

**Report of the Select Committee on Appropriations on its activities undertaken during the 5th Parliament (May 2014 – March 2019)**

**Key highlights**

1. **Reflection on committee programme per year and on whether the objectives of such programmes were achieved**

**The mandate of the Select Committee on Appropriations is, among others, consideration of Money Bills, spending issues and recommendations of the Financial and Fiscal Commission on issues related to the division of revenue for the next financial year. Over the period under review the Committee has been able to consider and report on all the Money Bills referred to it, at times under very tight time constraints. In processing the Bills, the Committee, however, did not compromise on the need to facilitate public participation in its processes. All the Minutes of the Committee for the period under review have been duly adopted. One of the challenges identified by the Committee was the need to review the current legislation on processing Money Bills. The matter has been put as a priority by all the affected committees (Finance and Appropriations) in both Houses and has now been finalised.**

1. **Committee’s focus areas during the 5th Parliament**

**In addition to the processing of the Money Bills mentioned above, the Committee focused on the spending and performance on conditional grants that affect the lives of communities, including, most recently, the Municipal Infrastructure Grant; the Human Settlements Development Grant; the Education Infrastructure Grant; the Early Childhood Development Grant; and the Municipal and Provincial Disaster Relief Grants and the Municipal Disaster Recovery Grant.**

1. **Key areas for future work**

**The Committee should continue with the –**

* **Implementation of the Money Bills Act;**
* **Oversight over conditional grant spending and performance by provinces, municipalities and national departments;**
* **Follow up on oversight and implementation of recommendations made;**
* **Capacity building;**
* **Post-budget analyses by the PBO, FFC and Salga in October and February each year;**
* **Strengthening oversight as well as promotion of intergovernmental relations.**

(Also see point 5 below for further recommendations.)

1. **Key challenges emerging**

* **One of the challenges identified by the Committee was the need to review the current legislation on processing Money Bills. The tight timeframes provided within the legislation at times put the Committee as well as the provinces under pressure especially when processing the Bills presented during the Medium Term Budget Policy Statement. The amendment of this Act has now been finalised.**
* **Another challenge related to the programming of the NCOP, in as far as it has sometimes hampered the Committee’s ability to conduct oversight visits, and the continuous scheduling of the Taking Parliament to the People Programme during the processing of the legislation contained in the Medium Term Budget Policy Statement.**

1. **Recommendations**

* **Government should also consider presenting the MTBPS at least two weeks earlier so as to enable Parliament in both Houses as well as Provinces sufficient time to process the legislation.**
* **The NCOP should consider the consolidated draft MTBPS programme of the four Finance and Appropriations Committees before scheduling its programmes, as this consolidated programme is normally available months ahead of the tabling of the MTBPS.**
* **The four appropriations and finance committees of both Houses, should consider convening joint meetings, together with the public enterprises committees, to call all the SOEs who had received bail-outs to account for all the funds they had received.**
* **The appropriations committees of both Houses should consider meeting jointly, together with the committees on cooperative governance, on a quarterly basis, to monitor the performance of local government, including the progress with the Back to Basics Programme.**
* **With regard to the increase in debt service costs, the four finance and appropriations committees should consider quarterly joint meetings to monitor the fiscal position of the country.**
* **As part the induction of the Members of the finance and appropriations committees of the 6th Parliament, it is recommended that a two-day workshop be held to capacitate Members on, amongst other things, the 2018 Mandate Paper and the alignment of the Budget to it; and all matters relating to effective fiscal oversight. This workshop should include National Treasury, the DPME, the FFC, the Reserve Bank and the PBO.**

1. **Introduction**
   1. **Department/s and Entities falling within the committee’s portfolio**

Not applicable.

* 1. **Functions of Committee:**

Parliamentary committees are mandated to:

* Monitor the financial and non-financial performance of government departments and their entities to ensure that national objectives are met.
* Process and pass legislation.
* Facilitate public participation in Parliament relating to issues of oversight and legislation.

The Select Committee on Appropriations was established in terms of Section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009. According to Section 4(4) of this Act, “a committee on appropriations [in the National Council of Provinces] has the power and functions conferred to it by the Constitution, legislation, the standing rules or a resolution of a House, including the considering and reporting on -

1. spending issues;
2. amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriation Bills and the Adjustments Appropriations Bill;
3. recommendations of the Financial and Fiscal Commission, including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (No. 97 of 1997);
4. reports on actual expenditure published by the National Treasury; and
5. any other related matter set out in this Act (No. 9 of 2009)”.
   1. **Method of work of the committee (if committee adopted a particular method of work e.g. SCOPA.)**

Not applicable.

* 1. **Purpose of the report**

The purpose of this report is to provide an account of the Select Committee on Appropriations’ work during the 5th Parliament and to inform the members of the new Parliament of key outstanding issues.

This report provides an overview of the activities the Committee undertook during the 5th Parliament, the outcome of key activities, as well as any challenges that emerged during the period under review and issues that should be considered for follow up during the 6th Parliament. It summarises the key issues for follow-up and concludes with recommendations to strengthen operational and procedural processes to enhance the Committee’s oversight and legislative roles in future.

1. **Key statistics**

The table below provides an overview of the number of meetings held, legislation processed and the number of oversight trips and study tours undertaken by the Committee, as well as any statutory appointments the Committee made, during the 5th Parliament:

| **Activity** | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| Meetings held | 15 | 31 | 26 | 30 | 40 | 142 |
| Legislation processed | 3 | 8 | 5 | 4 | 6 | 26 |
| Oversight trips undertaken |  | 2 | 1 | 1 | 1 | 5 |
| Study tours undertaken | - | - | - | 1 | - | 1 |
| International agreements processed | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | - |
| Statutory appointments made | - | - | - | - | 1 | 1 |
| Interventions considered | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | - |
| Petitions considered | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | - |

1. **Stakeholders:**

Not applicable.

1. **Public hearings**

The Committee advertised for public comment on all pieces of legislation processed, as well as the annual Medium Term Budget Policy Statements, and public hearings were held where required.

1. **Legislation**

The following pieces of legislation were referred to the Committee and processed during the 5th Parliament:

| **Year** | **Name of Legislation** | **Tagging** | **Objectives** | **Completed** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| **2014/15** | *Appropriation Bill* [B4-2014] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2014/15 financial year. | 29 July 2014 |
|  | *Division of Revenue Amendment Bill* [B11 – 2014] | Section 76 | To amend the Division of Revenue Act, 2014, in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009); and to provide for matters connected therewith. | 26 November 2014 |
|  | *Adjustments Appropriation Bill* [B10 – 2014] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2014/15 financial year; and to provide for matters incidental thereto. | 29 November 2014 |
|  |  |  |  |  |
| **2015/16** | *Division of Revenue Bill* [B5-2015] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2015/16 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith. | 28 April 2015 |
|  | *Appropriation Bill* [B6-2015] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2015/16 financial year. | 23 June 2015 |
|  | *Eskom Special Appropriation Bill* [B16-2015] | Section 77 | To amend the Eskom Subordinated Loan Special Appropriation Act (2008/09-2010/11 financial years), 2008 to convert the subordinated loan to Eskom to shares for the State. | 25 June 2015 |
|  | *Eskom Subordinated Loan Special Appropriation Amendment Bill* (2008/2009-2010/11 financial years) [B17-2015] | Section 77 | To amend the Eskom Subordinated Loan Special Appropriation Act (2008/09-2010/11 financial years), 2008 to convert the subordinated loan to Eskom to shares for the State. | 25 June 2015 |
|  | *Division of Revenue Amendment Bill* [B 27 – 2015] | Section 76 | To amend the Division of Revenue Act, 2015, in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009, and to provide for matters connected therewith. | 24 November 2015 |
|  | *Adjustments Appropriation Bill* [B28 – 2015] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2015/16 financial year; and to provide for matters incidental thereto. | 27 November 2015 |
|  | *Finance Bill* [31-2015] | Section 77 | To make provision for authorising unauthorised expenditure and approve a funding mechanism. | 27 November 2015 |
|  | *New Development Bank Special Appropriations Bill* [B32-2015] | Section 77 | To appropriate money for the first instalment of the paid-in capital towards the capitalisation of the BRICS-led NDB for the current financial year of 2015/16, in accordance with the Agreement. | 27 November 2015 |
|  |  |  |  |  |
| **2016/17** | *Division of Revenue Bill* [B2-2016] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2016/17 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith. | 3 May 2016 |
|  | *Appropriation Bill* [B3-2016] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2016/17 financial year. | 24 May 2016 |
|  | *Division of Revenue Amendment Bill* [B15-2016] | Section 76 | To amend the Division of Revenue Act, 2016, in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009, and to provide for matters connected therewith. | 29 November 2016 |
|  | *Adjustments Appropriation Bill* [B16–2016] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2016/17 financial year; and to provide for matters incidental thereto. | 8 December 2016 |
|  | *Finance Bill* [B21–2016] | Section 77 | To approve unauthorised expenditure. | 8 December 2016 |
|  |  |  |  |  |
| **2017/18** | *Division of Revenue Bill* [B4 – 2017] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2017/18 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith. | 9 May 2017 |
|  | *Appropriation Bill* [B5 – 2017] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2017/18 financial year; to proscribe conditions for the spending of funds withdrawn for the 2018/19 financial year before the commencement of the Appropriation Act for the 2018/19 financial years; and to provide for matters incidental thereto. | 20 June 2017 |
|  | *Division of Revenue Amendment Bill* [B24 – 2017] | Section 76 | To amend the Division of Revenue Act, 2017, in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009, and to provide for matters connected therewith. | 21 November 2017 |
|  | *Adjustments Appropriation Bill* [B25 – 2017] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2017/18 financial year; and to provide for matters incidental thereto. | 1 December 2017 |
|  |  |  |  |  |
| **2018/19** | *Division of Revenue Bill* [B2 – 2018] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local government spheres for the 2018/19 financial year. | 2 May 2018 |
|  | *Appropriation Bill* [B3 -2018] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2018/19 financial year. | 20 June 2018 |
|  | *Division of Revenue Amendment Bill* [B34 – 2018] | Section 76 | To amend the Division of Revenue Act, 2018, to provide for the equitable division of revenue raised nationally among the national, provincial and local government spheres for the 2018/19 financial year. | 20 November 2018 |
|  | *Adjustments Appropriation Bill* [B35 – 2018] | Section 77 | To amend the appropriation of funds from the National Revenue Fund for the requirements of the State for the 2018/19 financial year. | 29 November 2018 |
|  | *Special Appropriation Bill* [B36 – 2018] | Section 77 | To appropriate an additional amount of money for the requirements of the Department of Public Enterprises to settle the debt obligations of the South African  Airways SOC Limited (SAA); and to provide for matters connected therewith. | 29 November 2018 |
|  |  |  |  |  |
| **2019/20** | *Division of Revenue Bill* [B5 – 2019] | Section 76 |  | 27 March 2019 |
|  | *Public Audit Excess Fee Bill* [B7 – 2019] | Section 77 |  | 27 March 2019 |

1. **Challenges emerging**

The following challenges emerged during the processing of legislation:

* The timeous implementation of Committee recommendations by departments/entities; and
* Follow-ups on Committee recommendations.

1. **Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* Establish a clear recommendation tracking mechanism.

1. **Oversight trips undertaken**

The following oversight trips were undertaken:

| **Date** | **Area Visited** | **Objective** | **Recommendations** | **Responses to Recommendations** | **Follow-up Issues** | **Status of Report** |
| --- | --- | --- | --- | --- | --- | --- |
| 17 – 21 August 2015 | KwaZulu-Natal | To assess the status of projects undertaken through the following conditional grants:   * Education Infrastructure Grant * National Health Insurance Grant * Hospital Revitalisation Grant * Municipal Infrastructure Grant. | See pages 3604 to 3641 of ATC no 129 dated 13 October 2015 for all findings and recommendations. |  |  | Adopted by Committee on 13 October 2015 |
| 7 – 8 September 2015 | Limpopo | To assess the status of projects undertaken through the Municipal Infrastructure Grant. | See pages 3641 to 3656 of ATC no 129 dated 13 October 2015 for all findings and recommendations. |  |  | Adopted by Committee on 13 October 2015 |
| 2 February 2017 | Saldanha Bay Local Municipality | To assess the appropriateness of the infrastructure built-if it is for purpose, function and operational;  To assess whether the projects have met the objective of increased access and delivery of basic services to poor households;  To elicit whether the Municipal Infrastructure Grant funding was complemented by any other grant funding such as the Expanded Public Works programme Integrated grant for Municipalities. And if so, the number of people from the community who benefited from working on the infrastructure project;  To assess whether municipalities have maintenance plans in place for the infrastructure delivery to ensure that its lifespan is extended to its optimum. | See pages 41 to 48 of ATC no 34 dated 14 March 2017 for all findings and recommendations. |  |  | Adopted by Committee on 14 March 2017 |
| 4 - 5 September 2017 | Gauteng Metropolitan Municipalities (Cities of Ekurhuleni, Johannesburg and Tshwane) | Assess the Spatial Development Programmes of the Gauteng metropolitan municipalities as well as the utilisation of conditional grants when addressing the fragmentation of the spatial development;  Assess the spending patterns of the various grants as well as the value for the money spent;  Evaluate whether the infrastructure projects have met the objectives of spatial integration and provision of basic services to poor households;  Evaluate the expanded investment in core infrastructure development; that is construction of a road network liked to a Bus Rapid Transit System; and  Assess whether municipalities have maintenance plans in place for the infrastructure delivered to ensure that its lifespan is extended to its optimum. | See pages 36 to 60 of ATC no 178 dated 1 December 2017 for all findings and recommendations. |  |  | Adopted by Committee on 1 December 2017 |
| 30 July – 3 August 2018 | OR Tambo District Municipality, Mthatha, Eastern Cape | To conduct inspections *in loco* of Municipal Infrastructure Grant (MIG) projects of the District Municipality to evaluate progress of the projects against expenditure reports and assess challenges experienced during implementation. | See pages 4 to 39 of ATC no 124 dated 12 September 2018 for all findings and recommendations. |  |  | Adopted by Committee on 12 September 2018 |

1. **Challenges emerging**

The following challenges emerged during the oversight visit:

* Follow-ups on Committee recommendations; and
* The implementation of Committee recommendations.

1. **Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* Follow up on the implementation of the Committee recommendations for the OR Tambo District Municipality oversight visit.

1. **Study tours undertaken**

The following study tour was undertaken:

| **Date** | **Place Visited** | **Objective** | **Lessons Learned** | **Status of Report** |
| --- | --- | --- | --- | --- |
| 14 -18 August 2017 | Kuala Lumpur, Malaysia | The Committee wanted to learn about the following:  How does the Malaysian government ensure that its long-term economic transformation policy receives budgetary prioritisation?  How does the budget for long-term economic transformation policies filter down to sub-national government level (i.e. federal states)?  How is the implementation of long-term economic transformation policy and the associated budget monitored and evaluated?  How effective has the Big Fast Results (BFR) methodology been in achieving the long-term economic transformation policy objectives?  How does the Malaysian Parliamentary Committee responsible for budget oversight fulfil its oversight role over the budget, specifically the budget for long-term economic transformation? | Malaysia has emerged as a model for other countries pursuing transformation, providing affirmation that their plan is one that works and offers valuable lessons that others can draw from. The Committee will in the course of its oversight work engage all relevant stakeholders and role players on the things observed during the study tour as measures and systems of good practice.  (More detail regarding the Malaysian economic transformation and inclusive growth, up to the point where there is no unemployment, can be obtained from the Committee Report on pages 2 to 46 of ATC no 123 dated 13 September 2017.) | Adopted by Committee on 13 September 2017. |

1. **International Agreements:**

Not applicable.

1. **Statutory appointments**

The following appointment process was referred to the Committee and the resultant statutory appointment was made:

| **Date** | **Type of appointment** | **Period of appointment** | **Status of Report** |
| --- | --- | --- | --- |
| 16 May 2018 | Director of the Parliamentary Budget Office. | From 1 June 2018 until three months after the general election of 2019. | Adopted by Committee and published in ATC on 24 May 2018. |

1. **Challenges emerging**

The following challenges emerged during the statutory appointments:

* The misalignment on Committee programmes which make it difficult for all four Committee to meet and take a decision.

1. **Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* The position of the Director of the Budget Office is currently vacant, and therefore should be prioritised.

1. **Interventions**

Not applicable.

1. **Petitions**

Not applicable.

1. **Obligations conferred on Committee by legislation:**

See 1.2 for reference to the Money Bills Act.

1. **Summary of outstanding issues the Committee has been grappling with**

The following key issues are outstanding from the Committee’s activities during the 5th Parliament:

| **Issue(s) (See bullets 4-6 under Recommendations on page 1)** |
| --- |
| Poor performing municipalities |
| Bail-outs to struggling SOEs |
| Increasing debt service costs. |

1. **Other matters referred by the Chairperson of the NCOP**

The following other matters were referred to the Committee and, where applicable, the resultant reports produced:

| **Date of referral** | **Expected report date** | **Content of referral** | **Status of Report** |
| --- | --- | --- | --- |
| 11 June 2014 | Not applicable | Submission of the Financial and Fiscal Commission on the Division of Revenue Bill for 2015/16, tabled in terms of section 9(1) of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997), as amended. | Not applicable |
| 22 September 2015 | Not applicable | Submission of the Financial and Fiscal Commission on the Division of Revenue Bill for 2016-2017, tabled in terms of section 9(1) of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997), as amended. | Not applicable |
| 1 June 2016 | Not applicable | Submission of the Financial and Fiscal Commission on the Division of Revenue Bill for 2017/18 | Not applicable |
| 3 May 2017 | Not applicable. | A letter dated 22 March 2017 received from the Mayor of the O R Tambo District Municipality requesting the NCOP to intervene in the stopping of the Municipal Infrastructure Grant (MIG) allocation to the O R Tambo District Municipality. | Adopted by Committee on 28 June 2017 and by the NCOP on 28 November 2017. |
| 7 June 2017 | Not applicable. | Financial and Fiscal Commission Submission on Division of Revenue Bill for 2018/19. | Adopted by Committee on 12 September 2017 and by the NCOP on 14 November 2017. |
| 12 June 2018 | Not applicable. | Submission of the Financial and Fiscal Commission on the  Division of Revenue Bill for 2019-20, tabled in terms of  section 9(1) of the Intergovernmental Fiscal Relations Act,  1997 (Act No 97 of 1997), as amended [RP 232 – 2018]. | Not applicable. |

1. **Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* In order to save time and cut costs, the Select and Standing Committees should always try and have a joint meeting to be briefed by the FFC on its annual submission. In 2018, this meeting was held on two separate occasions.