



04 April 2020

**Content Advisory Brief: The Impact of Poor Expenditure on Specific Provincial Conditional Grants for the Third Quarter Period, 2019/20, Cross Cutting Challenges and Proposed Way Forward;**

**1. Introduction and Background**

This paper intends to identify some of the major **“hotspots”** in provinces where poor expenditures on specific conditional grants were reported, where concrete plans, urgent interventions are required to improve conditional grant expenditure and programme performance. This paper uses the third quarter expenditure on conditional grants as a critical indicator to reflect on the state of budget and expenditure for the rest of the financial year, since only 3 months is left before the end of the financial year and therefore it's easy to make some inferences. The paper broadly proposes way forward for all the affected role players including the Select Committee on Appropriations, Sector Committees both in the national and provincial legislators. Furthermore, the contents of this paper will also assist provincial legislature committees when processing the 2020 proposed conditional grants through the Division of Revenue Bill.

This also poses a **“golden opportunity”** for provincial legislature committees, sector committees to make use of this paper to engage with the affected provincial departments to explain some of these expenditure patterns and further outline the necessary remedial actions and concrete Grant Performance Improvement Plans for 2020/21 to improve future expenditure. So, the general principle is that government departments are expected to spend at least **25 per cent** of their allocation on a *straight-line budget expenditure curve* depending on the terms and conditions of the grant, however, the approach only differs when it comes to the infrastructure expenditure, where expenditure might take longer to materialise because these are driven by the nature of project cycles<sup>1</sup>. This means that for the straight line expenditure curve, expenditure trends are expected to be at 75 per cent or more at the end of the third quarter period since anything less than that might lead to fiscal dumping causing a “March Spike” or will be surrendered to the National Revenue Fund (NRF)<sup>2</sup>. This paper concludes by looking at how some of the public finance scholars view the legislative sector public budgeting participation given the separation of powers.

**2. Overall Third Quarter Expenditure for Provincial Conditional Grants and Proposed Allocations for 2020/21 financial year**

The table 1 - below provides an overall analysis of provincial grant for 2019 with the third quarter expenditure trend including proposed allocations for 2020/21 per

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<sup>1</sup> Dlomo.P (2014)

<sup>2</sup> Ibid



province. This section provides a background information for the other sections ahead where specific hotspots are being identified in each and every province where poor expenditure has been reported at the end of the third quarter 2019/20. Identifying these hotspots also gives a clear picture/ indication of where the Select Committee on Appropriation, sector committees and provincial legislature committees **should focus when processing the Division of Revenue Bill 2020 and beyond**. This should also be a good guide for both the Committee, the provincial legislature committees as they conduct their in year monitoring to track whether conditional grants are spent according to approved plans, whether proper remedial actions are put in place to achieve “**VALUE FOR MONEY**”.

Table 1 & 2 below - use the *red, yellow and green* colours to demonstrate the levels of expenditure for conditional grant at the end of the third quarter:

**RED**

- Any expenditure less than 50 per cent means poor expenditure and urgent interventions are required to improve grant expenditure and ensure that the budget spent is aligned to the performance achieved;

**YELLOW**

- Any expenditure less than 70 per cent but above 50 per cent means better expenditure, however some interventions are still required to ensure that 70 per cent expenditure benchmark is achieved at the end of the third quarter and performance targets achieved are aligned to the budget spent;

**GREEN**

- Any expenditure above 70 per cent means acceptable expenditure levels and there is still a need to make sure that there is no misalignment between expenditure and performance targets achieved;

**NB:** It is really important to emphasise the need to ensure good correlation between the budget spent and performance targets achieved to prevent wasteful and fruitless expenditure being incurred. This has been a challenge for most departments, municipalities and entities for the past period.

Refer to the table 1 - below for the overall provincial conditional grant expenditure for the third quarter 2019/20, with the proposed allocations for 2020/21. Some of the poor expenditure demonstrated below is an indication that some provinces are required to present their plans, steps taken to ensure that the proposed allocation is going to be properly spent and “**value for money**” will be achieved. Part of the plans should also demonstrate Grant Performance Improvement Plans or measures and steps taken to ensure that performance targets achieved will be aligned to the budget and there will be no allocation that will be returned to the National Revenue Fund (NRF) or wasted, while inequalities, poverty and unemployment still persists.



**Table 1: Overall Summary and Specific Provincial Grant Allocations and Expenditure for the Third Quarter 2019/20 and Proposed Allocations for 2020/21 financial year**

Summary of overall conditional grant allocations and expenditure 31 December 2019 per province				
Name of the Province	2019 Grant Allocation	Overall Expenditure December 2019/20	%	Proposed Allocation for 2020/21
Eastern Cape	R9.9 billion	R8.8 billion	71.8 %	R12.4 billion
Free State	R6.1 billion	R5.4 billion	65.7 %	R8.2 billion
Gauteng	R16.9 billion	R15.2 billion	65.0 %	R23.9 billion
KwaZulu - Natal	R16.4 billion	R15.9 billion	73.9 %	R22.0 billion
Limpopo	R8.4 billion	R6.0 billion	65.5 %	R9.8 billion
Mpumalanga	R6.5 billion	R6.4 billion	76.9 %	R8.3 billion
Northern Cape	R3.7 billion	R3.5 billion	77.8 %	R4.5 billion
North West	R5.6 billion	R4.7 billion	58.3 %	R7.7 billion
Western Cape	R9.8 billion	R9.7 billion	75.7 %	R13.1 billion

National Treasury (2020 and (2019)

**NB:** Table 2 - below provides details of expenditure per provincial department as an implementing agent for the conditional grant. The “**very poor performing conditional grants**” are highlighted in red and this means there are more interventions required to improve the conditional grant performance. This table provides percentages (%) of the third quarter expenditure performance and the newly proposed allocations per conditional grant and per province for 2020/21 financial year. This will assist Members to compare and consider the past performance before approving the newly proposed allocations for 2020/21.

Moving from the overall analysis in the table above - the below section connects specific details of “**hotspots**” on certain conditional grants, which have reported poor expenditure in specific provinces.

**Table 2: Specific Provinces Reported Poor Expenditure December 2019/20**

Grant Name	Name of the Province	3 <sup>rd</sup> Quarter Expenditure 2019/20	2020 Proposed Allocation
<b>1. Basic Education Grants</b>	<i>Free State</i>	<i>69.4 per cent</i>	<i>R840.4 million</i>
	<i>Gauteng</i>	<i>57.1 per cent</i>	<i>R1.4 billion</i>
	<i>Limpopo</i>	<i>62.6 per cent</i>	<i>R1.2 billion</i>
	<i>North West</i>	<i>49.4 per cent</i>	<i>R1.0 billion</i>



<b>2. Maths, Science and Technology Grant</b>	<i>Eastern Cape</i>	36.7 per cent	<i>R50.4 million</i>
	<i>Gauteng</i>	33.6 per cent	<i>R57.1 million</i>
	<i>Limpopo</i>	11.3 per cent	<i>R46.8 million</i>
	<i>Western Cape</i>	44.7 per cent	<i>R28.4 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Basic Education</b>	<b>Grant Performance Improvement Plans are required</b>
<b>Grant Name</b>	<b>Name of the Province</b>	<b>3<sup>rd</sup> Quarter Expenditure 2019/20</b>	<b>2020 Proposed Allocation</b>
<b>3. Community Library Services Grant</b>	<i>Free State</i>	63.6 per cent	<i>R167.0 million</i>
	<i>KwaZulu-Natal</i>	68.3 per cent	<i>R181.0 million</i>
	<i>Limpopo</i>	53.9 per cent	<i>R143.2 million</i>
	<i>North West</i>	51.6 per cent	<i>R138.7 million</i>
	<i>Western Cape</i>	68.1 per cent	<i>R186.1 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Sport and Culture</b>	<b>Grant Performance Improvement Plans are required.</b>
<b>4. Comprehensive Agriculture Support Programme Grant</b>	<i>Eastern Cape</i>	44.0 per cent	<i>R239.8 million</i>
	<i>Free State</i>	36.6 per cent	<i>R176.1 million</i>
	<i>Mpumalanga</i>	42.4 per cent	<i>R157.3 million</i>
	<i>Gauteng Province</i>	45.3 per cent	<i>R100.1 million</i>
	<i>KwaZulu – Natal</i>	40.0 per cent	<i>R206.4 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Agriculture</b>	<b>Grant Performance Improvement Plans are required.</b>
<b>5. Human Papillomavirus Grant (HPV)</b>	<i>Free State</i>	48.4 per cent	<i>R12.9 million</i>
	<i>Northern Cape</i>	25.8 per cent	<i>R5.1 million</i>



		<i>North West</i>	<i>25.4 per cent</i>	<i>R14.7 million</i>
		<i>Western Cape</i>	<i>51.4 per cent</i>	<i>21.8 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Health</b>		<b>Grant Performance Improvement Plans are required.</b>
<b>6. Human Settlements Development Grants</b>		<i>Free State</i>	<i>62.0 percent</i>	<i>R950.7 million</i>
		<i>Gauteng</i>	<i>63.2 per cent</i>	<i>R4.6 billion</i>
		<i>Northern Cape</i>	<i>64 per cent</i>	<i>R319.8 million</i>
		<i>North West</i>	<i>57.3 per cent</i>	<i>R1.4 billion</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Human Settlements</b>		<b>Grant Performance Improvement Plans are required.</b>
<b>7. Title Deeds Grant</b>		<i>Eastern Cape</i>	<i>26.1 per cent</i>	<i>R64.2 million</i>
		<i>Free State</i>	<i>7.6 per cent</i>	<i>R33.8 million</i>
<b>Grant Name</b>	<b>Name of the Province</b>	<b>3<sup>rd</sup> Quarter Expenditure 2019/20</b>	<b>2020 Proposed Allocation</b>	
		<i>Gauteng</i>	<i>32.2 per cent</i>	<i>R164.7 million</i>
		<i>Western Cape</i>	<i>2.1 per cent</i>	<i>R67.9 million</i>
		<i>North West</i>	<i>21.6 per cent</i>	<i>R53.1 million</i>
		<i>Northern Cape</i>	<i>68.8 per cent</i>	<i>R11.3 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Human Settlements</b>		<b>Grant Performance Improvement Plans are required.</b>
<b>8. Expanded Public Works Grant</b>		<i>Free State</i>	<i>67.5 per cent</i>	<i>R24.0 million</i>
		<i>Limpopo</i>	<i>49.7 per cent</i>	<i>R25.3 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Public Works and Infrastructure</b>		<b>Grant Performance Improvement Plans are required.</b>



<b>9. Early Childhood Development Grant</b>	<i>Eastern Cape</i>	<i>66.0 per cent</i>	<i>R134.1 million</i>
	<i>Free State</i>	<i>61.7 per cent</i>	<i>R55.7 million</i>
	<i>Gauteng</i>	<i>69.5 per cent</i>	<i>R135.2 million</i>
	<i>Limpopo</i>	<i>64.4 per cent</i>	<i>R12.7 million</i>
	<i>Mpumalanga</i>	<i>66.5 per cent</i>	<i>R80.8 million</i>
	<i>Northern Cape</i>	<i>42.1 per cent</i>	<i>R24.0 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Social Development</b>	<b>Grant Performance Improvement Plans are required.</b>
<b>10. Mass Participation and Sport Development Grant</b>	<i>Free State</i>	<i>30.5 per cent</i>	<i>R94.1 million</i>
	<i>Gauteng</i>	<i>58.8 per cent</i>	<i>R87.8 million</i>
	<i>North West</i>	<i>45.1 per cent</i>	<i>R42.0 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Sport and Culture</b>	<b>Grant Performance Improvement Plans are required.</b>
<b>11. Transport Grants</b>	<i>Eastern Cape</i>	<i>63.5 per cent</i>	
	<i>Gauteng</i>	<i>63.2 per cent</i>	
	<i>Limpopo</i>	<i>49.0 per cent</i>	
	<i>North West</i>	<i>47.0 per cent</i>	
<b>Responsible Departments</b>	<b>Sector</b>	<b>Transport</b>	<b>Grant Performance Improvement Plans are required.</b>
<b>12. Public Transport Operations Grant</b>	<i>Free State</i>	<i>68.0 per cent</i>	<i>R297.4 million</i>
	<i>Gauteng</i>	<i>55.5 per cent</i>	<i>R2.5 billion</i>
	<i>Limpopo</i>	<i>53.1 per cent</i>	<i>R402.0 million</i>
	<i>Mpumalanga</i>	<i>67.2 per cent</i>	<i>R676.9 million</i>
	<i>Northern Cape</i>	<i>65.1 per cent</i>	<i>R60.5 million</i>
<b>Responsible Departments</b>	<b>Sector</b>	<b>Transport</b>	<b>Grant Performance Improvement Plans are required.</b>





### 3. Summary of Issues Led to Poor Expenditure Across Government Sectors:

#### 3.1 What led to Poor Expenditure on the Agricultural Sector conditional grant?

- The slow Supply Chain Management (SCM) process resulting in extension officers not having tools of trade, and inputs such as seeds and fertilizer not being procured timeously in certain provinces;
- Delays in the approval of designs and plans by some Municipalities;
- Some of the suppliers did not meeting the tender specifications (fencing) and that delayed the spending on the allocated conditional grant;

**NB:** *It will be important for the National Department of Agriculture together with Provincial Agricultures to identify these “HOTSPOT” areas where the above challenges are quite persistence and come up with “Grant Performance Improvement Plans” or necessary remedial actions before the new budget allocations are approved (ex-ante approach)<sup>4</sup>: the affected provinces include **FREE STATE, EASTERN CAPE, MPUMALANGA, GAUTENG and KWAZULU-NATAL**, which reported poor expenditure.*

#### 3.2 What led to Poor Expenditure on the Education Sector conditional grant?

- There were delays in the recruitment process resulting in key positions not being filled on time for Learners with Profound Intellectual Disabilities;
- Some of the learners which were recommended for placement in schools were not placed on time due to limited school resources including human and infrastructure related;
- Human Resource Department delayed transferring Cuban specialists to the four provinces for – Maths, Science and Technology;
- Some machinery, equipment and tools for Technical Schools were not procured on time due to Supply Chain Management (SCM) challenges in the Department and this led to poor expenditure;
- Some service providers were not paid on time for National Schools Nutrition Programme due to poor quality issues emanated from school feeding schemes;
- There were also delays in planning for the construction of new schools and maintenance, which led to poor expenditure on Education Infrastructure Grant;

<sup>3</sup> [www.nationaltreasury.gov.za/comm\\_media/press/monthly/monthly\\_2020.aspx](http://www.nationaltreasury.gov.za/comm_media/press/monthly/monthly_2020.aspx)

<sup>4</sup> *ex ante* – this is where committees of Parliament scrutinize and conduct oversight over government policies prior the approval and implementation of such policies.



**NB:** It will be important for the National Department of Basic Education together with Provincial Basic Education to identify these “**HOTSPOT**” areas where the above challenges are quite persistent and come up with Grant Performance Improvement Plans or necessary remedial actions before the new budget allocations are approved (**ex-ante approach**): the affected provinces are **LIMPOPO, NORTH WEST, GAUTENG, WESTRN CAPE**, which reported poor expenditure.

### 3.3 What led to Poor Expenditure on the Health Sector conditional grant?

- The delays in the expenditure of HIV – Male Circumcision was as a results of non-payment of services providers and this led to poor expenditure;
- There was a poor record keeping in some hospitals, which led to inadequate reporting;
- There was an underspending on refurbishment of Malaria stations, due to the delays in appointing implementing agencies;
- There have been some delays in the filling of Infrastructure Units positions, awarding of contracts and some payment processing and this resulted in the underspending in Health Facility Revitalisation Grant;
- There were some delays in the procurement of Health Technology for facilities with no staff to train or use the equipment and this led to underspending of Health Revitalisation Grant;
- The underspending in Health Revitalisation Grant was as a results of Health Technology Managers exclusion during facility planning sessions;
- Underspending in Human Resource Capacitation Grant was due to delays in linking personnel to the grant and the corresponding journals;

**NB:** It will be important for the National Department of Health together with Provincial Health to identify these “**HOTSPOT**” areas where the above challenges are quite persistent and come up with “Grant Performance Improvement Plans” or necessary remedial actions before the new allocations are approved (**ex- ante approach**): – the affected provinces are **FREE STATE, NORTHERN CAPE, WESTERN CAPE AND NORTH WEST**, which reported poor expenditure.

### 3.4 What led to Poor Expenditure in the Human Settlements Sector grants?

- Under expenditure in the Title Deeds Restoration Grant was as a results of delays in township establishment and proclamation as well as delays in conveyancing processes;
- There is no or little correlation between the grant expenditure and performance targets or outputs achieved;
- There has been little progress on the informal settlements window within the Human Settlement Development Grant (HSDG);





- There has been poor alignment between the cash flow projections, business plan and budget allocations for some human settlement projects;

**NB:** *It will be important for the National Department of Human Settlements together with Provincial Human Settlements to identify these “HOTSPOT” areas where the above challenges are quite persistent and come up with “Grant Performance Improvement Plans” or necessary remedial actions before the new allocations are approved (ex -ante): – the affected provinces are **FREE STATE, NORTHERN CAPE, WESTERN CAPE, KWAZULU-NATAL, NORTH WEST, GAUTENG AND EASTERN CAPE**, which reported poor expenditure, **PARTICULARLY ON TITLE DEEDS RESTORATION GRANT.***

### 3.5 What led to Poor Expenditure in the Public Works Sector grants?

- There was a lack of compliance to the Expanded Public Works Programme guidelines by officials who are implementing projects that are meant to create jobs opportunities, which end up not being reported;
- There was also withholding of transfers due to non-compliance with the Division of Revenue Act 2019;
- Some projects reported on the Expanded Public Works Programme reporting system were not aligned to the information provided on the submitted project list;

**NB:** *It will be important for the National Department of Public Works together with Provincial Public Works to identify these “HOTSPOT” areas where the above challenges are quite persistent and come up with “Grant Performance Improvement Plans” or necessary remedial actions before the new allocations are approved (ex-ante approach): – the affected provinces are **FREE STATE and LIMPOP**, which reported poor expenditure.*

### 3.6 What led to Poor Expenditure in the Social Development Sector grants?

- There were delays in the signing of the Service Level Agreements (SLA) with service providers;
- A number of centres need to be replaced and such centres are in a state of disrepair and presents safety issues for kids;
- A budget of R180 000 per centre for maintenance still proves to be inadequate to address the maintenance requirements<sup>5</sup>.

**NB:** *It will be important for the National Department of Social Development together with Provincial Social Development to identify these “HOTSPOT” areas where the above challenges are quite persistent and come up with “Grant Performance*

<sup>5</sup> National Treasury (2020)



*Improvement Plans” or necessary remedial actions before the new allocations are approved (ex-ante approach): – the affected provinces are **FREE STATE, WESTERN CAPE, GAUTENG, LIMPOPO, MPUMALANGA AND EASTERN CAPE**, which reported poor expenditure. The conversation around the inadequacy or adequacy of maintenance allocation for ECD centres is urgently needed between the national, provincial departments, and the National Treasury, especially if the situation is posing danger to human lives.*

#### **4. SUMMARY OF CROSS CUTTING CHALLENGES FACED BY PROVINCES:**

- Cash flow management including proper budgeting and planning remains a key challenge in some provinces and hence the poor expenditure on conditional grants; for instance, as at the third quarter, provinces received R83.7 billion and only spent R75.9 billion, leaving R7.8 billion unspent in provincial bank accounts<sup>6</sup>;
- Most provinces and national departments are still experiencing Supply Chain Management (SCM) challenges which negatively impact on conditional grant expenditure, programme performance and therefore impact on service delivery;

Non-compliance with the Division of Revenue Act provisions, which led to some conditional grants being withheld remains a key challenge;

- There is a lack of adequate and thorough planning for construction and operating of infrastructure, especially for health facilities which are also built without due consideration of Health Technology;
- There is a persistent misalignment between budget expenditure and performance targets achieved in the Human Settlements Development Grant;

#### **5. The Impact of Poor Expenditure on conditional Grants and Way Forward**

##### **5.1 What is the possible major impact of under expenditure on conditional grants?**

- a. The funded programme will not be able to achieve its approved performance targets, plans and therefore make it very difficult to achieve the overall grant purpose and strategic goal and there will be little or no impact on service delivery;

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<sup>6</sup> Ibid



- b. The lack of expenditure on conditional grants defeats the main objective of government to reduce poverty, inequalities and unemployment; since most of the unspent grants are returned to the National Revenue Fund or get restructured during the adjustment process or even get spent on infrastructure that eventually becomes wide elephants;
- c. It does not assist the government to ignite economic growth since there will be no major contribution towards the economy, especially in areas where it has been identified as part of the economic growth stimulus in the form of government expenditure;
- d. It might lead to fiscal dumping or wasteful expenditure causing the march spike wherein budgets are no longer spent for their intended purposes but for the sake of not returning the allocation to National Treasury, this again might lead to little or no correlation between the expenditure trend and performance targets achieved for specific programme and therefore compromises the impact on delivery of services and becomes wasteful and fruitless expenditure;
- e. The overall Medium Term Strategic Framework (MTSF) and National Development Plan (NDP) (*Vision - 2030*) targets will have to be adjusted as these will not be achieved as anticipated in 2030 and this will have an impact in the overall sector planning such as strategic plans, annual performance plans and operational plans.

## 5.2 What needs to happen going forward?

- a. It is incumbent upon the Select Committee on Appropriations, sector committees from both Houses and provincial legislature sector committees with more policy depth and insight in line with their mandates to take these "**HOTSPOTS**" further and engage the responsible executive authorities both at national and provincial spheres of government. As the principal agent theory provides, these oversight bodies should identify the above specific conditional grants per sector and per province and focus areas in line with their mandates as follows:

- (i) Tittle Deeds Restoration Grant;**
- (ii) Human Settlement Development Grant;**
- (iii) Education Infrastructure Grant;**
- (iv) Community Library Services Grant;**
- (v) Maths, Science and Technology Grant;**
- (vi) Comprehensive Agricultural Support Programme Grant;**
- (vii) Human Papillomavirus Grant;**
- (viii) Expanded Public Works (EPWP);**
- (ix) Early Childhood Development Grant;**
- (x) Mass Participation and Sport Development;**



**(xi) Provincial Roads Maintenance Grant, Grants;  
(xii) Public Transport Operating Grant and;  
(xiii) National Schools Nutrition Programme Grant.**

- b. The Select Committee on Appropriation's mandate in section 4(3) of the Money Bills Act No.09 of 2009 (*As amended in 2018*) allows the Committee to invite any provincial, local government or even national executive authorities to explain the poor expenditure on the conditional grant as reflected in the section 32 monthly reports of the National Treasury (**ex- post approach<sup>7</sup>**) and further present remedial actions to improve grant performance and expenditure (Grant Improvement Performance Plan)<sup>89</sup>.
- c. Sector Committees in line with their mandates can also elevate these conditional grant "**HOTSPOT**" and include them in their programmes starting from budget vote debates, in year monitoring, site visits and also reflect the grant performance in their Budget Review Recommendations Reports (BRRR);
- d. Most importantly, all these conditional grants were created to achieve specific purposes and when poor financial management and expenditure persists unabatedly, the intended objective is not achieved. Oversight Committees for both Houses, provincial legislatures and municipal councils need to identify specific grants and intensify in year monitoring, site visits as well as pre budget approval engagement with the affected provinces and ensure that Grant Performance Improvement Plans are tabled by the implementing departments as well as the national transferring officers are on board prior the approval of the new budgets.
- e. A conversation is needed between National Treasury and sector departments for the growing requests from some provinces to convert the National Health Insurance indirect grant to the Health Facility Revitalisation Grant;
- f. A conversation is needed between National Treasury and sector departments for the growing requests for the Human Settlement Development Grants to be stopped for some provinces and be reallocated to other provinces;
- g. A conversation around the inadequacy or adequacy of maintenance budget for ECD centres is urgently needed between the national, provincial departments, and the National Treasury, especially if the situation poses danger to human lives.

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<sup>7</sup> *ex post* – this is where committees of Parliament conduct scrutinize & conduct oversight over government policies after the implementation, this is mostly applicable to Public Account Committees (SCOPA).

<sup>8</sup> Money Bills Amendment Procedure and Related Matters Act (2009)

<sup>9</sup> Public Finance Management Act (1999)



## 6. Conclusion:

In conclusion, politics of public budgeting constitute a determining factor of the efficacy of legislative fiscal oversight, which is faced with information asymmetries challenges. J.C Pauw (2011) one of the public finance article writers and published author says “*power of the purse is the historic bulwark of legislative authority*”<sup>10</sup>. The cardinal principle of legislative fiscal oversight is to ensure that there is no tax imposed or expenditure incurred without parliament’s scrutiny and consent, given the separation of powers’ doctrine. Section 213 and 226 of the Constitution gives power of the purse to legislatures, where it says, “*except the direct charges, money can only be withdrawn from national and provincial revenue funds by means of appropriation Acts*”.

Notably, there are two areas that have been prioritised for fiscal oversight around the world, (*ex ante* and *ex post* approach) but in South Africa budget activism has been more dominant on *ex post* side for the past years (Kevin Page, 2016:3) as opposed to both approaches<sup>11</sup>. In addition, Verwey, Lefko – Everett, Mohamed, Zamisa & Ajam (2009) state that most emerging democracies including South Africa has put more emphasis on “*rubber stamping*” as fiscal oversight with more fiscal powers concentrated to the executive (Verwey, et al...2010).

In 2009 – as part of the evolution of *legislative power of the purse* which dates back medieval times, South African Parliament adopted *Money Bills Amendment Procedure and Related Matters Act No. 09 of 2009* to empower Parliament to amend budget proposals within a reasonable timeframe, sequence and further improve fiscal oversight capacity. However, despite being the Principal Agent, scholars such as Santiso (2005:35) argues that critical contributions of legislatures tend to be *constrained by institutional capacity constraints, lack of political will, political incentive, political party disciples, inability to distinguish between political work and legislative work and probably most emerging legislatures are suffering from the same challenge*. This inhibit the most critical role of legislatures to effectively and efficiently participating in the public budgeting and holding the executive authority to account more effectively<sup>12</sup>.

## 7. Sources:

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<sup>10</sup> Pauw, J.c (2011: p54)

<sup>11</sup> Page, K (2016:p3)

<sup>12</sup> Santiso, C (2004:p35)





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