

**PARLIAMENT**  
OF THE  
**REPUBLIC OF SOUTH AFRICA**

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**ANNOUNCEMENTS,  
TABLINGS AND  
COMMITTEE REPORTS**

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WEDNESDAY, 14 MARCH 2018

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## ANNOUNCEMENTS

### National Assembly and National Council of Provinces

#### The Speaker and the Chairperson

#### 1. Classification of Bills by Joint Tagging Mechanism (JTM)

- (1) The JTM in terms of Joint Rule 160(6) classified the following Bill as a section 76 Bill:
  - (a) **Division of Revenue Bill** [B 2 – 2018] (National Assembly – sec 76).

### National Assembly

#### The Speaker

#### 1. Designation of Parliamentary Counsellor

- (1) The following member has, with effect from 12 March 2018, been designated as parliamentary counsellor in accordance with Rule 34:
  - (a) Mr E I Ebrahim as Parliamentary Counsellor to the Deputy President of the Republic.

#### 2. Request to expedite procedures to remove the Public Protector

- (1) A request has been received from the Chief Whip of the Democratic Alliance, Mr J Steenhuisen MP, that the National Assembly expedite procedures to remove the Public Protector in terms of section 194 of the Constitution read with section 2(1)(c) of the Public Protector Act 23 of 1994.

Referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report.

#### 3. Referral to Committees of papers tabled

- (1) The following papers are referred to the **Portfolio Committee on Agriculture, Forestry and Fisheries** for consideration and report:
  - (a) Annual Performance Plan of the Department of Agriculture, Forestry and Fisheries for 2018-19.

- (b) Strategic Plan of the Perishable Products Export Control Board (PPECB) for 2018 to 2022 and Annual Performance Plan of the Perishable Products Export Control Board (PPECB) for 2018-19.
  - (c) Strategic Plan of the National Agricultural Marketing Council (NAMC) for 2018/23 and Annual Performance Plan of the National Agricultural Marketing Council (NAMC) for 2018-19.
  - (d) Technical Indicator Definitions of the National Agricultural Marketing Council (NAMC) for 2018-23.
  - (e) Strategic Plan (Corporate Plan) of Onderstepoort Biological Products (OBP) SOC Ltd for 2018-19 – 2020-21 and Annual Performance Plan of Onderstepoort Biological Products (OBP) SOC Ltd for 2018-19.
  - (f) Strategic Plan of the South African Veterinary Council for 2017 - 19.
  - (g) Strategic Goals of the South African Veterinary Council for 2017 – 19 (Implementation Plan - 2018).
  - (h) Business Plan of the Agricultural Research Council (ARC) for 2018-19.
  - (i) Annual Performance Plan of the Marine Living Resources Fund (MLRF) for 2018-19.
- (2) The following papers are referred to the **Portfolio Committee on Basic Education** for consideration and report:
- (a) Annual Performance Plan of the Department of Basic Education for 2018-19.
  - (b) Annual Performance Plan of the South African Council for Educators (SACE) 2018-19.
- (3) The following papers are referred to the **Portfolio Committee on Cooperative Governance and Traditional Affairs** for consideration and report:
- (a) Annual Performance Plan of the Department of Cooperative Governance for 2018-19.
  - (b) Annual Performance Plan of the Department of Traditional Affairs for 2018 -19 [RP 63 – 2018].
  - (c) Strategic Plan of the Department of Traditional Affairs for 2015 – 2020 [RP 64 – 2018].

- (d) Annual Performance Plan of the South African Local Government Association (SALGA) for 2018-19.
  - (e) Strategic Plan of the Municipal Demarcation Board (MDB) for 2017-21.
  - (f) Annual Performance Plan of the Municipal Demarcation Board (MDB) for 2018-19.
- (4) The following papers are referred to the **Portfolio Committee on Defence and Military Veterans** for consideration and report:
- (a) Annual Performance Plan of the Department of Defence for 2018.
  - (b) Annual Performance Plan of the Castle Control Board for 2018.
  - (c) Corporate Plan of Armscor (Armaments Corporation) for 2018.
- (5) The following papers are referred to the **Portfolio Committee on Economic Development** for consideration and report:
- (a) Revised Strategic Plan of the Department of Economic Development for 2015-16 to 2019-20.
  - (b) Annual Performance Plan of the Department of Economic Development for 2018-19.
  - (c) Annual Performance Plan of the Competition Tribunal for 2018-19.
  - (d) Annual Performance Plan of the Competition Commission for 2018-19.
  - (e) Corporate Plan of the Industrial Development Corporation of South Africa for 2018-19 – 2022-23.
  - (f) Annual Performance Plan of the International Trade and Administration Commission of South Africa for 2018-19.
- (6) The following paper is referred to the **Standing Committee on Finance** for consideration and report:
- (a) Annual Performance Plan of National Treasury for 2018-19.

- (7) The following papers are referred to the **Portfolio Committee on Health** for consideration and report:
- (a) Annual Performance Plan of the National Department of Health for 2018-19 – 2020-21 [RP 72-2018].
  - (b) Annual Performance Plan of the South African Health Products Regulatory Authority (SAHPRA) for 2018-19.
  - (c) Strategic Plan of the South African Health Products Regulatory Authority (SAHPRA) for 2018-19 – 2022-23.
  - (d) Annual Performance Plan of the Council for Medical Schemes for 2018-19.
  - (e) Annual Performance Plan of the Office of Health Standards Compliance (OHSC) for 2018-19.
  - (f) Strategic Plan of the National Health Laboratory Service (NHLS) for 2018 – 20.
  - (g) Annual Performance Plan of the National Health Laboratory Service (NHLS) for 2018-19.
  - (h) Annual Performance Plan of the South African Medical Research Council (SAMRC) for 2018-19.
- (8) The following paper is referred to the **Portfolio Committee on Justice and Correctional Services** for consideration and report:
- (a) Annual Performance Plan of the Office of the Chief Justice of the Republic of South Africa (OCJ) for 2018-19.
- (9) The following papers are referred to the **Portfolio Committee on Mineral Resources** for consideration and report:
- (a) Annual Performance Plan of the State Diamond Trader for 2018-19.
  - (b) Annual Performance Plan of the Mine Health and Safety Council for 2018-19.
- (10) The following papers are referred to the **Portfolio Committee on Small Business Development** for consideration and report:
- (a) Annual Performance Plan of the Department of Small Business Development for 2018-19.
  - (b) Strategic Plan of the Department of Small Business Development for 2015 – 19.

- (c) Annual Performance (Corporate) Plan of the Small Enterprise Finance Agency (SEFA) for 2018-19.
  - (d) Annual Performance Plan of the Small Enterprise Development Agency (SEDA) for 2018-19 – 2020-21.
- (11) The following paper is referred to the **Portfolio Committee on Sport and Recreation** for consideration and report:
- (a) Annual Performance Plan of the Department of Sport and Recreation South Africa for 2018-19.
- (12) The following papers are referred to the **Portfolio Committee on Public Service and Administration as well as Planning, Performance, Monitoring and Evaluation** for consideration and report:
- (a) Annual Performance Plan of the Department of Public Service and Administration for 2018-19.
  - (b) Annual Performance Plan of the Centre for Public Service Innovation for 2018-19.
  - (c) Annual Performance Plan of the National School of Government for 2018-19.
  - (d) Annual Performance Plan of the Public Service Commission (PSC) for 2018-19.
- (13) The following papers are referred to the **Portfolio Committee on Telecommunications and Postal Services** for consideration and report:
- (a) Annual Performance Plan of the Department of Telecommunications and Postal Services for 2018 - 19.
  - (b) Strategic Plan (Corporate Plan) of the State Information Technology Agency (SITA) for 2018-19 and Annual Performance Plan for 2018 - 19.
  - (c) Strategic Plan (Corporate Plan) of the National Electronic Media Institute of South Africa (NEMISA) for 2018-19 and Annual Performance Plan for 2018-19.
  - (d) Strategic Plan of the Universal Services and Access Agency of South Africa (USAASA) for 2017 - 21 and Annual Performance Plan for 2018 - 19.
  - (e) Strategic (Corporate) Plan of South African Post Office for 2018-19 – 2020-21 and Annual Performance Plan for 2018-19.

- (f) Strategic (Corporate) Plan of the Broadband Infraco for 2018-19 – 2022-23 and Annual Performance Plan of the Broadband Infraco for 2018-19.
  - (g) Strategic (Corporate) Plan for 2018-21 and Annual Performance Plan for Sentech for 2018-19.
- (14) The following papers are referred to the **Portfolio Committee on Rural Development and Land Reform** for consideration and report:
- (a) Annual Performance Plan of the Department of Rural Development and Land Reform for 2018-19 [RP 101-2018].
  - (b) Annual Performance Plan of the Commission on Restitution of Land Rights for 2018-19.
- (15) The following papers are referred to the **Portfolio Committee on Science and Technology** for consideration and report:
- (a) Annual Performance Plan of the Department of Science and Technology for 2018-19.
  - (b) The Shareholders Compact of the Council for Scientific and Industrial Research (CSIR) commencing 1 April 2018.
  - (c) Annual Performance Plan of the Academy of the South African National Space Agency (SANSA) for 2018-19.

#### **4. Membership of Committees**

- (1) The following members have been nominated by their parties to serve on the *Ad Hoc Joint Committee on Parliament and Provincial Medical Aid Scheme*:

##### **African National Congress**

Tleane, Mr SA  
Chueu, Ms MP  
Dambuza, Ms NB  
Chauke, Mr HP  
Maseko, Ms LM  
Kalako Mr MU  
Nobanda, Ms GN [Alternate]

##### **Democratic Alliance**

Kalyan, Ms SV  
Marais, Mr SJF

**Economic Freedom Fighters**

Thembekwayo, Dr SS

**Inkatha Freedom Party**

Singh, Mr N

**Freedom Front Plus**

Mulder, Dr C

**National Freedom Party**

Shelembe, Mr NL [Alternate]

**African Christian Democratic Party**

Dudley, Ms C [Alternate]

- (2) The following changes to Committee membership have been made by the African National Congress:

**Constitutional Review Committee**

Discharged: Pilane-Majake, Dr MCC  
Appointed: Koornhof, Mr NJJvR

**Portfolio Committee on Agriculture, Forestry and Fisheries**

Appointed: Madella, Mr AF [Alternate]  
Appointed: Chueu, Ms MP

**Arts and Culture**

Discharged: Dlamini-Zuma, Ms NC  
Appointed: November, Ms N

**Portfolio Committee on Basic Education**

Discharged: Dirks, Mr AM  
Appointed: Botes, Mr A

**Portfolio Committee on Communications**

Discharged: Gungubele, Mr M  
Discharged: Tolashe, Ms NG  
Appointed: Bongo, Mr BT  
Appointed: Xaba, Mr NV



**Portfolio Committee on Defence and Military Veterans**

Discharged: Skosana, Mr JJ  
Appointed: Van Rooyen, Mr DD

**Portfolio Committee on Energy**

Discharged: Nzimande, Mr BE  
Appointed: Mahambehlala, Ms T

**Portfolio Committee on Higher Education**

Discharged: Gordhan, Mr PJ

**Portfolio Committee on Human Settlements**

Discharged: Bam-Muwanya, Ms V  
Appointed: Mabe, Ms BP  
Appointed: Zwane, Mr MJ [Alternate]

**Portfolio Committee on Justice and Correctional Services**

Discharged: Majake, Ms MCC  
Appointed: van Rooyen, Mr DD

**Portfolio Committee on Public Enterprises**

Discharged: Gordhan, Mr PJ  
Discharged: Gungubele, Mr M  
Appointed: Mahambehlala, Ms T

**Portfolio Committee on Small Business Development**

Discharged: Dlamini-Zuma, Ms NC  
Discharged: Dirks, Mr AM  
Appointed: Bongo, Mr BT  
Appointed: Xaba, Mr NV

**Portfolio Committee on Sport and Recreation**

Discharged: Manana, Ms DP  
Appointed: Botes, Mr A

**Portfolio Committee on Trade and Industry**

Discharged: Van Schalkwyk Ms SR  
Appointed: Mahlobo, Mr MD

**Portfolio Committee on Tourism**

Discharged: Ngcobo, Ms BT  
 Appointed: Bam-Mugwanya, MS V

**Portfolio Committee on Water and Sanitation**

Discharged: Manana, Ms DP  
 Appointed: Zwane, Mr MJ

**Portfolio Committee on Women in Presidency**

Appointed: Dirks, Mr MA

**Standing Committee on Finance**

Discharged: Mabe, Ms BP  
 Discharged: Kekana, Ms PS  
 Discharged: Hanekom, Mr DA  
 Appointed: Nkonyeni, Ms NP  
 Appointed: Hleko, Mr NP

**Standing Committee on Appropriations**

Discharged: Hanekom, Mr DA  
 Appointed: Maswanganyi, Mr J

**Joint Standing Committee on Defence**

Discharged: Skosana, Mr JJ  
 Appointed: Van Rooyen, Mr DD

**TABLINGS****National Assembly and National Council of Provinces****1. The Minister of Health**

- (a) Annual Performance Plan of the Compensation Commissioner for Occupational Diseases in Mines and Works (CCOD) for 2018/19.

**2. The Minister of Human Settlements**

- (a) (Revised) Strategic Plan of the Department of Human Settlements for 2015 - 2020.
- (b) Annual Performance Plan of the Department of Human Settlements for 2018 - 2019.

**3. The Minister in The Presidency: Planning, Monitoring and Evaluation**

- (a) Work Programme of Statistics South Africa for 2018/19 (Book 1) [RP 80-2018].
- (b) Work Programme of Statistics South Africa for 2018/19 (Book 2) [RP 81-2018].
- (c) (Amended) Strategic Plan of the National Youth Development Agency (NYDA) for 2014 - 2019 and Annual Performance Plan for 2018 - 2019.

**4. The Minister of Sport and Recreation**

- (a) Annual Performance Plan of Boxing South Africa for 2018/19.
- (b) Annual Performance Plan of South African Institute for Drug-Free Sport for 2018 - 2019.

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## **COMMITTEE REPORTS**

### **National Assembly**

**1. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE BILL [B2 –2018] (NATIONAL ASSEMBLY – SECTION 76), DATED 14 MARCH 2018**

The Standing Committee on Appropriations (the Committee), having considered the *Division of Revenue Bill [B2—2018]* (National Assembly), referred to it on 7 March 2018 and tagged as a section 76 Bill, reports as follows:

**1. Introduction**

Section 214(1) of the Constitution, 1996 (the Constitution) requires that every year a Division of Revenue Act (DORA) determines the equitable division of nationally raised revenue among the three spheres of government. This is intended to foster transparency and ensure smooth intergovernmental relations. The Intergovernmental Fiscal Relations Act, No. 97 of 1997 prescribes the process for the determination of an equitable sharing and allocation of revenue raised nationally. Sections 9 and 10 (4) of this Act set out the consultation process to be followed with the Financial and Fiscal Commission (FFC), including the process of considering recommendations made with regard to the equitable division of nationally raised revenue.

In giving effect to section 73 of the Constitution, the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 (the Money Bills Act) was enacted. In line with section 7(1) and Section 7(3) of the Money Bills Act, the Minister of Finance tabled the 2018 National Budget including the 2018 Division of the Revenue Bill on 21 February 2018. The Bill was then referred to the Standing Committee on Appropriations (the Committee) in line with Section 9 (2) of the Money Bills Act.

The Committee received a briefing on the Bill from the National Treasury and also had engagements with the Financial and Fiscal Commission (FFC), and the South African Local Government Association (SALGA). In line with section 9 (5) (b) of the Money Bills Act, the Committee has a responsibility to hold public hearings on the Division of Revenue Bill. To this end, adverts calling for public submissions on the Bill were published in both national and local print media. Radio announcements were also made in national and local radio stations. The Committee also sent out invitations to interested parties which have made submissions to the Committee before. Submissions from the following organisations or interest groups were received:

- South African Institute of Professional Accountants; and
- Equal Education.

The Committee also had meetings to assess the implementation challenges of learner transport in South Africa with the Human Sciences Research Council, Equal Education, Department of Basic Education, Department of Transport and National Treasury. The Western Cape Forum for Intellectual Disability, the Carel du Toit Centre and Zodwa Mthembu made submissions in respect of the learner transport. The main findings from the said meetings which were held on 28 February 2018 and 7 March 2018 will also be incorporated into the report.

## **2. Allocations of the Division of Revenue Bill for the 2018 Medium Term Expenditure Framework**

The 2018 Budget proposals seek to maintain a balance between government's spending commitments, particularly in higher education, health and social protection, and ensuring the long-term health of the public finances. These measures are aimed at contributing to the vision of the National Development Plan (NDP). South Africa's development objectives, expressed in the NDP, rely on achieving higher economic growth and using public resources effectively.

The Budget proposals indicate that Gross Domestic Product is forecast to grow by 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 percent in 2020 largely due to an expected increase in private investment as a result of improved business and consumer confidence. The Budget proposals indicate that the main risks to the fiscal outlook are uncertainty in the growth forecast, contingent liabilities of state-owned companies and the public-service compensation budget. In addition, drought in several provinces poses significant risks to agriculture and tourism that could result in job losses.

In 2018/19, for example, government will spend more on interest payments than on transfers to local government. The budget documents show that since 2011/12, interest payments have grown faster than allocations to national, provincial or local government, crowding out space for increasing productive expenditure. On current trends, by 2020/21, government is expected to spend 12.2 per cent of available revenue on servicing debt.

The Committee notes that 2018 budget proposals include medium-term spending cuts amounting to R85 billion. The budget documents indicate that R53 billion of this amount has been cut at national government level while conditional infrastructure grants of provincial and local government have been reduced by R28 billion. In addition, all national and provincial departments are required to reduce their spending on administration and adhere to compensation of employees budget ceilings.

The Budget proposals indicate that budget reductions have been applied to programmes that underspent in previous financial years. In addition, even after the baseline reductions, allocations to these programmes continue to grow in real terms over the medium term.

The following are some of the major revisions to the expenditure framework:

- Allocations to fee-free higher education and training for poor and working-class students amount to R12.4 billion in 2018/19, R20.3 billion in 2019/20 and R24.3 billion in 2020/21.
- An additional amount of R2.6 billion to enable an above-inflation increase to social grants to partially offset the impact of tax increases on the poor.
- A provisional allocation of R6 billion set aside in 2018/19 for drought relief in several provinces, assistance to the water sector, and public investment projects supported by improved infrastructure planning.
- Additions of R5 billion in 2018/19, R3 billion in 2019/20 and R2 billion in 2020/21 for fiscal risks and unforeseen developments, bringing the total contingency reserve to R26 billion over the medium term.

The Constitution sets out specific criteria for the sharing of nationally raised revenue between national, provincial and local spheres of government. The constitutional principles taken into account when deciding on the Division of Revenue include the national interest, provision of debt costs, national government's needs and interest, provincial and local government basic services, fiscal capacity and efficiency, developmental needs, economic disparities, obligations in terms of national legislation, predictability and stability; and flexibility in terms of responding to emergencies.

The Division of Revenue Bill classifies schedules from Schedule 1 to 7 (equitable share and conditional grants) in order to divide revenue between the three spheres of government. Table 1 below provides the

legal division of nationally raised revenue among these three spheres of government.

**Table 1:** Division of Nationally Raised Revenue among the National, Provincial and Local Spheres of Government

Spheres of Government	Column A	Column B	
	2018/19	Forward Estimates	
		2019/20	2020/21
	R'000	R'000	R'000
National <sup>1,2</sup>	979 181 797	1 058 577 591	1 139 321 640
Provincial	470 286 510	505 019 653	542 446 855
Local	62 731 845	68 973 465	75 683 326
<b>TOTAL</b>	<b>1 512 200 152</b>	<b>1 632 570 709</b>	<b>1 757 451 821</b>

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

## 2.1 Main Budget Allocations

The 2018 Budget states that in the medium term, after providing for debt-service costs and the contingency reserve, 48 per cent of nationally raised funds are allocated to national government, 43 per cent to provincial government and 9 per cent to local government. Planned spending for 2018/19 has been affected by reprioritisation and budget reductions. Transfers to provinces are reduced by R5.2 billion, and transfers to local government are reduced by R3.2 billion. Nevertheless, average annual growth is above inflation for all three spheres of government over the 2018 MTEF.

**Table 2:** Division of Nationally Raised Revenue, 2014/15 – 2020/21

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
R billion	Outcome			Revised estimate	Medium-term estimates		
<b>Division of available funds</b>							
<b>National departments</b>	<b>490,0</b>	<b>546,1</b>	<b>555,7</b>	<b>599,9</b>	<b>628,6</b>	<b>685,9</b>	<b>736,6</b>
<i>of which:</i>							
<i>Indirect transfers to provinces</i>	5,4	3,5	3,6	3,8	3,8	4,4	4,7
<i>Indirect transfers to local government</i>	8,1	10,4	8,1	7,8	6,9	7,3	7,7
<b>Provinces</b>	<b>439,5</b>	<b>471,4</b>	<b>500,4</b>	<b>538,2</b>	<b>571,0</b>	<b>611,8</b>	<b>657,5</b>
Equitable share	359,9	386,5	410,7	441,3	470,3	505,0	542,4
Conditional grants	79,6	84,9	89,7	96,8	100,7	106,7	115,0
<b>Local government</b>	<b>87,6</b>	<b>98,3</b>	<b>102,9</b>	<b>110,7</b>	<b>118,5</b>	<b>126,9</b>	<b>137,5</b>
Equitable share	41,6	49,4	50,7	55,3	62,7	69,0	75,7
Conditional grants	35,8	38,3	40,9	43,6	43,3	44,8	47,8
General fuel levy sharing with metros	10,2	10,7	11,2	11,8	12,5	13,2	14,0
Provisional allocation not assigned to votes	–	–	–	–	6,0	2,3	2,1
<b>Non-interest allocations</b>	<b>1 017,1</b>	<b>1 115,8</b>	<b>1 159,0</b>	<b>1 248,8</b>	<b>1 324,1</b>	<b>1 426,9</b>	<b>1 533,6</b>
<i>Percentage increase</i>	7,5%	9,7%	3,9%	7,7%	6,0%	7,8%	7,5%
Debt-service costs	114,8	128,8	146,5	163,2	180,1	197,7	213,9
Contingency reserve	–	–	–	–	8,0	8,0	10,0
<b>Main budget expenditure</b>	<b>1 131,9</b>	<b>1 244,6</b>	<b>1 305,5</b>	<b>1 411,9</b>	<b>1 512,2</b>	<b>1 632,6</b>	<b>1 757,5</b>

Source: National Treasury 2018

## 2.2 Summary of main changes and key considerations in transfers to provinces and municipalities

National Treasury in its submission to the Committee indicated that budget reductions will affect the implementation of programmes and projects though the reductions are small as a percentage of the total allocations. The average reductions over the medium term are equivalent to 1 per cent of provincial allocations and 3.5 per cent of local government allocations. The National Treasury submission also indicates that allocations through the Division of Revenue transfer higher per capita/per household amounts to rural areas. That is to say, allocations to rural municipalities are R10 500 per household while those of metros are set at R4 700 per household.

The following are the Division of Revenue transfers, which were reduced:

- Provincial equitable share –reduction of 0.3%, provinces expected to reduce goods and services;
- Education Infrastructure Grant and School Infrastructure Backlogs Grant
- Human Settlements Development Grant;
- Smaller provincial grants, including for libraries and the EPWP;

- Municipal Infrastructure Grant, Urban Settlements Development Grant, Public Transport Network Grant, Integrated National Electrification Grant
- Water and sanitation specific grants –reduced by smaller proportions than other grants; and
- Other local government grants including Financial Management Grant and EPWP.

The following are the Division of Revenue transfers, which were not reduced:

- National School Nutrition Programme Grant which provides meals to 9 million poor learners;
- Comprehensive HIV, Aids and TB Grant;
- Public Transport Operations Grant which funds bus subsidies for commuters;
- Learners with Profound Intellectual Disabilities Grant which is to preserve access for intellectually challenged scholars;
- Human Papillomavirus vaccine grant which reduces the incidence of cervical cancer in women; and
- Other local government grants including the Energy Efficiency Demand Side Management Grant.

The 2018 Budget provides for a provisional allocation in 2018/19 of R6 billion for drought management, assistance to the water sector, and to improve the planning and execution of national priority infrastructure projects. National Treasury in its submission indicated that South Africa is a water-scarce country thus the need to reduce consumption and make greater use of groundwater and desalination. Furthermore, municipalities need to reduce leakages from their reticulation networks and consumers will have to adjust to paying tariffs that reflect the value of water as a precious resource.

In engaging on the 2018 Division of Revenue, National Treasury submitted to the Committee that there is a need to improve the impact of transfers made to municipalities. More specifically, the National Treasury indicated that some of the municipalities that gained the most from the new LGES formula introduced in 2013/14 seem to have invested more of their increased resources on increased salaries rather than expanded services. In addition, increases for some District Municipalities from Regional Services Council (RSC) levies seem to have mostly been spent on salaries. Funds allocated for capacity support amount to approximately R2 billion annually.

National Treasury indicated that work is underway in designing a new funding mechanism to support the implementation of recovery plans for municipalities in financial crisis. The proposed *municipal restructuring conditional grant* for 2019/20 will support the implementation of financial recovery plans with clear requirements such as municipalities demonstrating commitment to implementing necessary reforms before they access funding (including containing employee related costs, limiting non-priority spending, increasing revenue collection and adopting funded budgets).



With respect to the *Schools Infrastructure Backlogs Grant*, National Treasury indicated that it had issued a cost-control instruction note that seeks to manage and control costs of building schools in order to achieve value for money. Moreover, National Treasury can support the department with the implementation of this *instruction note* and can explore ways to assist the Department of Basic Education (DBE) on contract management issues.

The non-payment of creditors by the three spheres of government continues to present a challenge. Political office bearers have been tasked to resolve this issue through the establishment of an Inter Ministerial Committee (IMC) which will deal with issues pertaining to the electricity bulk supply. The IMC will be supported by the Inter Ministerial Task Team (IMTT) that will look into systemic and structural challenges and the mandate will include the non-payment of water bulk supply. National Treasury submitted that the “culture of non-payment” threatens municipal financial sustainability.

Urban development reforms are moving beyond metropolitan municipalities into intermediate cities. National Treasury indicated that work is underway for the introduction of a new Integrated Urban Development Grant in 2019/20 which aims to support the development of intermediate cities.

**Table 3:** Conditional Grants to provinces 2017/18 to 2020/21

	2017/18	2018/19	2019/20	2020/21
R million	Adjusted budget	Medium-term estimates		
<b>Direct conditional grants<sup>1</sup></b>				
Comprehensive agricultural support programme	1 646	1 751	1 876	2 002
Ilima/Letsema projects	522	552	583	615
Community library services	1 420	1 424	1 501	1 584
Education infrastructure	10 046	9 918	10 314	11 467
Maths, science and technology	365	370	391	413
National school nutrition programme	6 426	6 802	7 186	7 696
Comprehensive HIV, AIDS and TB	17 578	19 922	22 039	24 438
Health facility revitalisation	5 684	5 816	6 047	6 380
Health professions training and development	2 632	2 784	2 940	3 102
National tertiary services	11 676	12 401	13 186	14 069
Human settlements development	19 969	18 167	18 833	20 102
Mass participation and sport development	586	587	620	654
Provincial roads maintenance	10 754	11 036	11 482	12 113
Public transport operations	5 723	5 990	6 326	6 750
Other direct grants	1 852	3 191	3 415	3 624
<b>Total direct conditional grants</b>	<b>96 879</b>	<b>100 711</b>	<b>106 739</b>	<b>115 008</b>
<b>Indirect transfers</b>	<b>3 813</b>	<b>3 776</b>	<b>4 366</b>	<b>4 744</b>
School infrastructure backlogs	2 180	1 472	1 327	969
National health insurance indirect	1 633	2 304	3 039	3 775

<sup>1</sup>*Excludes provisional allocations*

*Source: National Treasury 2018*

Direct conditional grant baselines total R100.711 billion in 2018/19, R106.739 billion in 2019/20 and R115.008 billion in 2020/21. Indirect conditional grants amount to R3.776 billion, R4.366 billion and R4.744 billion respectively for each year of the same period. Changes to provincial allocations over the 2018 MTEF include:

- A new *title deeds restoration grant*, which aims to improve the property market by eradicating the long-standing backlog in title deeds registration associated with past beneficiaries of state-subsidised housing.
- A new *provincial emergency housing grant*, which should allow national government to respond to emergency housing situations quickly and flexibly.
- A new a sub-component for community outreach services is introduced into the *comprehensive HIV, AIDS and TB grant* so that funds used to support community health workers can be explicitly earmarked. This will help ensure that this cadre of workers is better integrated into national health services.

The total value of conditional grants directly transferred to local government increases from R43.258 billion in 2018/19 to R44.773 billion in 2019/20 and R47.752 billion in 2020/21.

**Table 4:** Transfers to local government 2017/18 to 2020/21

R million	2017/18	2018/19	2019/20	2020/21
	Adjusted budget	Medium-term estimates		
<b>Equitable share and related<sup>1</sup></b>	<b>57 012</b>	<b>62 732</b>	<b>68 973</b>	<b>75 683</b>
<b>General fuel levy sharing with metros</b>	<b>11 785</b>	<b>12 469</b>	<b>13 167</b>	<b>14 027</b>
<b>Direct conditional grants</b>	<b>43 781</b>	<b>43 258</b>	<b>44 773</b>	<b>47 752</b>
Municipal infrastructure	15 891	15 288	15 734	16 599
Water services infrastructure	3 329	3 481	3 669	3 871
Urban settlements development	11 382	11 306	11 881	12 534
Integrated national electrification programme	2 087	1 904	2 128	2 245
Public transport network	6 160	6 254	6 114	6 450
Neighbourhood development partnership	663	602	621	655
Regional bulk infrastructure	1 865	1 957	2 066	2 180
Local government financial management	502	505	533	562
EPWP integrated grant for municipalities	691	693	742	783
Other direct grants	1 210	1 268	1 285	1 872
<b>Total direct transfers</b>	<b>112 578</b>	<b>118 458</b>	<b>126 914</b>	<b>137 462</b>
<b>Indirect transfers</b>	<b>7 803</b>	<b>6 896</b>	<b>7 265</b>	<b>7 664</b>
Integrated national electrification programme	3 846	3 262	3 432	3 621
Neighbourhood development partnership	28	29	31	33
Regional bulk infrastructure	2 974	2 881	3 037	3 204
Water services infrastructure	852	608	642	678
Municipal systems improvement	103	115	122	128

<sup>1</sup>Excludes provisional allocations

Source: National Treasury 2018

With regards to municipal grants, several conditional grants have been merged in previous years and the consolidation trend is expected to continue. Proposed changes to municipal allocations for the 2017 MTEF include the following:

- A new revised formula for the *Public Transport Network Grant* which includes more stable and predictable allocations for smaller cities. A new base component will account for 20 per cent of total allocations, divided equally among all participating cities, to ensure that smaller cities in particular have a significant base allocation to run their transport system regardless of their size.
- The programme to eradicate bucket systems in formal areas will be completed in 2018/19. The budget framework provides for just over R1 billion to be ring-fenced for the eradication of bucket systems within the indirect Water Services Infrastructure Grant and the Regional Bulk Infrastructure Grant.

- This municipal demarcation transition grant ends in 2017/18 and some funds for the completion of transition work have been made available in the Municipal Systems Improvement Grant.

### **2.3 Key Policy Changes to the 2018 Division of Revenue Bill Clauses**

The key policy issues considered and adjusted into the 2018 Division of Revenue Bill clauses include:

- Clause 8(4) is changed to remove the approval of “pledges” against conditional grants. As an alternative, municipalities must borrow in terms of the processes, criteria and safeguards set out in the MFMA, including requiring Council approval for loans. The change aims at improving access to credit for large cities by allowing them to use their infrastructure grant funding allocations to leverage private capital.
- A new clause 30(2)(d) requires that provincial treasuries must ensure that transfers to municipalities listed in the provincial budget must be aligned with the terms of any agreements between the province and municipality. This is to address the challenge of underfunded mandates, which occur when a responsibility for performing a function is assigned/transferred to a municipality, without sufficient sources of funding.
- Correspondingly, Clause 30(2)(a)(i) is also amended to note that the provisions in this section apply to functions funded through provincial own funds and conditional grants.

National Treasury in its briefing to the Committee on the Bill indicated that there is an error in the Early Childhood Development grant framework. The reason is that the amendment of the Child Support Grant was only decided in mid-February after the conditional grant framework process had been concluded. The threshold for the income-based means test needs to be updated to reflect the increase in the Child Support Grant from R380 to R405.

## **3. Stakeholder and Public Inputs on the 2018 Division of Revenue Bill**

### **3.1 Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) submitted that it was in agreement with the general thrust of the Bill as the tight macroeconomic and fiscal environment required bold decisions to bring the trajectory of public spending trends in line with available revenue. It further commended efforts by government to protect social spending especially the Local Government Equitable Share where real, albeit marginal growth was realized. It reiterated the need for national and provincial government to play a supportive role to municipalities in order to ensure capacity to effectively

spend allocated resources. The FFC further reiterated the need for provinces and municipalities to continuously evaluate each aspect of their spending plans to ensure that any inefficiencies in service delivery are eliminated, especially in big spending areas like health, education, electricity, water and sanitation.

The FFC cautioned that the proposed reductions on key infrastructure grants would be self-defeating if infrastructure deteriorates and becomes inadequate for the continued provision of basic services. The FFC proposed that government design a plan to reprioritize infrastructure funding in the coming years as a matter of urgency. With regard to Indirect Grants, the FFC reiterated its caution around this type of funding as it diluted accountability and upkeep of infrastructure. It submitted that Indirect Grants should be a measure of last resort whilst continuing to build capacity in provinces and municipalities to undertake their functions.

The FFC welcomed the decline in personnel headcounts at provincial level from 923 646 in 2013 to 888 204 in 2017 due to cost containment measures. It was however of the view that government needed to ensure that these cuts were limited to non-core areas of provincial services and that core staff in education and health be protected. To FFC reiterated its recommendation made in the 2016-17 division of revenue that a framework for measuring public sector productivity be finalized expeditiously.

The FFC supported the proposed Conditional Grant changes on the condition that government does the following:

- Address identified weaknesses in the criteria used to cut the grants going forward; and
- Introduce monitoring and evaluation plans of the reductions after a certain period to assess and evaluate how these are impacting on current and future service delivery.

### **3.2 South African Local Government Association**

The South African Local Government Association (SALGA) aligned with its mandate of lobbying and advocating for local government, in its submission indicated participation in the Budget Forum that contributed in the drafting of the MTBPS, as well as the DORB, through technical canvassing of the issues between NT, DCOG, FFC and SALGA. Hence, SALGA welcomes the endorsement by the Budget Forum of the establishment of a “Technical Budget Forum” (TBF) to act as a technical platform to support the Budget Forum. SALGA supports NT interest to assist local government with improving revenue collection strategies and methods towards more reliance on own revenue and improved creditworthiness of municipalities. The smallest budget allocation being

9.2% allocated to local government calls for a review of the vertical division of resources in the equitable share formula, as well as for municipalities to be given more revenue generating instruments towards improving service delivery.

SALGA supports technical amendments to relevant clauses in the Bill, which relate to: (i) municipal borrowing against conditional grants, which must be done in terms of the process and criteria stipulated in the MFMA (grant pledging); (ii) giving NT the power to prescribe how pledged grant funds should be reported on (includes financial and non-financial reports); (iii) ensuring that transfers, whereby it is funded through provincial own funds and conditional funds, are aligned with existing service level agreements (SLAs). In addition, SALGA supports the recommendations of FFC, made in line with its Constitutional mandate. It also supports the new emergency housing grant, the informal settlement upgrades, the urban settlements development grant (with strict adherence to section 18 requirements), by NT and National Departments, as well as gazetting Human Settlements Development Grant (HSDG) funds to accredited municipalities.

In order to address funding gaps for waste management, implementation of environmental protection and fees, SALGA undertook the following research work:

- The Financial and Fiscal Repercussions of Eskom's Role in the Electricity Distribution Industry on Local Government;
- Cost of Free Basic Services Study – Impact on the Local Government Equitable Share; and SALGA will promote the processing through this legislature for following:
  - A bill on the writing off of house hold debts to municipalities;
  - Amendments of the Tax Administration Act to allow the payment of municipal debts before tax refunds are made; and
  - The amendments in the Municipal Systems Act schedule 10 to extend its provisions to all employees benefiting from the fiscus.

Hence, SALGA recommends as follows:

- The review of powers and functions across all three spheres of government (vertical review), should be undertaken at the Budget Forum Technical Committee; and
- Business and Government should be encouraged to pay debts owed to municipalities within the provided legislative framework.

### **3.3 South African Institute of Professional Accountants**

The South African Institute of Professional Accountants (SAIPA) is a leading accountancy institute representing qualified professional accountants in South Africa that practice in commerce and industry, academia and the public sector.

SAIPA recommended that the Bill should specifically stipulate that section 84 of the PFMA is applicable to transferring and receiving officers in instances of breach of the Bill. With regard to the responsibilities of transferring officers and receiving officers, SAIPA is of the view that it will be prudent and necessary to have prior consultation between national and provincial departments. More specifically, national departments to provide guidelines and criteria for the development and approval of business plans to the provincial departments.

Section 6(3), provides that excess or shortfall of revenue by the National Government be allocated to national departments, provinces and municipalities, which should include reasons, as well as that the said excess should be utilized to reduce debt. Its view is that the quarterly review meetings of responsibilities of the transferring and receiving officer should be specifically prescribed to achieve the maximum positive outcome on the allocated budget and expenditure, which will create strict accountability to provinces, municipalities and SOEs, in respect of its allocated budget and expenditure. In addition, it also strongly suggested that zero-rating should be extended to essential non-basic food items such as schoolbooks and school uniforms. This extension should be applicable to child headed households, orphanages and households headed by pensioners where such children are legally declared as orphans. Its suggestion included that the 1% VAT increase should not apply to businesses, which generate an income of a certain amount.

Section 21 (conversion of allocations) and section 22 (unspent conditional allocations) was welcomed, adding that reasons should be provided for unspent conditional allocations and used as part of the requirements for a roll-over. Finally, SAIPA welcomes section 32 (3), pertaining to liability for costs incurred in violation of principles of cooperative governance and inter-governmental relations, which will prevent intergovernmental disputes and potential frivolous legal action between organ of state.

### **3.4 Equal Education**

Equal Education (EE) in its submission expressed concerns about the baseline reductions to basic education and the Provincial Equitable Share. It was of the view that basic education is in a state of crisis and made reference to the following issues, namely; early grade reading deficiencies, infrastructure backlogs, school safety, and scholar transport.

In terms of school infrastructure, EE proposed that the reductions be reversed and that National Treasury should rather support provinces by incentivizing transparent and effective infrastructure planning and creation of stronger monitor and sanction implementing agents. EE was of the view that the 1 per cent increase in VAT will further exacerbate the situation as it will impact on the price of raw materials and service costs.

EE further reiterated its call for a Conditional Grant to be established to regulate the implementation of learner transport in South Africa. With regard to the Equitable Share Formula, EE welcomed the commitment from National Treasury to review the formula however; timeframes are yet to be made public in that regard and encouraged the latter to communicate the timelines and mechanisms for public participation.

It noted the change from the Schools Reality Survey to the Learner Unit Record Information Tracking System (LURITS), which formed part of reviewing process, and proposed that further phases of the formula reviews should consider the following factors:

- Historic underfunding due in part to the fact that the former homelands areas account for a large part of the country's rural regions, and the outright and systematic discrimination against these areas in terms of access to resources under apartheid.
- Geographical disadvantages include the cost involved when learners and staff live greater distance from schools, as well as the reduced potential for economies of scales when schools have relatively small learner numbers.
- Infrastructure disadvantages also exist with disparities in access to basic services when comparing rural and urban areas, and thus there is greater cost attached to ensuring basic service delivery to all schools.
- Demographically, in rural areas the population has a high proportion of children of older people, while the working-age population is more dominant in urban areas.
- In terms of poverty, Statistics South Africa has noted that the poverty rate stood at 68.8 per cent in rural areas, as compared to 30.9 per cent in urban areas.

#### **4. Findings and Observations**

The Standing Committee on Appropriations having considered the 2018 Division of Revenue Bill and received inputs thereon found the following:

- 4.1.** The Committee notes that the economy is forecast to grow by 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 percent in 2020. The main risks to the fiscal outlook are uncertainty in the growth forecast, contingent liabilities of state-owned companies and the public-service compensation budget. In addition, drought in several provinces poses significant risks to agriculture and tourism that could result in job losses.
- 4.2.** The Committee notes that 2018 budget proposals include medium-term spending cuts amounting to R85 billion due to underspending and fiscal consolidation. Of this amount, R53 billion has been cut at national government level while transfers to provincial and local government have been reduced by R28 billion. In addition, all



national and provincial departments and public entities are required to reduce their spending on administration and adhere to budget ceilings for compensation of employees.

- 4.3.** The Committee remains concerned about the capacity of provincial and local government to spend infrastructure allocations which has led to reduced budget allocations. The Committee maintains that under expenditure on infrastructure allocations hampers economic growth and undermines progress towards reducing inequality, reducing poverty and job creation. The Committee is concerned that baseline reductions result in a shift in the composition of spending away from capital and towards consumption expenditure. However, the Committee is of the view that resources allocated towards higher education are an important social investment for the future of country.
- 4.4** While the Committee notes that baseline reductions were shared across the three spheres of government, it is of the view that departments must guard against under expenditure and promote efficient and effective use of budget allocations. The Committee notes FFC's submission that before budget cuts are done, a more rigorous analysis of the performance of each grant should be undertaken. This analysis should ascertain the impact of such reduction on households, business and economy at large - and to draw lessons for future.
- 4.5.** The Committee is seriously concerned that in 2018/19 government will spend more on debt service costs than on transfers to local government. The Committee notes that since 2011/12, interest payments have grown faster than allocations to national, provincial or local government, crowding out space for increasing productive expenditure. On current trends, by 2020/21, government is expected to spend 12.2 per cent of available revenue on servicing debt.
- 4.6** The Committee in engagements with the National Treasury raised concerns on the performance of the School Infrastructure Backlogs Grant. The Committee welcomes initiatives to manage and control costs of building schools in order to achieve value for money. Moreover, National Treasury indicated that it can support the Department of Basic Education with the implementation of the cost control instruction note and can explore ways to assist Department of Basic Education (DBE) on contract management issues.
- 4.7** The Committee notes the concerns raised by the Financial and Fiscal Commission on the impact of the downward revision of allocations for the Human Settlements Development Grant (HSDG) though it welcomes National Treasury's submission that work is underway in resolving the policy framework for the provision of human settlements. The Committee is of the view that this work should be finalized speedily as the provision of quality and sustainable human settlements is central to giving effect to governments spatial transformation agenda.

- 4.8** The Committee is seriously concerned with the lack of timeous responses to FFC recommendations from sector departments. The Committee reaffirms that the FFC is an independent and impartial advisory institution, which the government has to consult with regard to the division of revenue among the three spheres of government. The Committee is of the view that Departments will benefit from evidence based policy analysis to ensure the realization of our Constitutional values and development objectives.
- 4.9** The Committee remains concerned about intergovernmental debt. The Committee notes the steps taken by the government including the establishment of an Inter-Ministerial Committee (IMC) and Inter Ministerial Task Team (IMTT) that will look into systemic and structural challenges pertaining to the settlement of debt by state institutions and private institutions. The Committee notes that the “culture of non-payment” threatens municipal financial sustainability. However, steps taken in addressing the “culture of non-payment” should be sensitive to the plight of the poor and vulnerable who are unable to pay.
- 4.10** The Committee welcomes measures to support the borrowing abilities of municipalities coupled with strict monitoring and oversight. The Committee advised SALGA that the financing of long term borrowing from the credit market by municipalities should not impact negatively on rate payers. Whilst the Committee notes the increased support from National Treasury to allow municipalities to improve access to the credit markets, it emphasizes that these loans need to be for long-term infrastructure investments and not for operational expenditure.
- 4.11** In its past reports, the Committee has repeatedly emphasised that municipalities should review internal management structures so that resources transferred to them are used efficiently and effectively. Specifically, Municipalities need to improve their revenue management, billing and debt management systems, impose cost reflective tariffs, avoid incidences of underspending, and inefficient procurement processes.
- 4.12** The Committee notes the submission by South African Institute of Professional Accountants (“SAIPA”) that the framework and scope of quarterly review meetings between the transferring officer and receiving officer should be specifically prescribed to achieve the maximum positive outcome on the allocated budget and expenditure.
- 4.13** The Committee notes SALGA’s submission that there is a need to apply a differentiated approach towards funding of waste equipment and infrastructure for the identified 27 priority municipalities. SALGA indicated that the Waste Sector currently has a backlog of approximately 30% in terms of provision of services. Throughout the whole value chain process of waste management (collection, transportation, storage and disposal) specialist infrastructure and equipment is required.

- 4.14** The Committee welcomes SALGAs submission that there are municipalities that could internally reallocate funds within their existing municipal budgets with very small improvements in efficiency in the Governance and Administration towards funding environmental protection programmes. The Committee views such innovative approaches that adhere to the principles of doing more with less as important in the local government sphere.
- 4.15** The Committee notes Equal Education’s submission that the country has a growing school-aged population and that it was not in support of budget cuts in school infrastructure. The Committee further notes Equal Education submissions on the need incentivize transparent and effective infrastructure planning; and for stronger financial mechanisms to monitor and sanction implementing agents.
- 4.16** The Committee remains concerned with the allocation of resources to schools, which does not effectively respond to the economic condition of each individual learner. The Committee re-iterates the importance of reviewing the allocation of resources through the quintile system.
- 4.17** The Committee is of the view that all spheres of government should eliminate all instances of irregular, fruitless and wasteful expenditure. This should include reinforcing compliance management and oversight of accounting officers, as set out in the Public Finance Management Act. The Committee views this as critical in ensuring that fiscal consolidation does not hamper growth and the rollout of services.

#### **Findings from Committee hearings on Learner Transport in South Africa**

- 4.18** The Committee engaged with the Department of Basic Education, Human Sciences Research Council and Equal Education and received submissions from a number of stakeholders in response to the Committee’s proactive follow-up briefings to concerns and recommendations made in its past reports on the provision and funding of scholar transport. The Committee views scholar transport as a necessary and integral part of the right to basic education. The Committee views access to quality education through the provision of safe, decent, effective, and integrated sustainable learner transport as paramount.
- 4.19** In its engagements with the HSRC, the Committee raised its serious concerns with the level of intergovernmental cooperation, the lack of availability of quality and reliable data, budgeting and effective use of these budgets on the learner transport programme, policy implementation, the lack of use of M&E instruments in the programme. The Committee was especially concerned with the daily experiences of learners on the ground with safety and security a major concern.

- 4.20** The Committee notes HSRC’s submission that according to StatsSA, approximately 100,000 children of school going age did not attend public schools due to remoteness from public schools or lack of transportation. The Department of Basic Education submitted that no more than 3000 children are not attending school due to lack of transport or remoteness. The Committee views the lack of consistency in learner transport data as a serious concern though welcomes the Departments assurance that this will be prioritised and speedily addressed.
- 4.21** The Committee is seriously concerned about the availability and reliability of data from provinces, more especially relating to implementation of learner transport in South Africa. The Committee however, notes the report from the Department of Basic Education (DBE) that the introduction of the Learner Unit Record Information and Tracking System (LURITS) would assist in this regard.
- 4.22** The issues around the location of the provision of learner transport function, as well as the lack of uniformity around its implementation, is cause for concern as it results in the lack of accountability. The Committee is of the view that uniformity around the implementation of learner transport needs to be addressed as matter of urgency.
- 4.23** The Committee notes that a comprehensive evaluation in respect of learner transport is currently underway and will be completed by June 2018. The results of the said evaluation will place government in a better position to take a decision on the locality of the function and would assist with the possible introduction of a Conditional Grant for learner transport.
- 4.24** The Committee welcomes submissions from various stakeholders on the learner transport programme. The Committee notes the submission by Zodwa Mthembu that children with disabilities are faced with many social, education and health challenges. The Western Cape Forum for Intellectual Disability (WCFID) in its submission raised a number of concerns around the provision of transport for Learners with Severe and Profound Disability. The Committee further notes proposals by Equal Education that scholar transport funding be allocated as a conditional grant and that allocations be formulated based on clear criteria for defining ‘needy’ student, be proportional to learners transport needs and that the programme’s financial and non-financial performance be transparent.
- 4.25** The Committee raised a number of concerns in its engagements with various stakeholders on learner transport including the need for shelter for learners, the need to reconsider at 5 kilometer metric used in assessing transport needs, the need for reliable district level data, the need to ensure safe transportation for learners, the need to provide for Learners with Severe and Profound Disability and the need to urgently resolve challenges in the location of the function of providing learner transport.

## **5. Recommendations**

The Standing Committee on Appropriations having considered the 2018 Division of Revenue Bill recommends as follows:

- 5.1** The Minister of Finance should ensure that:
  - 5.1.1** National Treasury in collaboration with the Department of Planning, Monitoring and Evaluation strengthen and implement Medium Term Expenditure Framework planning principles, implementation and measurement tools in conditional grant frameworks and infrastructure allocations and ensure that these are embedded in budgeting, planning and the execution of programmes across departments.
  - 5.1.2** National Treasury in collaboration with Department of Planning, Monitoring and Evaluation to develop and implement a capacity-building programme targeted at all conditional grants and programmes.
  - 5.1.3** National Treasury in collaboration with the Department of Planning, Monitoring and Evaluation and Financial and Fiscal Commission immediately address any identified weaknesses in the criteria used to cut the grants going forward and put in place monitoring and evaluation plans following the budget cuts and evaluate how it's impacting current and future service delivery.
  - 5.1.4** National Treasury in collaboration with the Department of Planning, Monitoring and Evaluation should develop and implement a framework that will guide the scope of quarterly review meetings between the transferring officer and receiving officer so as to achieve the maximum positive outcome on the allocated budget and expenditure. This framework should entrench principles of programme effectiveness, efficiencies, value for money and must show alignment between programme targets and targets contained in the MTSF and NDP.
  - 5.1.5** National Treasury to correct the error in the Early Childhood Development Grant framework. The threshold for the income-based means test must be updated to reflect the increase in the Child Support Grant from R380 to R405. Therefore, the income threshold in the grant framework must to be changed from R45,600 for single parents and R91,200 for two parents to R48,700 for single parents and R97,200 for two parents.
  - 5.1.6** National Treasury in collaboration with the Financial and Fiscal Commission develop and implement a government wide programme aimed at shifting the composition of spending away from consumption expenditure towards capital expenditure.
  - 5.1.7** National Treasury should develop and implement measures aimed at dealing expeditiously with non-performing contractors and applying appropriate sanctions to discourage poor performance for the effective provision and maintenance of schools' infrastructure.

- 5.2** The Minister of Cooperative Governance and Traditional Affairs should ensure that:
- 5.2.1** The Department of Cooperative Governance in collaboration with the relevant partners speedily finalise the process of reviewing the powers and functions of local government. This should include a complete review of the functional arrangements of District Municipalities.
- 5.2.2** The Department of Cooperative Governance to report quarterly to the Committee on work underway in addressing the systemic and structural challenges in intergovernmental debt.
- 5.3** The Minister of Human Settlements should ensure that the department speedily finalises the policy framework that guides the provision of quality and sustainable human settlements. This is to ensure that government's limited fiscal resources address spatial inequalities urgently and in a cost effective manner and that funds are allocated in programmes underpinned by rigorous evidence and analysis.
- 5.4** The Minister in the Presidency for Planning, Monitoring and Evaluation should ensure that the Department of Planning, Monitoring and Evaluation coordinate the responses of line Departments to recommendations made by the Financial and Fiscal Commission (FFC) that are not related to the division of revenue and ensure that these are included in government's planning cycle.
- 5.5** The Ministers of Basic Education and Transport should ensure that:
- 5.5.1** The Department of Basic Education and Department of Transport in collaboration with relevant stakeholders immediately develop and implement a programme aimed at addressing all challenges related to the learner transport programme focussed on, though not limited to, the following areas:
- To immediately resolve any data challenges pertaining to the learner transport programme;
  - To ensure that the learner transport programme caters for and explicitly includes learners with disabilities,
  - Immediately develop and implement a funding framework that ensures that funds for learner transport are protected including formulating a conditional grant for the programme,
  - To resolve speedily on the location of the function of the learner transport programme;
  - Standardise and strengthen contract management within the programme with the assistance of the Office of the Chief Procurement Officer;
  - Strengthen road safety programmes within the broader learner transport programme and enforce measures for appropriate learner and driver code of conduct;

- In the process of evaluating the learner transport programme to also include the provision of shelter to learners, reconsider the 5 kilometre metric used in needs assessment and strengthen or clarify the definition of key terms such as “needy learner”.
- Develop and implement a social accord with all relevant partners aimed at addressing all challenges pertaining to the provision of safe, decent, effective, and integrated sustainable learner transport.
- To develop practice notes that guide the implementation of the learner transport programme for maximum efficiencies and effectiveness.

**5.6** That the Minister of Basic Education should ensure that:

**5.6.1** The Department of Basic Education to engage all relevant stakeholders within the sector and develop a common understanding of minimum norms and standards for school infrastructure. The Department should ensure that it communicates and embarks on community outreach programmes in ensuring government’s vision in the rollout school infrastructure development is well understood by the public.

**5.6.2** The Department of Basic Education ensures that minimum norms and standards for school infrastructure are strictly adhered to all in schools. This should include the provision of extracurricular facilities, sports facilities and quality provision of water and sanitation.

**5.6.3** The Department of Basic Education to consider delinking school allocations from the quintile ranking system so as to ensure the allocations to school respond to the economic condition of each individual learner.

**5.6.4** The Department of Basic Education consider rolling out an outreach campaign partnering with all stakeholders in the rollout of education infrastructure programmes so as to begin building the confidence of learners, teachers, service providers and relevant stakeholders in the programme. This should entail Batho Pele principles and assuring that norms and standards are adhered to.

**5.6.5** The Department of Basic Education together with the Department of Water and Sanitation accelerate the provision of water and sanitation in all schools. No school should be without basic access to water and sanitation.

**5.6.6** The Department of Basic Education ensures that lines of accountability are clear and transparent in the implementation of key programmes within the sector including school infrastructure programmes and learner transport.

**5.6.7** Department of Basic Education in collaboration with National Treasury and Provincial Departments of Education to strengthen the cost control measures in the building of schools in order to achieve value for money. National Treasury and Department of Basic

Education to implement dedicated support for the implementation of cost control frameworks and strengthen contract management in the rollout of the School Infrastructure Backlogs Grant (ASIDI) programme.

- 5.7** That Minister in the Presidency for Planning, Monitoring and Evaluation and Statistics South Africa formulate and implement a programme at enhancing the quality and consistency of information and data utilized by provinces and municipalities in areas such as learner transport and government wide infrastructure programmes and other important policy areas.
- 5.8** The Minister of Transport ensures that the Department of Transport consider assigning the function of the learner transport programme to the Department of Basic Education. This is to streamline accountability and ensure that the leading Department in the provision of quality basic education (Outcome 1) leads this programme. The Minister of Transport is to incorporate the findings of the evaluation of the learner transport programme in assigning the function of the learner transport programme.
- 5.9** The Minister of Basic Education ensures that the Department of Basic Education immediately formulate a conditional grant for the learner transport programme following the full assignment of the function of the learner transport programme.
- 5.10** That Minister in the Presidency for Planning, Monitoring and Evaluation and the Minister of Cooperative Governance strengthen intergovernmental relations (IGR) in which all spheres of government plan together to provide a coherent approach to service delivery and development. The DPME and DCOG should strengthen IGR mechanisms in sector Departments with a focus on the rollout of social infrastructure including education infrastructure programmes, health infrastructure programmes and water and sanitation infrastructure programmes. Emphasis is to be placed in integrated strategic planning and integrated service delivery which should lead to a seamless web of services that cuts across sector mandates and sector boundaries.

## **6. Committee's Recommendation on the Bill**

The Standing Committee on Appropriations having considered the *Division of Revenue Bill* [B2—2018] (National Assembly) referred to it and classified by the Joint Tagging Mechanism as a section 76 Bill, reports that it has agreed to the Bill without amendments.



## **7. Conclusion**

The responses, by the relevant Executive Authorities, to the recommendations as set out in section 5 above must be sent to Parliament within 60 days of the adoption of this report by the National Assembly.

Report to be considered.