

Responses to the Public hearings

PRESENTED BY:
National Treasury

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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Cross cutting issues

Issue	National Treasury's Response
Presidential youth intervention	Recommendation is noted and it will be presented and considered in the budget process commencing in June to be presented in October
Additional funding for different programmes	Recommendation is noted and it will be presented and considered in the budget process commencing in June to be presented in October
Accountability by different departments	Recommendations noted
Corruption and wasteful expenditure	Funding was allocated to different entities to fight corruption
Need single wage regime & collective bargaining processes for national, provincial, SOEs & entities.	NT is in agreement. The public sector remuneration review project is currently underway which is led by the DPSA, working with various stakeholder including the National Treasury. The idea is for the public sector (excluding State-owned companies) to move towards a single remuneration framework that would regulate all government employees under a single framework which may ultimately result in equitable remuneration levels across government. This would also eliminate the current disparities that exists amongst the various bargaining councils which has unintentionally created undue tensions and unrest amongst various government employees during their wage negotiation processes

Cross cutting issues

Issue	National Treasury's Response
Reduce politicians & managers' packages	<p data-bbox="233 262 1906 811">INDEPENDENT COMMISSION FOR THE REMUNERATION OF PUBLIC OFFICE-BEARERS ACT, 1997 establishes an independent commission (Independent Commission for the Remuneration of Public Office-bearers) to make recommendations to the President concerning the salaries, allowances and benefits of office-bearers as required by section 219 of the Constitution. National Treasury does make submissions to the Commission and the President expressing its views on the recommendations. With regards to other benefits, the Guide for Members of the Executive (Ministerial Handbook) is currently under review and the DPSA is leading the process. The National Treasury has managed to contain the price threshold of official vehicles static at around R800 000 since 2019 as a way of managing and restraining expenditure relating to benefits of the Executive</p> <p data-bbox="233 876 1906 1428">National Treasury agrees that remuneration for managers in some state-owned entities need to be reviewed and will be working with other stakeholders such as the DPSA to embark on this exercise as part of the single public sector remuneration framework. However, for managers in the public service and local government, remuneration and packages are linked to those of the employees in the bargaining councils. Reduction in their salaries would need to be linked to an overall review of the entire remuneration structures. Over the years, government has been struggling to deal with the overlaps in wage gaps between collective bargaining employees and senior managers. Therefore, a reduction in their salaries without reviewing the bargaining council employees' remuneration would result in overlap of non-senior managers salaries and a potential skills depletion in that cohort.</p>

Cross cutting issues

Issue	National Treasury's Response
Physical headcount for ghost posts.	National treasury agrees that a PERSAL clean up should be prioritised and is engaging with the DPSA on how such a project can be initiated. However, in some provinces such as KwaZulu-Natal, Limpopo and Gauteng, such initiatives were implemented in the past and it doesn't seem like there were major problems detected.

Justice and protection services

Stakeholder	Issue	National Treasury's Response
Public Service Accountability Monitor	<ul style="list-style-type: none"> Can funds be reallocated within the Justice Vote to ensure adequate resourcing of anti-corruption system? 	<ul style="list-style-type: none"> Funds can be reallocated/reprioritised both within or outside the Justice vote. For example, R33 million was reprioritized towards the implementation of the FATF recommendation to be implemented by the Financial Intelligence Centre. In addition, NPA was allocated an additional amount of R1.3 billion mainly for the implementation of the State Capture Commission recommendations
	<ul style="list-style-type: none"> Compel NT to review SIU funding model to ensure it is fully funded and able to deliver on its mandate. Given underspending by DoJCD, reallocate funds to SIU 	<ul style="list-style-type: none"> NT supports the current funding model. SIU receives a government grant and charges state institutions for investigations rendered. At the end of March 2022, R921.2m surplus funds were approved by NT for the SIU to retain in 2022/23 FY. In Budget 2023, an additional R100m was allocated to SIU to initiate civil litigation linked to the recommendations of the State Capture Commission. Regarding DoJCD underspending, the SIU has an option to request the department to increase its transfer payment.
	<ul style="list-style-type: none"> Ensure NACAC receives adequate funding to ensure sustainability. [funded from CARA only.] 	<ul style="list-style-type: none"> The recommendation is noted. However, it should be noted that the bulk of the work is done by relevant government departments responsible for the implementation of the various pillars of the NACS, (e.g DoJCD, SAPS, DPSA, CoGTA and NT etc). Should a need for additional funding arise, this will be dealt with as part of the budget process.

Justice and protection services

Stakeholder	Issues	National Treasury's response
<ul style="list-style-type: none">• Congress of South African Trade Unions (COSATU)	<ul style="list-style-type: none">• Headcount decline from 208 000 to 172 000 personnel over 2 decades and inadequate working tools in police stations to fix the crime situation	<ul style="list-style-type: none">• Additional R7.8 billion allocated over the next three years to appoint a total of 15 000 police trainees and as a result police numbers are set to increase from 178 708 in 2022/23 to 193 708 in 2025/26

Education and related sectors

Stakeholder	Issue	NT Response
Equal Education	National Treasury to adopt a human rights approach to budgeting that prioritises socio-economic rights like basic education	Over 60% of total non-interest spending is allocated over the MTEF to the Social Wage: community development, employment programmes, health, education and social protection - an indication that the Budget does prioritise socio-economic issues.
SeCoA	Higher Education is allocated 3 times as much as Basic Education	<p>The Appropriation Bill only reflects proposed allocations to national departments.</p> <p>Higher Education and Training's proposed allocation is R110.8 billion for 2023/24 and that of Basic Education is R31.8 billion. However basic education is mainly delivered by the 9 provincial departments education and their total proposed allocation is R277.8 billion for 2023/24.</p> <p>Spending per learner in higher education is R64 8000 per student which is roughly 3 times more than that of basic education at R22 502 per learner. That is not unusual as one can understand that it would cost more to train a doctor, engineer or motor mechanic than it would to run a school programme.</p>
COSATU	CCMA struggling with case backlogs, yet its budget has not increased much to keep up with the increased demand.	<p>R120 million was allocated to the CCMA over the 2022 MTEF to assist with dispute resolutions and increasing caseload.</p> <p>The proposed transfer to the CCMA for 2023/24 is R1.05 billion.</p>

Urban Development and infrastructure

Stakeholder	Issue	Response
COSATU	Re-tabling of the RABS Bill	Supported
	Recapitalisation of state owned companies must be accompanied by turnaround plans	Turn around plans are a key requirement when departments motivate for funding. The financial position that entities find themselves in is due to costs exceeding revenue. Part of turning around is aligning these two items. Where costs needs to be reduced and organisational structures needs to be realigned, SOCs must be allowed to do so.
FFC and Youth Capital	Expanding infrastructure investment	Of the R903 billion infrastructure investment that the state is expecting to do over the 2023 MTEF period, a third is from public corporations such as Eskom and Transnet. Economic infrastructure to improve the supply side capacity in the economy is largely funded on the balance sheets of these entities. Declining shares of capital investment by local government is concerning, as conditional grants on subsidises some of the investment, where surpluses in trading services are used elsewhere, which is concerning. Asset management is a key mechanism, together with life cycle costing to ensure that infrastructure is sustainably managed.

Administrative services

Stakeholder	Issue	National Treasury's Response
Department of Home Affairs	<ul style="list-style-type: none"> • The reduction of 0,8% in the baseline of the Department that could impact of service delivery. • Lack of staff to deliver frontline services to the public 	<ul style="list-style-type: none"> • We did not reduce the baseline for the department of Home affairs, but we did a function shift from the department to the Border Management Authority that explains the reduction in the baseline of the department. • The Border Management Authority was incubated in the department for 3 years prior to the entity becoming independent • The Border Management Authority was established as an as independent entity on 1 April 2023
IEC political party funding	<ul style="list-style-type: none"> • Lack of funding allocated to political parties other than the R200 million allocated through the Special Adjustment Appropriation Bill 	<ul style="list-style-type: none"> • Political parties receive funding from parliament for constituency work in various areas. • There is also funds in provinces that are being access by political parties in the provinces • The Multi party Democracy Fund are being administered by the IEC, but did not success t attract much funding. • The baselines for political parties are being evaluated on an annual basis to determine the shortfall of the funding and to develop recommendations for Cabinet to consider

Administrative services

Stakeholder	Issue	National Treasury's Response
<p>Department of Public Works and Infrastructure</p>	<p>Outa raised the issue of Spending on prestige projects and maintenance work on Ministers' houses</p>	<ul style="list-style-type: none"> • National Treasury was engaged with the department to develop a policy to guide the department in relation to spending on infrastructure projects. This was finalized. • We also requested that the implementation of the policy should be implemented by the PMTE which will eventually become an independent entity. • The purpose was to separate the policy developers from the implementation of the policy • This was also to avoid excessive spending on prestige projects without a policy basis. • These initiatives were implemented by the department.

Health and Social Development

Stakeholder	Issue	National Treasury's Response
COSATU	<ul style="list-style-type: none"> SRD grant should be made permanent, raised to food poverty line and linked to employment services and skills programmes 	<ul style="list-style-type: none"> Work on options to replace the SRD R350 grant are ongoing and will be presented as part of the MTBPS However making the SRD 350 grant permanent will require a permanent revenue stream and an increase in taxation. Raising it to 73% of the Food Poverty line could cost R130 billion per annum by 2030. This would require very large tax increases NT agrees the grant should be linked to work seeking, public employment programmes and skills acquisition. The Committee is requested to engage with the Portfolio Committees of Social Development and Labour to develop such proposals

Economic Services

Stakeholder	Issue	National Treasury's Response
Cosatu	Government needs to provide assurances that the money owed to the workers at DENEL will now be paid.	<ul style="list-style-type: none"> All outstanding salaries were paid off by end of October 2022 after Denel realised R992 million from the Denel Medical Benefit Trust
	More needs to be done by law enforcement to protect our railway infrastructure.	<ul style="list-style-type: none"> Government already collaborates with Transnet as part of the protection of critical infrastructure strategy Transnet has also developed partnerships with the private sector to address cable theft and vandalism on the freight rail network, through the use of advanced technologies and additional security personnel In 2022, government announced measures targeted at restricting trade in scrap metal to limit damage to public infrastructure. One of the recommendations proposed the establishment of a Metal Trade Task Force that will work with the SAPS' Specialised Multi-disciplinary Economic Infrastructure Task Team The Critical Infrastructure Protection Act (8 of 2019), among others, provides for measures to be put in place for the protection, safeguarding and resilience of critical infrastructure. It also establishes the Critical Infrastructure Council comprising of Department of Defence; Department of Home Affairs, Department of Public Works; National Disaster Management Centre; South African Local Government Association; South African Police Service; and State Security Agency There is also the National Rail Crime Combating Forum which assists government to curb cable theft and infrastructure vandalism The Department of Public Enterprises signed a Memorandum of Understanding with relevant state-owned enterprises to implement interventions that will assist in dealing with the impact caused by theft, vandalism and trade in ferrous and non-ferrous metal wastes, scrap
	National Treasury needs to support Eskom to reduce wasteful expenditure	<ul style="list-style-type: none"> NT will continue to work closely with Eskom and DPE to reduce wasteful expenditure

Economic Services

Stakeholder	Issues	National Treasury's response
<ul style="list-style-type: none"> Youth Capital 	<ul style="list-style-type: none"> The government must increase the annual industrial financing budget to 2.5% of GDP with 1% directed towards SMMEs 	<ul style="list-style-type: none"> Over the 2023 MTEF, the DTIC has budgeted R18.9 bn towards various business incentive programmes. Incentives includes support towards SMMEs The government also supports SMMEs through the Township and Rural Entrepreneur Programme which is meant to support businesses in townships and rural areas, which has been allocated R2.8 billion over the MTEF. The government also supports SMMEs through the Blended Finance programme, meant to subsidise SMME's to acquire private sector funding, which was allocated R4.1 billion over the MTEF Government also provides significant tax incentives to businesses
	<ul style="list-style-type: none"> The government must introduce lending targets (or quotas) for bank lending to labour intensive sectors and black SMMEs. A third of DFI disbursements must be to youth-owned enterprises. 	<ul style="list-style-type: none"> No policy position has been set to impose bank lending quotas but government collaborates with the private sector to support industrial policy among others as in the case on masterplans, the loan guarantee scheme Government will be working with banks again on the bounce back guarantee scheme for energy Development finance institutions already prioritise lending to youth owned enterprises. However, the ratio needs to increase