

Report of the Standing Committee on Appropriations on the Division of Revenue Bill [B6–2022] (National Assembly – Section 76), Dated 22 March 2022

The Standing Committee on Appropriations (the Committee), having considered the **Division of Revenue Bill [B6-2022]** (National Assembly), referred to it on 9 March 2022 and tagged as a section 76 Bill, reports as follows:

1. Introduction

Section 214(1) of the Constitution of 1996 (the Constitution) requires that a Division of Revenue Act (DoRA) determines the equitable division of nationally raised revenue among the three spheres of government (National, Provincial and Local). This is intended to foster transparency in the sharing of nationally raised revenue 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, 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 Procedure and Related Matters Act, No. 9 of 2009 (the Money Bills Act) as amended by the Money Bills Amendment Procedure and Related Matters Amendment Act No.13 of 2018 was enacted. In line with Section 7(1 and 3) of the Money Bills Act and section 27 of the Public Finance Management Act No. 1 of 1999 (PFMA), the Minister of Finance tabled the 2022 National Budget including the 2022 Division of the Revenue Bill (the Bill) on 23 February 2022. The Bill was then referred to the Committee on 9 March 2022 in line with Section 9 (1) of the Money Bills Act.

Subsequent to the Bill being referred to the Committee, the Committee received a briefing from National Treasury and the Parliamentary Budget Office. The Committee also had engagements with the Financial and Fiscal Commission as required by Section 9 (7) (a) of the Money Bills Act. Furthermore, a briefing was received from the South African Local Government Association as required by Section 214 (2) of the Constitution of the Republic. In line with section 9 (5) (b) of the Money Bills Act, the Committee is required to hold public hearings on the Division of Revenue Bill. To this end, adverts calling for public submissions on the Bill were published in regional radio stations as well as in both national and local print media from 25 February to 4 March 2022. Public hearings on the Bill were held on 16 March 2022 with the following parties who had made submissions:

- Women on Farms Project; and
- Amandla.mobi.

2. Division of Revenue Bill 2022

The medium term fiscal policy focuses on reducing the budget deficit and stabilising the debt-to-GDP ratio. Over the medium term, government commits to restoring fiscal sustainability through continued restraint in expenditure growth and other reforms to raise economic growth. The 2022 budget proposes:

- Additional allocation to address immediate spending pressures, including extending the special Covid-19 social relief of distress grant for 12 months until March 2023, and bolstering provincial transfers for health and education.
- Setting aside a portion of higher than expected revenue to narrow the budget deficit. This in turn mitigates the impact of higher interest rates on debt-service costs and improves the long-term debt outlook.
- Supporting growth through a range of reforms, including the infrastructure-build programme financed through innovative funding mechanisms and supported by improved technical capacities.

The 2022 budget continues to consolidate public finances while providing immediate support for the response to the Covid-19 pandemic, job creation and social protection, as set out in

the 2021 Medium Term Budget Policy Statement (MTBPS). Table 1 below indicates overall share of nationally raised revenue between national, provincial and local spheres of government for 2022/23, 2023/24 and 2024/25 financial years respectively.

Table 1: Equitable Division of Revenue Raised Nationally

Spheres of Government	Column A	Column B	
	2022/23	Forward Estimates	
		2023/24	2024/25
National allocations ^{1,2}	R'000 1 327 188 238	R'000 1 354 771 376	R'000 1 433 054 261
Provincial allocations	560 756 789	543 149 099	562 018 365
Local government allocations	87 311 493	94 086 549	101 486 470
Total allocations	1 975 256 520	1 992 007 024	2 096 559 096

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

Source: National Treasury (Division of Revenue Bill: 2022)

2.1. Main Budget Allocation

Over the 2022 medium-term expenditure framework (MTEF) period, after budgeting for debt service costs, the contingency reserve and provisional allocations, 48.8 per cent of nationally raised funds are allocated to national government, 41.4 per cent to provinces and 9.8 per cent to local government. Excluding the debt-service costs, and the contingency reserve, allocated expenditure shared across government amounts to R1.66 trillion in 2022/23, R1.60 trillion in 2023/24 and R1.67 trillion in 2024/25. The division of these funds between the three spheres of government takes into account government's spending priorities, each sphere's revenue-raising capacity and responsibilities, and inputs from various intergovernmental forums and the FFC.

Government continues exercise restraint and is working on reducing the pressure exerted on the budget by the public service compensation costs. The 2022 budget increases the allocations for both provincial and local government to assist with urgent spending pressures. Relative to the 2021 budget, direct provincial allocations will increase by R74.1 billion over the medium term. The majority of this amount consist of R53 billion that is added to the provincial equitable share and R5.4 billion added to direct conditional grants following the 2021 MTBPS. Local government allocation is increased by a total of R30.7 billion over the medium term: R28.9 billion is added to the local government equitable share and R1.8 billion is added to direct conditional grants.

The provincial share of nationally raised revenue grows by an annual average of 1.4 per cent over the medium term, including a growth in the equitable share by an annual average of 1 per cent and conditional grants growing by an annual average of 3.3 per cent over the same period. Local government share of nationally raised revenue grows by an annual average of 7.9 per cent over the medium term, including a growth in the equitable share by an annual average of 10.3 percent and conditional grants grow by an annual average of 5.3 per cent over the same period. In contrast, the national government share of nationally raised revenue declines by an annual average of 1 per cent over the medium term. The Division of Revenue Bill is redistributive as funds allocation are based on the demand for public service in each province and municipality, and even though urban provinces receive the higher proportion of funding, rural provinces receive more funding per capita as rural provinces and municipalities

have higher per capita cost of delivering most services due to lower population density. Table 2 below indicates the overview of the division of nationally raised revenue between the period 2018/19 and 2024/25.

Table 2: Division of nationally raised revenue

R billion	2018/19 2019/20 2020/21			2021/22 Revised estimate	2022/23 2023/24 2024/25			Average annual MTEF
	Outcome				Medium-term estimates			
Division of available funds								
National departments	634.3	749.8	790.5	831.1	824.7	770.9	805.7	-1.0%
<i>of which:</i>								
<i>Indirect transfers to provinces</i>	3.9	2.9	3.1	4.0	4.6	4.6	4.0	0.5%
<i>Indirect transfers to local government</i>	6.3	5.6	4.1	4.9	8.1	8.5	8.9	21.8%
Provinces	572.0	613.5	628.8	661.2	682.5	667.3	690.2	1.4%
Equitable share	470.3	505.6	520.7	544.8	560.8	543.1	562.0	1.0%
Conditional grants	101.7	107.9	108.1	116.4	121.8	124.2	128.1	3.3%
Local government	118.5	123.0	137.1	135.3	150.6	160.5	170.1	7.9%
Equitable share	60.8	65.6	83.1	75.7	87.3	94.1	101.5	10.3%
Conditional grants	45.3	44.2	40.0	45.0	48.0	51.0	52.5	5.3%
General fuel levy sharing with metros	12.5	13.2	14.0	14.6	15.3	15.4	16.1	3.3%
Provisional allocation not assigned to votes ¹	–	–	–	–	5.6	28.3	32.1	
Non-interest allocations	1,324.8	1,486.2	1,556.4	1,627.6	1,663.5	1,627.0	1,698.0	1.4%
<i>Percentage increase</i>	6.6%	12.2%	4.7%	4.6%	2.2%	-2.2%	4.4%	
Debt-service costs	181.8	204.8	232.6	268.3	301.8	335.0	363.5	10.7%
Contingency reserve	–	–	–	–	10.0	5.0	5.0	
Unallocated reserve	–	–	–	–	–	25.0	30.0	
Main budget expenditure	1,506.6	1,691.0	1,789.0	1,896.0	1,975.3	1,992.0	2,096.6	3.4%
<i>Percentage increase</i>	7.2%	12.2%	5.8%	6.0%	4.2%	0.8%	5.2%	
<i>Percentage shares</i>								
<i>National departments</i>	47.9%	50.4%	50.8%	51.1%	49.7%	48.2%	48.4%	
<i>Provinces</i>	43.2%	41.3%	40.4%	40.6%	41.2%	41.7%	41.4%	
<i>Local government</i>	8.9%	8.3%	8.8%	8.3%	9.1%	10.0%	10.2%	

1. Includes support to Eskom, amounts for Budget Facility for Infrastructure projects and other provisional allocations

Source: National Treasury (Budget Review: 2022)

3. Provincial allocations

Provincial government receive two forms of allocations from nationally raised revenue, the equitable share and conditional grants. Having taken the revisions to the provincial fiscal framework into account, national transfers to provinces increases from R661 billion in 2021/22 to R682.5 billion in 2022/23, growing at an annual average of 1.4 per cent over the MTEF to R690.2 billion in 2024/25. A total of R560.8 billion is allocated to the provincial equitable share and R121.8 billion to conditional grants, which includes an unallocated amount of R471 million for the *provincial disaster response grant* and *the provincial emergency housing grant*. Due to their limited revenue raising abilities, provinces receives 41.4 per cent of nationally raised revenue over the medium term. In addition, provinces receive conditional grants to help them fulfil their mandates, and transfers to provinces accounts for over 95 per cent of their provincial revenue.

3.1. Changes to provincial equitable share allocations

- The 2021 public sector wage agreement included a once off non-pensionable cash gratuity payment to all public servants in government. A proposed total of R14.7 billion is set aside for provinces to fund the preliminary carry through costs of the cash gratuity. Out of the proposed R14.7 billion, a total of R13.9 billion is added to the provincial equitable share and R809 million is added to several provincial grants that cover compensation of employees.
- As part of the Presidential Employment Initiative, a proposed total of R12.7 billion (R6.2 billion in 2022/23 and R6.5 billion in 2023/24) is added for the provincial education departments to continue hiring assistants in schools as part of the Presidential Employment Initiative.
- A proposed total of R24.6 billion (R9 billion in 2022/23, R7.6 billion in 2023/24 and R8 billion in 2024/25) is added to the provincial equitable share to support provincial education departments in addressing educator numbers and other shortfalls within the sector.
- A proposed total of R15.6 billion (R7.4 billion in 2022/23, R3.4 billion in 2023/23 and R4.7 billion in 2024/25) is added to the provincial equitable share to support the provincial departments of health to continue responding to the Covid-19 pandemic and to reduce the impact of budget reductions on essential medical goods services.
- A proposed total of R988 million (R204 million in 2022/23, R358 million in 2023/24 and R426 million in 2024/25) is added to the provincial equitable share to fund non-profit organisations that are already contracted by the provincial departments of social development to ensure that the social welfare budget grows in line with inflation.

3.2. Additions to provincial grants allocation

- A proposed total of R3.3 billion is added to the *Human Resources and Training grant* to address funding of the shortfall for medical interns and community services doctors.
- A proposed total of R1 billion is added in 2022/23 to the Covid-19 component of the *District Health Programme grant* to fund the continuation of the Covid-19 vaccine rollout by provinces.
- A proposed total of R2.1 billion is added over the next two years for repairing of infrastructure damaged by storms and floods in KwaZulu-Natal in 2019 and 2020. This disaster funding is added to the *Human Settlement Development grant* for repairs of houses, the *Education Infrastructure grant* for repairs of schools and *Provincial Road Maintenance grant* for the repairs of provincial roads, as follows:
 - *Human Settlements Development Grant*: R398 million in 2022/23 and R475 million in 2023/24;
 - *Education Infrastructure Grant*: R145 million in 2022/23 and R326 million in 2023/24; and
 - *Provincial Roads Maintenance Grant*: R490 million in 2022/23 and R294 million in 2023/24.

3.3. Reprioritisation and reductions of provincial grants allocation

- To address funding shortfalls for medical internship and community services posts in provinces over the 2022 MTEF period, a proposed total of R745 million is reprioritised

to the *human resources and training grant*. These proposed funding is made available through reprioritising R345 million from the *Health Facility Revitalisation grant* and R400 million from the *national health insurance indirect grant* over the 2022 MTEF period.

- A proposed total of R1.7 billion is reduced from the *Provincial Roads Maintenance grant* in 2022/23. These funds were set aside in the baseline for the conditional grant in the 2021 MTEF as an incentive portion allocated to provinces based on their performance within the grant. For the 2022/23 financial year, the incentive portion will not be allocated to provinces as the sector is in the process of developing and finalising a clear and objective criterion for the incentive.
 - A proposed R15 million in 2022/23, R20 million in 2023/24 and R30 million in 2024/25 will be reprioritised from the *Provincial Roads Maintenance grant* to the Department of Transport to fund a system that will be used to centralise collected road data.

3.4. Correction to the District Health Programmes Grant framework

The overarching framework for the District Health Programmes grant framework indicates the target for human papillomavirus vaccination programme to the grade seven school girls. However, the grant funds a human papillomavirus vaccination programme that is targeted at grade five girls in public schools and special schools. The grant framework for the District Health component shows the correct target for human papillomavirus vaccination programme. The error does not affect allocations per province; however, it creates confusion on the targeted grade for human papillomavirus vaccination programme in schools. National Treasury requests the Standing Committee on Appropriations to recommend that the conditional grant framework be corrected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.

3.5. Changes and renaming of provincial grants

- The *HIV, TB, Malaria and Community Outreach grant* is renamed to *District Health programme grant*. Though it will still be used for the same purpose, the number of components within the grant will be reduced to two. The mental health services component and the oncology service component of the previous grant is shifted to the *National Health insurance grant*.
- The early childhood development programme will be transferred from the Department of Social Development to the Department of Basic Education from April 2022. As a result, the *Early Childhood Development grant* will be moved from the Department of social Development to the Department of Basic Education.
- The name of the *Provincial Disaster Relief grant* is renamed to *Provincial Disaster Response grant*, to align the existing processes and actions that are followed by the National Disaster Management Centre in responding to disasters, including the provision of relief where it is needed.

4. Local government fiscal framework and allocations

Funds raised by national government are transferred to municipalities through conditional and unconditional grants. Over the 2022 MTEF period, R481.3 billion will be directly transferred to local government, and a further R25.4 billion is allocated through indirect grants. National transfers account for a relatively small portion of the local government fiscal framework, with the majority of local government revenues being raised by municipalities themselves through their substantial revenue-raising powers. Direct transfers to local government over the medium term accounts for 9.8 per cent of national government's non-interest expenditure. When adding indirect transfers, total spending on local government increases to 10.3 per cent of national government's non-interest expenditure. However, due to the variations in municipalities, poor rural municipalities rely on receiving most of their revenue from transfers, while urban municipalities raise the majority of their own revenue. Consequently, transfers per household to the most rural municipalities are more than twice as large as those in metropolitan municipalities. Allocations to local government increase by R31.5 billion relative to the indicative allocations in the 2021 budget. However, since the 2021 MTBPS, local

government allocations have been increased by R30.7 billion, consisting of R28.9 billion to the local government equitable share and R1.8 billion in indirect conditional grants.

4.1. Changes to local government equitable share allocations

Over the 2022 MTEF, the local government equitable share is increased by R28.9 billion (R4.2 billion in 2022/23, R10.5 billion in 2023/24 and R14.2 billion in 2024/25) to expand the provision of free basic services to poor households.

4.2. Additions to the local government conditional grants allocation

- A proposed total of R1 billion is added to the direct *Regional Bulk Infrastructure grant* for George Local Municipality to implement the portable water security and remedial works project over the medium term. This is funded from the Budget Facility for Infrastructure (BIF).
- A proposed total of R1.7 billion (R800 million in 2022/23 and R856 million in 2023/24) is added to the direct *Neighbourhood Development Partnership grant* to fund the continuation of government's response to job losses due to the impact of Covid-19 through city led public employment programmes as part of the Presidential Employment Initiative over the next two years.
- A proposed reduction of R754 million in 2022/23 and R105 million in 2023/24 and an increase of R 621 million in 2024/25 in the *Public Transport Network grant* to align it to the revised implementation plan and cash flow projections for the City of Cape Town's MyCiti public transport network.
- A proposed total of R347 million (R26 million in 2022/23 and R321 million in 2023/24) is allocated over the next two years to fund the introduction of the *Municipal Disaster Recovery grant*. The grant is introduced to fund repairs of municipal infrastructure in KwaZulu-Natal that was damaged by natural disasters that took place between October 2019 and January 2020.

4.3. Reprioritisation of local government conditional grants

- A proposed total of R8 million in 2022/23 and 2023/24 respectively is reprioritised from the *Energy Efficiency and Demand Side Management grant* to finance the operational requirements within the vote of the Department of Mineral Resources and Energy.
- A proposed total of R50 million has been reprioritised from the *Integrated National Electrification Programme (Eskom) Grant* to finance the operational requirements of the Independent Power Producer Office in 2022/23
- A proposed R10 million is shifted from the sport component of the *municipal infrastructure grant to the Integrated Urban Development grant* in 2022/23 to fund a sport project in Polokwane Local Municipality.

4.4. Amendment to the Local Government Financial Management Grant (FMG) framework

From 2022/23, the FMG will make provision for the preparation of asset registers. The *Municipal Infrastructure grant*, administered by the Department of Cooperative Governance (DCoG), has a similar provision, but broader funding the development of Asset Management Plans. The submission of audited asset registers is a pre-requisite for eligibility for this provision. Where the asset registers need updating, DCoG can provide this support. National Treasury added a requirement in the responsibilities of the administrators of the FMG, to ensure that there is no duplication of effort and funding for municipalities targeted for this support. The phrasing of this requirement in the framework tabled on 23 February 2022, needs to be amended to highlight the need for alignment between the provisions in both grants. This will be done through improved collaboration between the two grant administering departments when support is provided in the preparation of asset registers. National Treasury requests the Standing Committee on Appropriations to recommend that the conditional grant framework be corrected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.

5. Stakeholders and Public Inputs on the 2022 Division of Revenue Bill

This section provides an overview of the comments on the Bill from the Parliamentary Budget Office, Financial and Fiscal Commission and the South African Local Government Association. Furthermore, this section will also provide a summary of public submissions received on the Bill.

3.1 Parliamentary Budget Office

The Parliamentary Budget Office (PBO) gave an overview of the Bill and provided a situational analysis at national, provincial and local government. The PBO submitted that while the 2022 budget increased the local government equitable share by an average annual rate of 10.3 per cent, it does not guarantee that the needs of indigent households would be sufficiently met. The PBO stated that national transfers accounted for a relatively small proportion of the local government fiscal framework, with the majority of local government revenues being raised by municipalities. However, poor rural municipalities, received most of their revenue from transfers, while urban municipalities raised the majority of their own revenues. The PBO made reference to the research work undertaken by the Public Affairs Research Institute which found the following:

- The challenges faced by local government were systemic and were the direct result of the unrealistic assumptions that were made in designing the funding model in the 1998 White Paper on Local Government.
- The White Paper assumed that local governments could raise over 70 per cent of their financing requirements through services charges and this also made them responsible for providing affordable services to households.

The PBO made reference to the capital and operating revenue trends at local government, and the PBO underscored that poor revenue management and an inability to efficiently raise own revenue was one of the biggest causes of financial distress in municipalities. Furthermore, a number of municipalities failed to deliver services effectively due to poor governance, financial mismanagement and insufficient capacity. The PBO also stated that the key issues in municipal budgets included growing grant dependence, inadequate maintenance expenditure, outstanding customer debt, and under-pricing of services.

The PBO, in summary recommended that national departments must monitor information on financial and non-financial performance of programmes partially or fully funded by an allocation made in the DoRA. The mandates of the different spheres of government are addressed by the division of revenue considering the demographic social and economic needs of the environment. The PBO emphasised that relevant up-to-date official statistical data was, however, not always available to inform policy and funding decisions.

3.2 Financial and Fiscal Commission

The Financial and Fiscal Commission (FFC) submitted that the 2022 budget proposed a total allocation of R682 billion over the 2022 MTEF to the provincial fiscal framework which represented a slight improvement to the 2021 MTBPS estimate of R658 billion. However, the FFC submitted that notwithstanding the upward adjustment, the 2022 MTEF allocations remained below pre-Covid-19 projections. The FFC recommended that provinces identify selected service delivery indicators and provide assessments of service levels using 2020 financial year as a point of reference to determine the impact of stagnant allocations on service delivery. These assessments must also incorporate provincial conditional grants delivery targets set out in the 2020 DoRA in comparison to the year of assessment. The FFC noted that despite the R24.6 billion allocation over the 2022 MTEF for provincial education departments to address the shortage of teachers, it recommended that the government consider the carry through cost for teachers going forward.

Regarding local government, the FFC submitted that 2022 will be a challenging year for municipalities as the political landscape has changed drastically after the municipal elections with governance and fiscal challenges which have the potential to impact the delivery of basic services. Furthermore, these changes were taking place against the backdrop of Covid-19, which amplified challenges related to access to basic services (i.e. water, electricity, and sanitation) with wider fiscal gaps and municipalities (68 per cent of 278) which were in financial distress. The FFC made the following recommendations with regard to local government:

- The FFC welcomed government's efforts to keep the LES growth rates above inflation as this will go a long way in offsetting the ever-increasing costs of basic services and enable the delivery of basic services to poor households.
- The FFC welcomed the reviews of capacity-building systems and infrastructure grants. The FFC is of the view that such initiatives will enhance municipal performance, move the local government sector forward, and quicken the recovery process.
- The FFC further underscored that the aforementioned review initiatives should be synchronised with the District Development Model, which seeks to address critical issues of municipal finances and service delivery failures.
- Lastly, the FFC emphasised that municipalities must improve the efficiency of spending with cooperative support from the national and provincial spheres of government through monitoring, reporting and evaluation to fulfil their constitutional mandates.

3.3 South African Local Government Association

The South African Local Government Association (SALGA) noted and supported the fiscal consolidation course plotted by government to narrow the budget deficit and submitted that this was promising to bear results, notwithstanding the risk factors cited. SALGA welcomed the increased adjustment to the local government fiscal frameworks since this accorded with what the organisation has been lobbying and advocating for at the Budget Forum, Parliament and various other intergovernmental relations fora. SALGA submitted that the proposed increase in the allocation to local government over the MTEF cycle will gradually bring to reality the promise contained in the White Paper on Local Government of an equitable share of nationally raised revenue.

With regard to the importance of effective municipal capacity building given the high number of municipalities currently under financial distress, SALGA submitted that it has introduced the following:

- Development of a 'Good Practice Guide on Municipal Financial Management' with a view to improve the capacity of municipal officials and political leadership. Furthermore, it is in the process of rolling-out capacity building initiatives via the Municipal Finance Integrated Councillor Induction Programme (ICIP) and capacity building workshops targeting municipal officials.
- In terms of coordination of capacity building initiatives targeted at municipalities, the ICIP is offered in collaboration with National Treasury as well as Provincial Treasuries; Department of Cooperative Governance, South African Revenue Services, and the Local Government Sector Education and Training Authority.
- Development of the accredited 'Project Preparation and Financing' capacity building initiative for major capital projects included piloted municipalities to ensure that the learning outcomes address the deficiencies agreed with municipalities.

In terms of municipal revenue, SALGA submitted that the National Conference resolved amongst others to encourage municipalities to strictly implement their credit control policies in an effort to manage escalating debt-owing to municipalities, particularly in collecting debt from customers who are able to pay but not willing as opposed to indigent customers.

SALGA made reference to the updated Municipal Borrowing Policy Framework, and stated that it is collaborating with the Development Bank of Southern Africa's Infrastructure Fund in an effort to facilitate the uptake of long-term borrowing instruments for major capital projects.

SALGA welcomed the allocations of R800 million in 2022/23 and R856 million in 2023/24 in respect of the *Neighbourhood Development Partnership grant* to continue with city-led employment programmes forming part of the presidential employment initiative. However, it submitted that these allocations must be aligned to the local government functions of the grant. SALGA acknowledged the temporary nature of the initiative due to its response to the impact of the Covid-19 pandemic on the economy. Furthermore, SALGA noted a risk of placing expectations on municipalities to provide this form of employment for medium to long-term period even after the funds were no longer available.

Regarding the *Municipal Disaster Recovery grant*, SALGA highlighted the need to factor-in rapid disbursements of the grant allocations to municipalities, in the case of a disaster. SALGA emphasised that the responsiveness in the disbursement of the said grant determined whether the grant would have the requisite impact in the event of disasters and it was therefore important to draw from lessons learnt during the Covid-19 hard lock-down responsiveness for disbursement of funds.

In conclusion, SALGA submitted that it supported the Bill and recommended that the upward trajectory in local government allocations from nationally raised revenue be maintained in order to realise the aspirations contained on the White Paper on Local Government, 1998 in respect of subsidising the provision of basic services.

3.4 Women on Farms Project

The Women on Farms Project (WFP) is a feminist non-governmental organisation that believes in feminist solutions for dignified lives for farm women. WFP welcomed the redistributive approach to budgeting as shown in the Bill, as rural and farm communities were the most historically deprived during apartheid and therefore required more resources. WFP contends that the current budgetary allocations to rural areas were still inadequate to address the structural inequalities inherited from centuries of commercial agriculture, apartheid and racialised capitalism. To this end, the WFP recommended the following in the interests of women farm workers and dwellers, additional revenue be allocated to ensure the following public services:

- **Land Redistribution:** A significantly increased budget allocation was needed for the redistribution of land for women farm workers and dwellers, including unused state land and state land currently leased to commercial farmers.
- **Health:** Rural clinics and hospitals must be adequately staffed and resourced. Women's specific health needs, such as sexual and reproductive healthcare services, need to be prioritised. In addition, community-driven health services must be created to deal with a range of health problems, from pesticide exposure to addictions and conditions caused by foetal alcohol syndrome, a legacy of the 'dop' system. WFP also advocated for the introduction of mobile clinics which provide psychosocial services for gender-based violence survivors, as well as government-financed shelters in all rural towns.
- **Police:** More funding for rural police stations is needed as this will result, *inter alia*, to the appointment of more police officers, gender-sensitivity training for police officers, police vans, and trauma rooms at police stations, from which farm women will benefit when reporting gender-based violence, including the enforcement of Protection Orders.
- **Justice and Courts:** Additional revenue should be allocated to strengthening and resourcing rural courts, including more Sexual Offences Courts, increasing staff numbers and training staff to expeditiously deal with gender-based violence cases.
- **Education:** Rural schools are overcrowded, under-staffed and under-resourced. Farm children face additional constraints such as transport, discrimination, high dropout rates and aggravating factors such as evictions and seasonal household food

insecurity. Matriculants on farms often find themselves excluded from tertiary education opportunities due to geography and economic constraints.

- **Basic Income Grant:** Whilst WFP welcomed the extension of the Social Relief of Distress grant for a further 12 months, this was, however, significantly less than the Food Poverty Line of R624. Given the low wages, seasonality and precarity of farm women's labour, growing mechanization on farms, etc. WFP called for a permanent *Basic Income Grant* which will ensure food security (especially during the off-season period) and cover other critical household expenses.
- WFP also called for the introduction of a wealth tax on the richest 1 per cent of South Africans.

In conclusion, WFP submitted that, based on the 2022 budget speech, it was evident that government was constrained by, *inter alia*, budgetary constraints and spending that worsened the fiscal deficit.

3.5 Amandla.mobi

Amandla.mobi welcomed the year-long extension of the R350 *Social Relief of Distressed grant*, however it expressed disappointment that the grant was not increased and expanded to include more people. It was disappointed by the 2022 national budget tabled by the Minister of Finance since it did not mention anything about allocating funds towards the implementation of a *Basic Income Support grant*.

Amandla.mobi re-emphasised its previous recommendations to the Committee, i.e. extension and increase of the SRD grant, immediate introduction of a *Basic Income Support grant*, expansion of the Child Support grant to include pregnant mothers, increase old-age pension to R2500 per month and giving them a 13th cheque. Amandla.mobi further submitted that, as per its previous recommendations to the Committee, that the aforementioned should be funded through the introduction of a wealth tax on the richest 1 per cent of South Africans and the increase of the Sugary Drinks Tax to 20 percent. It further submitted that Parliament and the Committee Members must hold National Treasury, the Minister of Finance, the President of the Republic of South Africa, and the rest of the Executive to account for approving a budget which failed the poor majority.

In conclusion, Amandla.mobi bemoaned that National Treasury's current approach to public consultation and the creation of the budget appeared to be based on the principle of one rand, one vote. Those with the least money struggle the most to engage with National Treasury and the budget process. Many people still do not know about public hearings and participation and are thus left out of the budget process. It further submitted that many failed requests have been made to the former Minister of Finance for a meeting with the pensioners (gogos). To this end, Amandla.mobi requested that the Committee formally requests the current Minister of Finance to meet with the gogos and allow them to explain in detail why it is important that more funds be allocated towards the *Old-Age grant*.

6. Findings and Observations

Having deliberated and considered all the submissions made by the above stakeholders on Division of Revenue Bill (B6-2022), the Standing Committee on Appropriations makes the following findings and observations:

- 6.1. The Committee notes and welcomes the proposed annual average of 10.3 per cent increase in the local government equitable share over the 2022 MTEF. The Committee has always been emphasising on the need to increase the local government share of nationally raised revenue above inflation due to local government being in coalface of service delivery. The Committee views this as an important step in ensuring that municipalities are able to provide free basic services to poor households. However, the Committee would like to reiterate its concerns on the lack of consequence management and poor financial management within local government, an issue that it has raised on many occasions with SALGA.

- 6.2.** The Committee notes and welcomes the proposed additional R12.7 billion for the provincial education departments to continue hiring assistants in schools as part of the Presidential Employment Initiative for the first two years of the 2022 MTEF. The negative impact caused by Covid-19 pandemic, particularly on job losses and the livelihoods of many South Africans cannot be overemphasised. The Committee fully supports this government initiative to create jobs in response to the number of jobs losses caused by the Covid-19 pandemic. However, the Committee would also like to re-emphasise on the need to use these resources in a manner that demonstrate the understanding of the scarcity of these resources and upholding the laws and regulations governing public finances in South Africa.
- 6.3.** The Committee notes and welcomes the proposed additional R1.7 billion to the direct Neighbourhood Development Partnership grant to fund the continuation of government's response to job losses due to the impact of Covid-19 through city led public employment programmes as part of the Presidential Employment Initiative over the next two years.
- 6.4.** The Committee notes and welcomes the proposed additional R15.6 billion to the Provincial Equitable Share to support the provincial departments of health to continue responding to the Covid-19 pandemic and to reduce the impact of budget reductions on essential medical goods services.
- 6.5.** The Committee notes and welcomes the proposed additional R1 billion in 2022/23 to the Covid-19 component of the District Health Programmes grant to fund the continuation of the Covid-19 vaccine rollout by provinces. The Committee has always been supportive of government's efforts to speedily rollout the Covid-19 vaccination programmes and encourages all citizens to use this opportunity and take up the vaccine if the country is to defeat this pandemic and all its associated challenges.
- 6.6.** The Committee notes and welcomes the proposed additional R24.6 billion over the medium term to the Provincial Equitable Share to support provincial education departments in addressing educator numbers and other shortfalls within the sector. The Committee supports this proposed allocation due to the public outcry on both the shortage of teachers in schools and learner teacher ratio that need to be addressed urgently if the quality of education and education outcomes are to be improved.
- 6.7.** The Committee notes and welcomes the proposed allocation of R2.1 billion over the next two years for repairing of infrastructure damaged by storms and floods in KwaZulu-Natal in 2019 and 2020. The Committee is of the view that the speedily disbursement of these funds is critical in ensuring that the victims of the natural disasters receive the required government assistance timeously and public infrastructure is repaired to its functional level.
- 6.8.** The Committee notes with concern the proposed reduction of R1.7 billion from the *Provincial Roads Maintenance grant* in 2022/23 for the incentives portion allocated to provinces. This was done based on the performance within the grant due to the sector being in the process of developing and finalising a clear and objective criterion for the incentive. The Committee has always been against random allocation of scarce resources without first having proper plans on how these resources are to be utilised.
- 6.9.** The Committee notes and supports National Treasury's request to correct the grant framework of the *District Health Programmes grant* to reflect the correct targets for the human papillomavirus vaccination programme. These proposed corrections are to be effected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.

- 6.10.** The Committee notes and supports National Treasury's request to amend the *Local Government Financial Management grant* to ensure that there is no double dipping on scarce public resources for the same activities that are provided for within the municipal infrastructure grant, administered by the Department of Cooperative Governance. This proposed amendment is to be effected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.
- 6.11.** The Committee notes and welcomes the transfer of function of the Early Childhood Development (ECD) programme from the Department of Social Development to the Department of Basic Education from April 2022, with the associated funding. The Committee has always been of the view that ECD is critical if a child has to be better prepared and productive in later years of life.
- 6.12.** The Committee notes and welcomes SALGA's initiatives in developing a Good Practice Guide on Municipal Financial Management with a view to improve the capacity of municipal officials, councillors and political leadership. Given the current precarious financial position of most municipalities, the report on financial distressed municipalities by the National Treasury, and the report of the Auditor General of South Africa (AGSA) on the financial management in many municipalities; the Committee is encouraged by this support provided by SALGA in order to improve the overall capacity and financial management within the local sphere of government. However, the Committee is of the view that in addition to training, suitably qualified individuals should be appointed in critical position within municipalities.
- 6.13.** The Committee notes with concerns the submission by Amandla.mobi that questions National Treasury's budget consultation process, as well as the public consultation and participation processes in passing the budget. The Committee subscribes to the Constitutional requirements on public participation and involvement and will thus engage with National Treasury, to see to it that the budget consultation processes reach more South Africans as far as possible, the poor in particular.
- 6.14.** The Committee notes the call by both Amandla.mobi and the WFP for the introduction of basic income support grant. However, note should be taken of government's competing priorities and limited revenue, made worse by the Covid-19 pandemic and its associates slow economic activities. The Committee however notes the current review process underway by government regarding the efficiency and effectiveness of the all grants.

7. Recommendations

The Standing Committee on Appropriations, having considered submissions from various stakeholders on the Division of Bill (B6-2022), recommends as follows:

- 7.1** That the Minister of Finance and the Presidential Management Office ensure that the funds allocated towards the Presidential Youth Initiatives are spent within the required guidelines and frameworks in order to avoid potential abuse and corruption.
- 7.2** That the Minister of Finance ensures the following:
- 7.2.1** That National Treasury introduces mechanisms to ensure the equitable spread of government work to the service providers at the provincial and local spheres of government.
- 7.2.2** That National Treasury ensure that the processes of procurement are credible and transparent and to ensure that we receive value-for-money. Furthermore, government should not overpay for goods and services.
- 7.2.3** That National Treasury provides, as part of in-year monitoring, comprehensive quarterly reports to the Committee on gross violations of the MFMA and PFMA, including the names of repeat offenders in failing to implement programmes and projects.

- 7.3 That the Minister of Basic Education ensures the following:
- 7.3.1 That the Department of Basic Education provide the Committee with detailed plans on how the additional R24.6 billion to provincial equitable share to address the shortages of teachers and materials will be spent and monitored to attain value for money.
 - 7.3.2 That Department of Basic Education provide the Committee with detailed plans on how the R12.7 billion added to the provincial equitable share to continue hiring assistants at schools as part of the Presidential Employment Initiatives will be spent and monitored to attain both value for money and ensure that there is standardisation across provinces on the criteria and remuneration of the assistants.
 - 7.3.3 That the Minister of Basic Education provides a report on the progress regarding the removal of pit-latrines within the schools across South Africa.
- 7.4 That the Minister of Cooperative Governance and Traditional Affairs ensures that the Department of Cooperative Governance report to the Committee on the disbursement of the proposed R2.1 billion allocated towards repairing of infrastructure damaged by storms and floods in KwaZulu-Natal in 2019 and 2020.
- 7.5 That the Minister of Transport provides the Committee with a status report on the development and finalisation of the clear and objective criteria that will be used to assess performance and qualify provinces for the incentives within the *Provincial Roads Maintenance grant*.
- 7.6 That the Minister of Finance ensures that National Treasury corrects the grant framework of the *District Health Programmes grant* to reflect the correct targets for the human papillomavirus vaccination programme. This correction should be effected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.
- 7.7 That the Minister of Finance ensures that National Treasury amend the local government financial management grant to ensure that there is no double dipping on resources for the same activities that are provided for within the municipal infrastructure grant, administered by the Department of Cooperative Governance. This amendment should be effected as part of the gazette that will be issued in terms of section 15 of the Act, once the Bill is enacted.

8. Committee Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Division of Revenue Bill [B6-2022], (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

9. Conclusion

The Committee would like to express its appreciation on the inputs, comments and proposals made by all the stakeholders who participated during the consultation processes of this Bill. All the inputs, comments and proposals are valuable to the Committee. Like all the stakeholders, the Committee is faced with very limited choices given the tight fiscal space that South Africa finds itself in. The Committee would have loved to recommend to the Executive most of the proposals made, however, due to the scarcity of public resources, made worse by the Covid-19 pandemic, some of these proposals cannot be implemented immediately. The Committee would like to encourage all stakeholders to continue to engage with the Committee on these important topics of public interest.

The responses by the relevant Executive Authorities, to the recommendations as set out in section 7 above, must be sent to Parliament within 60 days after the adoption of this report by the National Assembly.

Report to be considered.