

Report of the Standing Committee on Appropriations on the Second Adjustments Appropriation (2023/24 Financial Year) Bill [B6 – 2024] (National Assembly – Section 77), Dated 20 March 2024

Having considered the Second Adjustments Appropriation (2023/24 financial year) Bill [B6 – 2024], referred to in terms of Section 12 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Section 213(2) of the Constitution of the Republic of South Africa provides that money may be withdrawn from the National Revenue Fund only (a) in terms of an appropriation by an Act of Parliament; or (b) as a direct charge against the National Revenue Fund. Section 30(1) of the Public Finance Management Act (PFMA), No. 1 of 1999, states that the Minister of Finance may table an adjustment budget in the National Assembly as and when necessary. Section 30(2) of the PFMA further states that the adjustments budget may provide for, amongst others, money to be appropriated for expenditure already announced by the Minister during the tabling of the annual budget, as well as the shifting of funds between and within votes.

The 2024 Second Adjustments Appropriation (2023/24 financial year) Bill (hereafter referred to as the Bill) proposes to effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2023/24 financial year. 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 (as amended), and herein referred to as the Act.

The Bill was tabled in Parliament by the Minister of Finance on 21 February 2024 during the presentation of the 2024 budget and was referred to the Committee for consideration and report to the National Assembly as prescribed in section 12 of the Act. 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 consulting with the FFC, the Committee also invited the Parliamentary Budget Office to comment on the Bill.

The Act also requires the Committee on Appropriations to conduct public hearings on the Bill and for the Committee to report to the House on the comments and amendments to the Bill. In compliance with the requirements of the Act, advertisements were published in print media and on Parliament's website and social media platforms, inviting the public and interested parties to comment on the Bill. The public hearings on the Bill were held on 13 March 2024 via the Zoom virtual meeting platform. In response, written and oral submissions were received by the Committee for consideration, and in line with the requirements of the Act from the Congress of South African Trade Unions and the Public Service Accountability Monitor.

2. Background to the Bill

The Bill proposes to effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2023/24 financial year and provides for matters incidental thereto. The Appropriation Act, 2022 (Act No. 8 of 2023), provides for the appropriation of money from the National Revenue Fund to provide for the requirements of the State in respect of the 2023/24 financial year. Whereas the Adjustments Appropriation Act, 2022 (Act No. 21 of 2023), effected adjustments to the appropriation of money provided for in the Appropriation Act, 2023 and whereas further adjustments are required to authorise expenditure approved in terms of section 6 of the Appropriation Act, 2023, and section 30 of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

The Second Adjustment Bill provides for a net movement of R290 million across functions and economic classifications. In terms of functions, the Bill proposes adjustments of allocations in the peace and security cluster and public service administration using savings identified mainly from the community development and economic development functions to mainly absorb the 2023/24 wage agreement

increases. In terms of economic classification, R190 million of this amount is put on transfers and subsidies, while R99 million provides for increases under compensation of employees, and R1 million for payment of capital assets. The bulk of funds are from goods and services.

The Bill proposes a downward adjustment of R400 million from the Department of Cooperative Governance (Vote 3). These are reductions in allocations for the Community Work Programme realised as result of contract not being finalised on time with new implementing agents for the Community Work Programme. In addition, a proposed total downward adjustment of R70 million from the Department of Public Works and Infrastructure (Vote 13) is made.

3. Provisions of the Bill

The Bill proposes additional financial support to the following Votes:

- a) A proposed additional allocation of R70 million to the Presidency (Vote 1) to cover the cost of the Ministry of Electricity for the 2023/2024 financial year. The new Ministry will oversee the electricity crisis response, with the appointed Minister having political responsibility and control over all critical aspects of the Energy Action Plan. This is aimed at helping to address the challenge of fragmentation of responsibility across various departments and Ministers. The Minister of Electricity will facilitate coordination of departments involved in the crisis response, work with Eskom leadership to improve power station performance, and accelerate the procurement of new generation capacity.
- b) A proposal is made to reduce the allocation to the Department of Cooperative Governance (Vote 3) by R400 million. These proposed reductions are from the Community Work Programme realised as result of contract not being finalised on time with new implementing agents for the Community Work Programme.
- c) A Proposed additional allocation of R200 million to the Department of Home Affairs (Vote 5) to increase Political Party Funding allocations. The Electoral Commission established the Party Funding Unit to ensure adequate capacity for implementing the Public Funding of Represented Political Parties Act. Funds are provided annually from the National Revenue Fund and distributed to political parties in the National Assembly or provincial legislatures. The Commission pays the allocated amounts quarterly.
- d) A proposed additional allocation of R80 million to the Department of International Relations and Cooperation (Vote 6) for hosting of the BRICS Summit in 2023/24. Owing to existing budget pressures and depreciation of the Rand, the department was unable to accommodate the costs of the Summit without the additional allocations.
- e) A proposed additional allocation of R12 million to the Public Service Commission (Vote 12) to augment existing allocations for compensation of employees due to the higher-than budgeted for 2023/24 public service wage bill and to fund vacancies.
- f) A proposed downward adjustment of R70 million from the Department of Public Works and Infrastructure (Vote 13) due to savings. The funding will be shifted to the Presidency for the Ministry of Electricity and the e-Cabinet system. The underspending was identified in three programs: Administration for employee compensation due to funded vacant posts (R12 million), Expanded Public Works Programme (R8 million), and Property and Construction Industry Policy and Research (R50 million) due to delays in appointing consultants for project preparation services by Infrastructure South Africa.
- g) A proposed additional allocation of R13 million the Department of Women, Youth and Persons with Disabilities (Vote 20) in general administration and allocations to the Commission for Gender Equality (CGE). Of this total, R8 million was used to alleviate pressure on goods and services. The R5 million is to enable the CGE to implement various projects such as, researches on thematic

areas on Gender based violence and femicide, commissioners project on female Traditional Leaders, and other projects that are planned to occur in 2023/24.

- h) A proposed additional allocation of R50 million to the Department of Justice and Constitutional Development (Vote 25) to cover the 2023/24 public service wage agreement increases for the Justice for Court Services and National Prosecuting Authority.
- i) A proposed additional allocation of R45 million to the Office of the Chief Justice (Vote 27) to cover increases related to the 2023/24 public service wage agreement, these adjustments are for Court Services and Judicial Education and Support. Table 1 below summarises the Bill Schedule.

Table 1: Bill Schedule

| Vote | | 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 | |
| 1 | Presidency | 70 000 | 12 000 | 57 000 | | | 1 000 | |
| | 1 Administration | 54 000 | 12 000 | 41 000 | | | 1 000 | |
| | Executive Support | 16 000 | | 16 000 | | | | |
| 3 | Cooperative Governance | -400 000 | | -400 000 | | | | |
| | 5 Community Work Programme | -400 000 | | -400 000 | | | | |
| 5 | Home Affairs | 200 000 | | | | 200 000 | | |
| | 4 Institutional Support and Transfers | 200 000 | | | | 200 000 | | |
| 6 | International Relations and Cooperation | 80 000 | | 80 000 | | | | |
| | Public Diplomacy and Protocol Services | 80 000 | | 80 000 | | | | |
| 12 | Public Services Commission | 12 000 | 12 000 | | | | | |
| | 1 Administration | 3 076 | 3 076 | | | | | |
| | 2 Leadership and Management Practices | 1796 | 1 796 | | | | | |
| | 3 Monitoring and Evaluation | 2 467 | 2 467 | | | | | |
| | 4 Integrity and Anti-corruption | 4 661 | 4 661 | | | | | |
| 13 | Public Works and Infrastructure | -70 000 | 20 000 | 35 000 | | 15 000 | | |
| | Administration | -12 000 | -12 000 | | | | | |
| | Expanded Public Works Programme | -8 000 | -8 000 | | | | | |
| | Property and Construction Industry Policy and Research | -50 000 | | -35 000 | | -15 000 | | |
| 20 | Women, Youth and Persons with Disabilities | 13 000 | | -8 000 | | -5 000 | | |
| | Administration | 8 000 | | 8000 | | | | |
| | Mainstreaming Women's Rights and Advocacy | 5 000 | | | | 5 000 | | |
| 25 | Justice and Constitutional Development | 50 000 | 50 000 | | | | | |
| | Court Services | 30 000 | 30 000 | | | | | |
| | National Prosecuting Authority | 20 000 | 20 000 | | | | | |
| 27 | Office of the Chief Justice | 45 000 | 45 000 | | | | | |
| | Administration | 3 112 | 3112 | | | | | |
| | Superior Courts and Services | 39 785 | 39 785 | | | | | |
| | Judicial Education and Support | 2 103 | 2 103 | | | | | |
| Total | | | 99 000 | -290 000 | | 190 000 | 1 000 | |

Source: Second Adjustments Appropriation (2023/24 Financial Year) Bill: National Treasury

4. Comments and hearings on the Bill with identified stakeholders

The sections below provide an overview of the submissions made by the identified stakeholders on the Bill.

4.1 Financial and Fiscal Commission

The Financial and Fiscal Commission gave an overview of the Bill and submitted that there was a total addition of R470 million with similar-sized reductions, with the largest addition being allocated to the Home Affairs vote in the amount of R200 million. This proposed allocation was specifically for the Represented Political Parties Fund as the political parties prepared for the general elections to be held in May 2024. The FFC submitted that the reductions related to two public employment programmes, namely, the Community Works Programme (CWP) and the Expanded Public Works Programme (EPWP) with proposed R400 million and R8 million reductions respectively. The FFC recommended that adjustments should be guided by a comprehensive evaluation of the performance of these important interventions.

The FFC supported the proposed addition allocations in the safety and security cluster aimed at improving the efficiency and productivity of judicial and prosecution services. It further noted that 15 per cent of total adjustments were in respect of administration and recommended that the allocation of resources to non-core/non-service delivery programmes, especially in the current constrained fiscal environment, should be limited by government.

4.2 Parliamentary Budget Office

The Parliamentary Budget Office gave an overview of the proposed allocations and reductions contained in the Bill. It submitted that the proposed reprioritisation of funds was primarily implemented from equitable shares and conditional grants in the community and economic development functions towards other group functions for compensation of employees. The PBO submitted that government's stated priority over the 2024 MTEF was to enhance spending quality and to minimize inefficiencies within all budget all budget items, whilst ensuring the sustainability of public finances. The PBO asserted that despite the government's priority to minimise inefficiencies, some of the reprioritisation of funding within the Bill showed little evidence of enhancing spending quality.

In conclusion, the PBO stated that given the changes to function budgets over the 2024 MTEF and the decline in real per capita expenditure, it was concerned about the government's ability to achieve the NDP targets set for 2030.

5 Public Submission on the Bill

The section below provides an overview of the submission that was made in response of the advertisement that was published on Parliament's website and social media platforms.

5.1 Congress of South African Trade Unions

The Congress of South African Trade Unions (COSATU) submitted that they were concerned about the proposed cut of R400 million to the Community Works Programme (CWP) under the Cooperative Governance Vote. It stated there were 12 million unemployed persons and a deterioration in municipal services and other community services, which the CWP projects assisted with, both in creating employment and delivering much needed community services. COSATU expressed concerns about the proposed addition of R80 million for Public Diplomacy and Protocol Services under the International Relations and Cooperation Vote. It stated that there many other more critical service delivery departments had faced severe budget cuts. COSATU commented that this funding could have been diverted to the Commission for Conciliation, Mediation and Arbitration (CCMA), which has had its budget cut for several years; yet has had to cope with a 24 per cent increase in cases being filed by workers.

COSATU supported the proposed addition of R200 million to the Home Affairs Vote for the funding of political parties in the run up to the 2024 national and provincial elections. According to COSATU, political parties were an essential component of a constitutional democracy, and they required assistance to reach voters. It also welcomed the proposed addition of R30 million for Court Services and R20 million for the National Prosecuting Authority (NPA) under the Justice and Constitutional Development Vote. However, it

cautioned that these additions were not enough and that a drastic increase in funding for the NPA and the judiciary was urgently needed if the country was to win the war against crime and corruption. COSATU also welcomed the addition of R45 million to the Office of the Chief Justice Vote.

5.2 Public Service Accountability Monitor

The Public Service Accountability Monitor (PSAM) indicated that they had considered previously tabled Appropriation Bills to determine the frequency of additional adjustments and found that these were being tabled with increasing frequency. Whereas in the past, the additional or second appropriation bills were for specific adjustments, with the purpose clearly discernible from the Bill itself. The PSAM reported noting more extensive adjustments taking place, with limited or no explanations provided with the information tabled with the budget or the Bill.

The PSAM commented that the Bill contained some significant and concerning proposed adjustments. They added that based on the explanations provided by the PBO, the majority were to accommodate wage increases emanating from the 2023/24 public sector wage agreement as well as the R200 million allocated to the Represented Political Party Fund. PSAM expressed concerns about the implications of the adjustments themselves, in particular the reduction to funds for the Community Works Programme and infrastructure planning. PSAM commented that their main concern was related to the transparency and credibility of the budget process. The PSAM contended that additional adjustments should not become the norm for the budget process, and that steps must be taken to improve forecasts and planning, such that additional adjustments were only required when truly significant and unforeseen events occurred.

PSAM recommended the following:

- That the Committee should compel the National Treasury to provide a detailed explanation of the Bill. Where additional adjustments were required outside of the Medium Term Budget Policy Statement (MTBPS), which was a well-established process and included detailed information on proposed adjustments, these should be accompanied by an explanatory note which included the reasons for the adjustments to enable proper oversight.

6 Committee Findings and Observations

Having considered all the submissions made by all the stakeholders on the Second Adjustments Appropriation (2023/24 financial year) Bill [B6 – 2024], the Standing Committee on Appropriations made the following findings and observations:

- 6.1** The Committee notes and welcomes the proposed additional allocation of R70 million to the Presidency to cover the cost of the Ministry of Electricity for the 2023/2024 financial year. Like many South Africans, the Committee is of the view that addressing the current energy crisis is critical to ensure the revival of the South African Economy with a potential positive multiplier effect on both job creation and government revenue.
- 6.2** The Committee notes with concerns on the proposed reduction of R400 million from the Department of Cooperative Governance's Community Work Programme due to late finalisation of a contract with new implementing agents. The Committee notes the important objective of creating income security and work experience for participants and the promotion of social and economic inclusion by targeting areas of high unemployment. Therefore, the Committee is strongly of the view that the Department must improve its processes around contract management and the appointment of service providers. Furthermore, given the fact that unemployment stood at 32.1 per cent as at the end of the fourth quarter of the 2023, the Committee views the underperformance on

the CWP as unacceptable conduct by the Department. This inaction negatively impacts on the intended beneficiaries of the Community Works Programme, the poor majority in particular. The Committee is of the view that if this is not urgently addressed, reversing the known societal ills of unemployment, poverty and inequality in South Africa will not be addressed with the required urgency.

- 6.3** The Committee notes and welcomes the proposed additional allocation of R80 million to the Department of International Relations and Cooperation for hosting of the BRICS Summit in 2023/24. The Committee is of the view that the successful hosting of the BRICS Summit was very important, not only for the positive image of the country but also in strengthening South Africa's partnership with our major trading partners and allies.
- 6.4** The Committee notes the concerns raised by COSATU about the proposed additional allocation of R80 million for Public Diplomacy and Protocol Services under the International Relations and Cooperation Vote. However, the Committee is of the view that South Africa has a legal and moral obligations to honour its international obligations, more so with its major trading partners.
- 6.5** The Committee notes and welcomes the proposed additional allocation of R200 million to the Department of Home Affairs to increase Political Party Funding allocations. The Committee is of the view that this proposed allocation will go a long way in assisting political parties to better and equally prepare for the country's upcoming general election in May 2024, thereby strengthening South Africa's constitutional democracy.
- 6.6** The Committee notes and welcomes the proposed additional allocations made to various votes to cover the costs of the 2023/24 public service wage agreement increases. However, the Committee reiterates its call to National Treasury to refrain from estimating public service wage increases outside the legally recognised Public Service Co-ordinating Bargaining Council. This will in turn prevent the tabling of adjustments budgets due to higher than anticipated wage agreements. The Committee is of the view that this negatively impacts on Parliament's programme and time, and limits Parliament's ability to focus on other important issues affecting country. The Committee is of the view that if this is not addressed by National Treasury, it might unintentionally bring into question the transparency and credibility of the budget process.
- 6.7** The Committee notes and welcomes the submission by PSAM that additional adjustments budgets should not become the norm for the budget process, and that steps must be taken to improve forecasts and planning, such that additional adjustments should only be required when truly significant and unforeseen events occurred.

7 Recommendations

The Standing Committee on Appropriations, having considered the briefings and comments by invited stakeholders on the Second Adjustments Appropriation (2023/24 financial year) Bill [B6 - 2024], recommends as follows:

- 7.1** That the Minister of Finance ensure that National Treasury, in future, provide more explanatory information on the rationales and justifications of these adjustments' appropriation bills in the spirit of greater transparency and accountability on the utilisation of public resources.
- 7.2** That the Minister of Cooperative Governance ensures that the Department of Cooperative Governance provide a comprehensive evaluation report on the performance of the Community Work Programme, reasons for these proposed allocation reductions of R400 million and steps taken to prevent this from happening in the future.

8 Committee Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Second Adjustments Appropriation (2023/24 financial year) Bill [B4 - 2024] (National Assembly – Section 77); referred to it and classified by the Joint Tagging Mechanism; recommends that the Bill be adopted, without amendments.

9 Conclusion

The responses to the recommendations as set out in section 9 above by the relevant Executive Authorities must be sent to Parliament as well as the Committee within 60 days of the adoption of this report by the National Assembly.

Report to be considered.