



national treasury

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National Treasury  
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## STANDING COMMITTEE OF APPROPRIATIONS

### NATIONAL TREASURY RESPONSE TO PARLIAMENTARY HEARINGS' ON THE 2019 APPROPRIATION BILL

#### 1. Question

Committee members were concerned about the shifting of funds away from non-toll roads towards funding e-toll roads. The principle of taking money from non-toll to e-toll roads will not be supported by the Committee unless the committee receives suitable reasons and a justification for such a move.

#### **Response:**

*The Gauteng Freeway Improvement Project (GFIP) cash collection are significantly lower than projected, at R65 million per month. SANRAL requires approximately R240 million per month to service its GFIP debt. SANRAL has been unable to access the bond market to finance its toll road requirements. Following the sovereign downgrade in 2017, SANRAL was also downgraded. In terms of Treasury Regulation 6.3.1, the National Treasury shifted R1.9 billion from SANRAL's non-toll allocation to GFIP in 2017/18. This would allow SANRAL to service its funding requirements and meet cash requirements for GFIP. Given that SANRAL's continuing liquidity challenges and default risk specifically related to GFIP, by unearmarking the transfer to the non-toll budget by R5.75 billion (including VAT), this would allow for a shifting of funds from nontoll to toll network.*

*The financing scheme essentially involved that of the total debt of R21 billion incurred by SANRAL to fund the GFIP in the first phase, a total of R19 billion has been guaranteed by the South African government acting through National Treasury. In the event of the termination of e-tolling or default in the guarantee, Government may have to support the balance of the unguaranteed debt of R11.1 billion in addition to the guaranteed debt. The debt currently outstanding is R39 billion. SANRAL's total outstanding debt is R47 billion. Accordingly, GFIP presents 83 per cent of SANRAL's outstanding debt. Government issued two guarantees to SANRAL. The first was for R31.9 billion and the second for R6 billion. A total of R28 billion was used, applying R24 billion from the first and R4 billion from the second facility. In total, SANRAL has unguaranteed debt of R15 billion.*

#### 2. Question

Concern about allocation of more funds to PRASA was raised even though they are not able to utilize all the allocated funds.

#### **Response:**

*There are no additional/more funding allocated to PRASA, in actual fact, R2 billion was reallocated from PRASA to SANRAL non-toll in the 2019 Appropriation Bill (main budget). Furthermore, R3 billion was shifted from PRASA capital to SANRAL non-toll during the adjustments budget to partly make up for the shift of funds from SANRAL non-toll to toll portfolio during the year (R5.75bn). In the past, the Department of Transport has withheld capital transfers to PRASA in the past, this was due to poor spending and performance in the agency's capital programme. The department has since put in place measures to address the situation.*



### 3. Question

#### 2018 adjustment Appropriation Bill recommendations

A number of recommendations have been highlighted by the committee, amongst them was the filling of vacant posts by the Department of Transport, war on leaks programme by the Department of Water and Sanitation etc. Members were concerned that these challenges have since not been resolved and implemented. It is on this basis that the committee is advised to relook at these issues to determine how the allocations are taking them into account since it appears that they have not been addressed based on the 2018/19 outcomes as presented by National Treasury (NT) on 04 July 2019.

#### **Response:**

*Please refer to page 112 – 114 of the full budget review under Recommendations of the Standing Committee on Appropriations on the 2018 Adjustments Appropriation Bill.*

### 4. Question

Committee members are more concerned on whether the budget or the appropriation bill is aligned to the National Development Plan (NDP).

#### **Response:**

*Based on the 2020 ENE guidelines, Budgets must align with priorities in national plans which include the National Development Plan (NDP) Vision 2030, the 5-Year NDP Implementation Plan (Medium-Term Strategic Framework) and the Budget Priorities Framework (Mandate Paper) currently being reviewed.*

### 5. Question

It is concerning and regrettable that the Department of Economic Development, being the backbone of the economy and has a budget allocation that is as little as 12 per cent of the country's total budget. The committee had numerous discussions dating back from 2014 for the budget to shift towards economic development in order to boost the economy of the country so as to make an environment conducive for creating jobs. A signal needs to be made to the National Treasury on the expectations of the committee in this regard.

#### **Response:**

*Please refer to the 2020 ENE guidelines, as directed by Cabinet, that National Treasury is working jointly with the Presidential Infrastructure Coordinating Commission (PICC) secretariat, the Departments of Planning, Monitoring and Evaluation (DPME) and Economic Development (EDD) to develop the facility. The aim is to support quality public investments through robust project appraisal, effective project development and execution and sustainable financing arrangements.*

### 6. Question

An investigation should take place to determine the landscape of grants where the shift is changing from old to young. Interventions must be made to upskill young people so that they can be independent and contribute to the economy and this will help to cushion the impact on the budget. The other question was what role did M&E played in constructing the budget.

#### **Response:**

*This is a good proposal, but it is meant for Department of Social Development because they are the custodian of social development policies.*

### 7. Question

Committee members welcome and appreciate budget reductions on compensation of employees, and would appreciate more cost containment measures to be implemented across government.

**Responses:**

*The matter is strongly supported, as National Treasury is working on a procurement bill which is meant to eliminate that fragmentation in the system, to have a single, over-arching national piece of legislation that will regulate public procurement in South Africa and also governing the purchase of goods and services to be regulated by a single law and has drafted the Public Procurement Bill, which is currently before Cabinet.”*

**8. Comment**

There needs to be an engagement with the basic education sector to determine the reasons for not improving quality of education. Career guidance to young people needs to be in place so that they will not face a situation of being replaced by the Fourth Industrial Revolution (4IR) and as such they need to be directed on what to study. Regarding the roads infrastructure, she noted that the provinces do not budget sufficiently for them and that the provincial road maintenance grant is maintaining roads that do not exist.

**Responses:**

*National Treasury support the view.*

*Prepared by Ms Pindi Masiso*

