# STANDING COMMITTEE ON APPROPRIATIONS ENGAGES NATIONAL TREASURY ON 2022 BUDGET

As is customary after the Minister of Finance tables the budget for the year, National Treasury appeared before the Standing Committee on Appropriations to account on the division of revenue. This year, the Treasury’s presentation focussed on the equitable share granted to provinces and the local government grant allocation.

There has been widespread dissatisfaction with the way these allocations are worked out, as critics believe internal migration, which has seen over 66 per cent of all citizens move to the cities, is not taken into consideration when determining how much goes to each area.

But according to the budget process economist in the Treasury, Mr Bongani Daka, the provincial equitable share relating to healthcare has been redesigned to take into consideration data relating to age and sex, fertility rate, regional gross domestic product, income and expenditure, and mid-year population.

He told the committee that the recent once-off gratuity for public sector servants amounting to R14.7 billion came from the equitable share allocation. An additional R1 billion has been utilised to restructure grants to enable provinces to provide Covid vaccines and R389 million has been allocated to infrastructure at provincial level.

Regarding the allocations to local government, the senior budget head at Treasury, Mr Letsepa Pakkies, stated that local government gets 9.8 per cent of the national budget and to cover the shortfall municipalities must raise their own revenue. Local government revenue grew by 7.9% and its equitable share by 10.3% over the Medium-Term Expenditure Framework, he said.

 In real terms, R29 billion has been added to local government allocations to increase the coverage of basic service delivery. Another R5 billion went to local government administration, R9.7 billion to servicing poor communities and R64 billion on free services. In addition, the financial management grant seeks to establish an assets register for municipalities, something that is currently missing in many municipalities.

During the question session, committee members questioned whether the formulae used to allocate the provincial equitable share and local government grant is suitable. They also wanted to know why local governments continue to underspend and what the National Treasury is doing to address the lack of capacity in this sphere of governance.

The head of intergovernmental relations at Treasury, Ms Malijeng Ngqaleni, replied by saying: “We constantly engage provinces to allocate budget where there are service delivery pressures. Yes, these allocations are adequate, because we don’t have enough money to cover our social needs. But we tell them we need to use these funds to restore baseline erosions and reduce them being used for goods and services.”

Committee member Mr Oscar Mathafa wanted to know if the cost of consultants is still placing a drain on municipal finances. Ms Ngqaleni responded: “The issue is whether we get value for money for using consultants or not. It’s difficult to do away with their service, because most often they offer local municipalities technical skills or expertise they don’t have. What is needed is for them to have clear project resources allocation plans to ensure they get value for money from them.”

Committee Member Mr Xolisile Qayiso was of the view that a skills shortage in municipalities is what has led to the collapse of infrastructure development in many municipalities. He wanted to know what Treasury is doing about this. Ms Ngqaleni answered: “This is an issue we constantly raise with municipalities, because at the heart of it is the notion of the value for money and the efficient delivery of services. Unfortunately, we can only advise on necessary intervention and flag our concern, but is a competency that falls in the purview of the Department of Cooperative Governance and Traditional Affairs.”

The deteriorating capacity of municipalities has led to underspending, said the Chief Director: Local Government Budget Analyst at Treasury, Mr Jan Hattingh. As a means to capacitate municipalities, he said, and to give effect to the division of revenue “we held workshops with them and explained what to do and not to. No municipality can claim that we haven’t done that.”

The debt owed to municipalities is another ongoing problem and Ms Dipuo Peters asked what the Treasury is doing to address it. Ms Ngqalewni replied: “This debt has risen to well over R20 billion, but what we told municipalities is that we can’t be their debt collectors. They must enhance the capacity to collect their own debt. We applaud what the Tshwane Municipality did. Others should also follow suit and cut the services of debtors who don’t pay their services.”

The Chairperson of the committee, Mr Sfiso Buthelezi, asked why the Treasury is still using the 2011 census to determine the provincial equitable shares and local government allocations for the indigent. The Chief Director: Intergovernmental Policy and Planning at Treasury, Ms Wendy Fanoe, replied that they use various instruments to determine these things. The census is one among many.

Committee member Mr Ashor Sarupen asked whether the provincial equitable share and local government grant allocations consider rising internal migration. Ms Fanoe replied saying that the Treasury also uses the mid-year population survey to determine adjustments to provincial shares and grants for local government to cater for internal migration.

Mr Buthelezi emphasised that these matters are of keen interest to the committee, given that provincial and local government is at the coal face of service delivery and realising the government’s developmental agenda.

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