work experience to increase their employability in an already challenging environment. AM called on the Committees to determine which programmes would be cut and to encourage the Presidency to find the money to continue funding the stimulus package.

AM was encouraged by the Minister of Finance’s plans for more taxes in the next budget and reiterated the need for a wealth tax; stating that the South African Revenue Service (SARS) was doing well with identifying and tracking individuals evading tax. It called on the Committees to urge National Treasury to increase Personal Income Tax (PIT) for those earning over R1 million annually, and to introduce an annual net wealth tax at a higher rate of 3 percent for those with a wealth of more than R3.8 million; 7 percent for those with a wealth of more than R30 million; and 9 percent for those with a wealth of more than R146 million.

AM expressed concern over the reduction R24 billion in the budget for public healthcare in the MTBPS, while the country was struggling with a shortage of health care practitioners and public hospitals were overcrowded and faced shortages in resources and medicine. In addition, funding for HIV/Aids and TB services had been cut by R1 billion, with further cuts to healthcare infrastructure funding. While more money was allocated for wage costs in the education sector, the budget for education had not been increased; with a R 1.7 billion reduction to school infrastructure funding. AM submitted that cutting funding for the Health and Education sectors further exacerbated poor health and inequality.

AM further submitted that National Treasury had requested an extension to provide it with the research evidence behind its decision not to tax the rich more and increase social grants; indicating that it was alarming that National Treasury could not readily provide such information. Following different petitions signed by hundreds of thousands, a fraction of AM’s demands had been implemented, but this had been undermined by continuous austerity budgets. While National Treasury claimed that the country had no money, corruption scandals continued with millions being misused, under-spent, or unaccounted for.

10.7 Ilifa Labantwana

Ilifa Labantwana’s submission focused on the importance of funding early childhood development (ECD), as it believed that ensuring universal access to the full package of quality ECD services for children and caregivers, as envisioned in the National Development Plan (NDP), was the single greatest opportunity to reduce structural inequality, improve working conditions and tackle unemployment in the country. Ilifa Labantwana reported that the link between investments in ECD and economic outcomes was well documented, and that poor early childhood outcomes were directly associated with a wide range of negative socio-economic consequences, from reduced economic growth, lower returns to investment in basic and higher education, poorer health outcomes, drug abuse, higher unemployment, and crime. Conversely, in an era of constrained public finances, investing in ECD could be among the most cost-effective routes to job-rich economic growth. According to its modelling, through incremental, well-targeted investments in the ECD sector, starting with additional annual funding of only R700 million, government could –

- Improve the skills and working conditions of around 200 000 women already working in the sector;
- Create 300 000 new livelihood opportunities for women in township and rural economies; and
- Relieve childcare burdens for up to two million caregivers.

In addition, investing in ECD services would stimulate local economic activity, particularly in low-income communities, through auxiliary services, infrastructure and goods, and more cash transactions. In this way, ECD could be a significant driver of economic development and reductions in gender inequality in the short-medium term. It could further dramatically close the school-readiness gap and improve the returns to investment from basic education spending. In the longer run, healthier, safer, better nourished and educated children had a much higher chance of succeeding in post-school education and training and in the labour market; saving the State and society the significant costs associated with crime, unemployment, and poor physical and mental health. However, policies addressing basic nutrition, childcare and early learning, and support for caregivers, had been grossly underfunded. Current funding for early learning programmes attended by 2.2 million children amounted to only R4 billion, 0.2 percent of government expenditure; paling in comparison to expenditure of R310 billion on basic education and R136 billion on post-school education and training.

Ilifa Labantwana commented and made recommendations on three specific aspects of the Bill.

10.7.1 Provincial Equitable Share

The provincial equitable share (PES), which funds health care, education and social services, and co-funds access to early learning programmes, is to be reduced by R54 billion between 2022/23 and 2024/25, in real terms; which will put provincial services under enormous strain, placing children, the elderly, the sick and victims of gender and other forms of violence at risk of reduced access to essential services. Provincial education departments have struggled with highly constrained human resource capacity since they took the ECD function over from social development departments in 2022/23. Additional human resources are required at provincial level to effectively execute the functions pertaining to the registration, funding, and monitoring of early learning programmes. Cuts to the PES may cause provinces to scale back equitable share allocations to ECD subsidies. which will undermine the intention of the ECD Grant increase in 2024/25, meant to increase the number of poor children provided with subsidised access to early learning programmes. The following recommendations were made:

- National Treasury, the national Department of Health and provincial health departments should ensure that children's rights to health care, nutrition and social services are not violated because of cuts to the PES and the impact on public services is minimised.
- Parliament may require evidence from National Treasury that due regard was given to the impact of these cuts on the rights of people, particularly the most vulnerable, prior to the proposals being tabled in Parliament.
- Provincial education departments must be capacitated with the appointments needed to manage the expansion of early learning programmes through planned increases to the ECD Grant in 2024/25.
- Members of provincial legislatures are urged to apply proper scrutiny to the provincial adjustments budgets that will be tabled in the coming days.
- Parliament may consider requiring National Treasury and relevant line departments to carry out human rights impact assessments and include these in the budget documentation alongside proposals to reduce funding for services that vulnerable people rely upon.

10.7.2 Early Childhood Development Grant

The cut of R58 million to the infrastructure component of the ECD Grant, reducing the budget for 2023/24 to a paltry R44 million, was attributed to "slow spending" by provincial education departments, but no information was provided on the rate of spending, overall or per province, whether provinces had plans in place to spend the funds, or if they were indeed underprepared to spend the funds by the end of the financial year. Moreover, no plans were announced to improve the spending performance, and no analysis provided of how the cut will impact the expansion and improvement of early learning programmes. The subsidy component of R17 per child per day remains unchanged since 2019, and no adjustment was provided for in the MTBPS. This amount is far too low to enable ECD programmes to pay decent wages and provide quality care, nutrition and learning stimulation, leaving them to rely on parent fees to cover their costs. It is estimated that the cost of providing a basic quality service is R32 per child per day. The following recommendations were made:

- The Department of Basic Education and provincial education departments should urgently consult with the ECD sector on the optimum modalities for organising and spending the infrastructure component of the ECD Grant.
- When funds are returned unspent to the fiscus due to "slow spending", the rate of spending should be provided in the Adjusted Estimates of National Expenditure (AENE) and Explanatory

Memorandum to the Division of Revenue Bill, alongside reasons for the slow spending and the plans in place to improve the spending performance.
- Any unallocated funds in the ECD Grant for which no considered spending plans have been developed should be allocated to provinces to be spent on ECD subsidies, as this is the quickest and simplest way to improve equitable access to early learning programmes.
- Increasing the subsidy to R20 per child per day at a cost of R700 million per annum would partially make up for the effect of inflation which has eroded the purchasing power of the subsidy since 2019 and expand its reach to a further 300 000 children over three years. Since the subsidy is well targeted at children from low-income families and a portion of the subsidy must be spent on food, increasing the subsidy value is a highly effective way to tackle child hunger and malnutrition.
- In the medium-term, a gradual increase in the subsidy to R45 per child per day by 2030 would enable universal access to quality ECD programmes, a key goal of the NDP.

10.7.3 Nutrition

Improving access to early learning programmes can also contribute to improved nutritional outcomes in a country where one in four young children are stunted; yet the 2023 MTBPS made no mention of the crisis of hunger and malnutrition stalking the 70 percent of children living in poverty. The following recommendations were made:
- Parliament should support the South African Human Rights Commission's call on government to declare hunger and malnutrition in the Eastern Cape a national disaster; and further put pressure on the Executive to announce concrete measures in the 2024 Budget to fulfil children's fundamental right to basic nutrition.
- Government must urgently roll out a national nutrition programme providing nutritious meals to children attending ECD programmes, whether registered or unregistered.
- Government should consider implementing the Double Discounted List of the 10 Best Buy Foods scheme of the Grow Great Campaign, which could reduce the cost of foods consumed by low-income households.
- Increase the Child Support Grant from the current R505 per month to the food poverty line of R760 per month over the MTEF. If implemented by 2027, this would reduce child poverty by 8 percent. Maintaining the Grant in line with CPI inflation, as the MTBPS proposes, will be insufficient to reduce child poverty.
- Increase the ECD subsidy to enable early learning programmes to provide nutritious meals to children.

10.8 Rural Health Advocacy Project

The Rural Health Advocacy Project (RHAP) acknowledged the work done by the Department of Health to ensure that provinces received additional allocations to fund the increase to the wages of health care workers agreed to in 2023. However, while the immediate provincial health funding crisis had been averted, RHAP was concerned that this had required significant adjustments to several programmes, including the District Health Program Grant (HIV/AIDS) and the Health Facility Revitalisation Grant. A further concern was that the funding of wage increases was limited to health and education. Provinces were expected to fund other staff increases from within existing budgets which would likely lead to erosion of provision of welfare services, maintenance of essential infrastructure, and decreased work opportunities for rural communities who were heavily dependent on publicly funded services.

RHAP submitted that South Africa faced significant economic uncertainty both globally and domestically, with National Treasury expecting economic growth to remain weak. Lower tax revenue, higher debt servicing costs, and further public sector wage negotiations would place additional strain on already fragile health services. RHAP asserted that, ensuing access to health care services by under-served groups such as rural communities would require the prioritisation of essential services.

RHAP recommended that -

- A joint sitting of the portfolio committees on health, finance and appropriations be called to consider the impact of budget cuts on the State's ability to meet its constitutional mandates;
- All provinces be invited to present plans detailing what measures are being implemented to ensure that rural health services are protected from budget cuts; and
- The national Department of Health be invited to outline what plans are in place to implement the National Human Resources for Health Strategy.

10.9 TB Accountability Consortium

The TB Accountability Consortium (TBAC) submitted that in 2022, tuberculosis (TB) had been the second leading cause of death globally, following only COVID-19. TB caused almost twice as many deaths as HIV/AIDS according to World Health Organisation's (WHO's) annual TB report. TBAC stated that the TB Recovery Plan was initiated as a TB programme intervention to address care cascade loss and to accelerate efforts towards attaining the NSP, United Nations High-Level Meeting (UNHLM), Sustainable Development Goals (SDG) and End TB targets. However, the current constrained fiscal conditions impacted negatively on the TB Recovery Plan. TBAC highlighted challenges such as delayed TB notifications and undiagnosed persons living with TB, especially in rural areas and submitted that there was a need for the ring-fencing of budgets in public service hospitals.

TBAC proposed that the following be done to address the issue of TB:

- The TB recovery plan necessitates improved linkage to care.
- There is a need for coordinated action, priority, and transparency.
- Strengthen community outreach with focused investment in priority districts.
- There is a need for well-trained Community Health Workers, well-staffed clinics, and efficient collection of results, through better use of the SMS notification system.
- Amidst uncertainty about future funding flows, it is essential that Parliament considers how existing publicly funded health care capacity is optimised and that it prioritises those with the greatest need.
- The R500 million for TB community outreach programmes should be included in the District Health Grant.
- Civil society must be part of response interventions in respect of TB.

10.10 National Union of Metalworkers of South Africa (NUMSA)

The National Union of Metalworkers of South Africa (NUMSA) highlighted the impact of government's austerity measures on the malfunctioning of municipalities and indicated that the country's ratio of civil servants to the population was not optimal, with 1.2 million civil servants expected to serve a population of 62 million; and that this was a direct cause of the so-called brain drain. NUMSA expressed concern over the failure of government's macro-economic policies and the dysfunctional state of state-owned entities (SOEs) such as Transnet and Eskom which impacted on sectors who contributed to the GDP, such as the automotive and mining industries. NUMSA further commented on the alarming level of youth unemployment which stood at 60 percent and the general unemployment rate which stood at 42.1 percent.

NUMSA made the following recommendations:

- There must be an urgent intervention in Transnet and Metrorail to unblock freight challenges through, among others, use of modern technology for effective and optimum functionality.
- There should be an income grant for unemployed people to reduce poverty.
- Government should fund programmes that increase skills and job opportunities that are key to making citizens independent and productive.

10.11 Dearsqth@pegasus.aserv.co.za poll

This platform could not be located on any search drive and as such could not be invited to make an oral presentation during the public hearings. A total of 453 submissions were received via the Dearsqth@pegasus.aserv.co.za platform. Based on the identical nature of the responses *(No, I don't, all the above*), the platform had run what seemed to be a poll. Unfortunately, Parliament has no idea how the question(s) were worded. Some participants added further information which included stating that (1) South Africa was a welfare state; (2) the R350 SRD Grant should stop; (3) child support should be limited to two children; (4) all payments to elected politicians in all three tiers of government should be halved; (5) public employee salaries should be frozen; (6) government Ministers should be cut to no more than 20, with no Deputy Ministers; (7) any woman of child bearing age that receives any government payment, including student loans must agree to receive contraceptive injections whilst receiving the payments.

11.Provincial mandates

The Committee met on 27 and 28 November 2023 to consider negotiating and final mandates from provinces.

11.1 Negotiating mandates

11.1.1 Eastern Cape supported the Bill and made comments.
11.1.2 Free State supported the Bill and made comments.

11.1.3 Gauteng supported the Bill and made recommendations.
11.1.4 KwaZulu-Natal supported the Bill.
11.1.5 Limpopo supported the Bill.
11.1.6 Mpumalanga supported the Bill and made recommendations.
11.1.7 Northern Cape supported the Bill and proposed amendments.
11.1.8 North West supported the Bill and proposed amendments.
11.1.9 Western Cape did not support the Bill and made recommendations.

11.2 Final mandates
11.2.1. Eastern Cape supported the Bill.
11.2.2. Free State supported the Bill.
11.2.3. Gauteng supported the Bill.
11.2.4. KwaZulu-Natal supported the Bill.
11.2.5. Limpopo supported the Bill.
11.2.6. Mpumalanga supported the Bill.
11.2.7. Northern Cape supported the Bill.
11.2.8. North West supported the Bill.
11.2.9. Western Cape did not submit a final mandate.

12. Findings and observations

While deliberating and considering all the submissions made by stakeholders on the *Division of Revenue Amendment Bill* [B33 - 2023], the Committee made the following findings and observations:

12.1 The Committee noted the overall budget adjustment of R13.6 billion proposed in the Bill, from R2.03 trillion to R2.05 trillion, to fund the 2023/24 public wage agreement, increases in debt-service costs and disaster response funding.

12.2 The Committee noted that funds have been sourced from reductions to the budget vote baselines and provincial and local government conditional grants; and that national government's equitable share was reduced by R2.6 billion and the Local Government Equitable Share (LGES) by R1.4 billion, while the Provincial Equitable Share (PES) was increased by R17.6 billion.

12.3 Whilst the Committee welcomed the R17.6 billion added to the PES to fund the implementation of the 2023/24 public wage agreement in provincial health and education departments, it remained concerned about the service delivery impact of various provincial conditional grant reductions, particularly infrastructure related grants; from R131.6 billion to R125.2 billion for the 2023/24 financial year.

12.4 As much as the Committee welcomed government's effort to maintain its fiscal consolidation programme, it remained concerned about the service delivery impact of the R1.4 billion reduction in the LGES and the R2.2 billion reduction in local government conditional grants, such as the Municipal Infrastructure Grant (MIG) and many other critical grants, as a result of declared under-expenditure; as well as the unallocated funding that was set aside for electricity tariffs in the 2023 Budget.

12.5 Whilst the Committee welcomed the additional funds provided to all provincial departments of education and health to implement the wage increase; it remained concerned that the 2023 public wage agreement has been classified as unforeseeable, and the fact that this might be crowding out service delivery programmes such as Early Childhood Development (ECD), National Health Insurance (NHI) and many other programmes meant to address poverty, inequality and unemployment.

12.6 The Committee noted that the political instability emanating from coalitions in local government remains a challenge and hampers policy implementation and the provision of much needed basic services, and further noted that provinces and National Treasury do not have the capacity to respond to this challenge.

12.7 Whilst the Committee generally supports budget adjustments to respond to unforeseen and unavoidable circumstances, especially those done in line with section 43 of the Public Finance

Management Act, it remains concerned that the shifting of funds from key departments may result in some departments not being able to implement their approved annual plans and meet their annual targets, ultimately impacting on service delivery.

12.8 Whilst the Committee remained concerned about the lack of progress in implementing zero-based budgeting (ZBB); it noted that the spending review together with the reorganisation process of government as announced by the President was ongoing and spending review recommendations would form part of the process going forward.

12.9 The Committee remained concerned about the trajectory of the national debt growth, which may negatively impact on future generations, including the crowding out effect in the budget, where a lot of money is earmarked towards the repayment of debt service cost every year at the expense of service delivery programmes.

12.10 Whilst the Committee welcomed the undertaking made by the National Treasury; that government may conclude the review process of social grants by 2024, it remained concerned about the slow progress and reporting on this matter as this was announced by the Minister of Finance in previous budgets.

12.11 In view of the SALGA's statement that its input is not always considered and reflected in the outcome of the budget process; the Committee remained concerned about the effectiveness of the Budget Forum, which is supposed to provide the mechanism for local government to be adequately consulted during the national budget process.

12.12 The Committee agreed with COSATU that a multi-pronged approach is needed to address the multiplicity of crises, including fixing Eskom and Transnet urgently, as they impact on the mining, manufacturing, and agriculture industries; and further addressing the challenges at PRASA; and investing more in infrastructure programmes and in entities such as the South African Revenue Service (SARS).

12.13 The Committee agreed with COSATU's concern that many municipalities are in financial trouble, with some struggling to pay staff or using funds meant for free basic services for other things; and that a frank discussion is needed on whether the current number of municipalities are still necessary and affordable.

12.14 The Committee agreed with SALGA's view that the revocation of municipal electricity distribution licenses in the case of non-compliance with the conditions of debt relief is too harsh and that other alternatives could be considered.

12.15 Whilst the Committee agreed with SALGA's recommendation that local government be allocated funding for the rehabilitation of roads damaged due to the failure of the rail system, the Committee remained concerned about the under-spending on the Integrated Public Transport Network Grant by some municipalities, which is part of constructing road networks around major cities.

13. Recommendations

The Select Committee on Appropriations, having considered submissions from various stakeholders on the *Division of Revenue Amendment Bill* [B33 – 2023], recommends as follows:

13.1 The Minister of Finance should gazette the allocations in the *Division of Amendment Bill* [B33 - 2023] which proposes a total adjustment of R13.6 billion, from R2.03 trillion to R2.05 trillion, to fund the 2023/24 wage agreement, increases in debt-service costs and disaster response funding; including the changes proposed to the frameworks of the Expanded Public Works Programme (EPWP) Integrated Grant for Provinces, the Municipal Disaster Recovery Grant, and the Regional Bulk Infrastructure (indirect) Grant.

13.2 The National Treasury, together with provincial treasuries, should within 60 days of the adoption of this Report by the House, ensure that all provinces develop proper mechanisms as required by section 38 of the Public Finance Management Act, to manage their provincial expenditures, including

the additional R17.6 billion in the provincial equitable share, and ensure that funds are utilised for their intended purpose.

13.3 The Minister of Finance should approve the roll-over amount of R300 million for the Represented Political Party Fund (RPPF), in line with section 6.4 of the Treasury Regulations, as these funds are meant to assist political parties to prepare for the 2024 elections.

13.4 The National Treasury, together with provincial treasuries, should within 60 days of the adoption of this Report by the House, develop specific and adequate mechanisms to mitigate the service delivery impact of the provincial and local government conditional grant reductions from R131.6 billion to R125.2 billion for the 2023/24 financial year.

13.5 The National Treasury together with provincial treasuries and provincial departments of education and health should within 60 days of the adoption of this Report by the House develop measures to ensure that the wage agreement is effectively implemented, and funds are utilised for their intended purpose; furthermore, the Committee is of the view that consequence management should be urgently implemented for poor expenditure on critical programmes such as the Early Childhood Development (ECD) Programme, National Health Insurance (NHI), and many other critical programmes, instead of taking funds away.

13.6 The National Treasury, together with the Department of Cooperative Governance and its provincial counterparts, should within 60 days of the adoption of this Report by the House develop clear mechanisms and steps in line with the Constitution to ensure that political instability due to coalitions in municipalities does not affect administrative functioning, policy implementation and basic service delivery.

13.7 The National Treasury should within 60 days of the adoption of this Report by the House develop clear mechanisms to ensure that any movement of funds due to unforeseen and unavoidable circumstances does not affect the approved annual performance plans of key service delivery departments and ensure that this is done within the parameters of section 43 of the Public Finance Management Act.

13.8 Whilst the Committee welcomed the fact that the reorganisation of government is ongoing and that spending review recommendations form part of the process, the Committee recommends that the National Treasury should within 60 days of the adoption of this Report by the House develop clear timeframes to fast-track the implementation of zero-based budgeting as it was announced by the President previously.

13.9 Whilst the Committee welcomed the extension of the Social Relief of Distress (SRD) Grant until 2024, the National Treasury, together with the Department of Social Development, should within 60 days of the adoption of this Report by the House develop clear measures and timeframes to conclude the review process of the entire social grant system as previously announced by the Minister of Finance.

13.10 The National Treasury, together with the Department of Cooperative Governance and the South African Local Government Association (SALGA), should ensure that the Budget Forum is effectively utilised to reflect and address issues affecting local government during the budget process. National Treasury should always ensure that SALGA is adequately consulted on matters relating to local government. Moreover, clear measures should be put in place by both SALGA and National Treasury to ensure that the process is effective, and consultations are more meaningful. Parliament, legislatures, and municipal councils should continue to monitor progress in this regard.

13.11 The National Treasury, together with Department of Public Enterprise and the Minister for Electricity, should within 60 days of the adoption of this Report by the House ensure that a multi-pronged approach is developed to urgently address the crises at Eskom and Transnet, as these impact on other economic sectors like mining, manufacturing and agriculture, and to address the challenges around the Passenger Rail Agency of South Africa (PRASA) as well as other infrastructure related programmes to stimulate economic growth and address poverty, inequality and unemployment.

14.Committee decision

The Select Committee on Appropriations, having considered the *Division of Revenue Amendment Bill* [B33-2023] (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

15. Conclusion

The *Division of Revenue Amendment Bill* [B33 – 2023] fulfils the requirements set out in section 12(4) of the Money Bills and Related Matters Act, 2009 (Act 9 of 2009) that the Minister of Finance must table a division of revenue amendment Bill with the revised fiscal framework if the adjustments budget effects changes to the Division of Revenue.
The Democratic Alliance (DA) and the Freedom Front Plus (FF+) did not support this Report and the Economic Freedom Fighters (EFF) reserved their position.

Report to be considered.