



For an Equitable Sharing of National Revenue

SUBMISSION ON THE 2019 DIVISION OF REVENUE BILL

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LIST OF ACRONYMS

| | |
|-------|--|
| ASIDI | Accelerated School Infrastructure Development Initiative |
| CASP | Comprehensive Agricultural Support Programme |
| CoGTA | Department of Cooperative Governance |
| DoR | Division of Revenue |
| EIG | Education Infrastructure Grant |
| GDP | Gross Domestic Product |
| HRCG | Human Resources Capacitation Grant |
| HSDG | Human Settlements Development Grant |
| IGFR | Intergovernmental Fiscal Relations |
| IUDG | Integrated Urban Development Grant |
| LGES | Local Government Equitable Share |
| MTBPS | Medium Term Budget Policy Statement |
| MTEF | Medium Term Expenditure Framework |
| NHI | National Health Insurance |
| INEP | Integrated National Electrification Grant |
| PES | Provincial Equitable Share |
| PTNG | Public Transport Network Grant |
| PTOG | Public Transport Operations Grant |
| SIBG | School Infrastructure Backlogs Grant |
| SOE | State Owned Entity |
| SONA | State of the Nation Address |
| USDG | Urban Settlements Development Grant |
| VAT | Value Added Tax |

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1. BACKGROUND

- 1.1. This Submission on the 2019 Division of Revenue (DoR) Bill is made in terms of Section 214 (1) of the Constitution of the Republic of South Africa (1996) and Section 35 of the Intergovernmental Fiscal Relations (IGFR) Act (1998).
- 1.2. Section 9 of the IGFR Act requires the Financial and Fiscal Commission (FFC) to make recommendations on (a) an equitable division of revenue raised nationally, among the national, provincial and local spheres of government; (b) the determination of each province's equitable share in the provincial share of that revenue; and (c) any other allocations to provinces or municipalities from the national government's share of that revenue, and any conditions on which those allocations should be made.

2. THE CURRENT CONTEXT

- 2.1. This section provides an overview of the current economic and fiscal context facing South Africa and forms the backdrop against which the FFC's submission on the 2019 DoR Bill is made.

Priorities Underlying Government's Strategy over the Next Three Years

- 2.2. In the 2019 State of the Nation Address (SONA), President Cyril Ramaphosa identified five urgent priority areas that would underpin all government activities, particularly in 2019/20. These priority areas are:

- Accelerating inclusive economic growth and job creation;
- Improving the education system with a view to developing the current and future skills required for our national growth and development;
- Improving the conditions of life for all South Africans, especially the poor;
- Fighting corruption and state capture; and
- Strengthening the capacity of the state to address the needs of the people.

- 2.3. Taking the cue from the priorities identified in the SONA, the Minister of Finance detailed how the five priorities find expression in the 2019 Budget. A summary is provided in Table 1. In addition to the five areas outlined below, much attention was directed at the state-owned entities (SOEs), particularly Eskom and the steps that government will take to turn around their management and performance.

Table 1: Priority Areas: SONA and Budget 2019

| Priority Areas Identified in SoNA | Budget 2019 Interventions per Priority Area |
|---|--|
| Accelerating inclusive economic growth and job creation | <ul style="list-style-type: none"> R19.8 billion allocated for industrial business incentives which will support 35 500 existing jobs and 25 000 new jobs over the next 3 years; Jobs Fund allocation will increase by R1.1 billion over the next 3 years; R481.6 million allocated to the Small Enterprise Development Agency to expand the small business incubation programme |
| Improving the education system with a view to developing the current and future skills required for national growth and development | <ul style="list-style-type: none"> Over R30 billion allocated to build new schools/maintain infrastructure; R2.8 billion added to the School Infrastructure Backlogs Grant for replacement of pit latrines; over next 3 years R111.2 billion allocated to roll out subsidised higher education and training |
| Improving the conditions of life for all South Africans, especially the poor | <ul style="list-style-type: none"> R567 billion allocated towards social grant payments; R2.8 billion allocated in respect of a new Human Resource Capacitation grant in health and R1 billion for medical interns; R1 billion to increase the wages of community health care workers; R14.7 billion for two new grants for informal settlement upgrading; R3.5 billion allocated over next 3 years to improve non-toll roads |
| Fighting corruption and state capture | <ul style="list-style-type: none"> National Treasury and Department of Justice to support the establishment of a new Investigating Directorate in the National Prosecuting Authority |
| Strengthening the capacity of the state to address the needs of the people | <ul style="list-style-type: none"> Financial Management grant and Municipal Systems grants are available to assist in building capacity; Building a culture of payment; National Treasury will lead a process to encourage government departments to pay outstanding monies to municipalities; Holding service providers accountable to build what they promised at a reasonable rate |

Source: SONA, 2019 and Budget Speech, 2019.

Macroeconomic overview of 2019 Budget

2.4. The 2019 budget was tabled in an environment of improved sentiments around the country's growth prospects. The SONA and some Presidential initiatives such as the investment envoys, and the investment and jobs summits, have revealed a renewed sense of urgency to lift the economy from a persistent trajectory of low growth. Government consistently had to revise its economic growth projections downward since 2009 as the economy struggled to recover from the global financial crises. Notwithstanding the current positive sentiments, the macroeconomic policy forecasts as tabled by government remains unsatisfactorily low. Economic growth is expected to remain muted, at 1.5 percent in 2019 and 1.7 percent in 2020, only reaching the 2 percent mark in 2021.

- 2.5. Inflation will remain within the target of 3 to 6 percent, albeit at the upper bound. The low growth forecast is reflective of weaker investment injections into the economy as well as the fragile domestic and export demand. On the domestic front, subdued wage growth and the above average petrol and electricity price increases have had a negative impact on household disposable income and consumption. Both private and general government investment are declining, owing to low economic confidence and the inability of government to execute projects effectively. Gross fixed capital formation declined by 0.2 percent in 2018 but is expected to recover by 1.5 percent in 2019.
- 2.6. Primary exports remain one of the key drivers of growth but the global outlook is becoming increasingly risky for the South African economy, with signs of slow growth affecting major trading partners. Table 2 shows growth projections of key macroeconomic variables.

Table 2: Macroeconomic Projections

| Percentage change | 2019 | 2020 | 2021 | Average |
|--|----------|---------|---------|---------|
| | Forecast | | | |
| Final household consumption | 1.5 | 2.0 | 2.3 | 1.9 |
| Final government consumption | 0.2 | 0.9 | 0.7 | 0.6 |
| Gross fixed-capital formation | 1.5 | 2.1 | 3.0 | 2.2 |
| Gross domestic expenditure | 1.3 | 1.9 | 2.2 | 1.8 |
| Exports | 2.3 | 2.7 | 2.8 | 2.6 |
| Imports | 1.7 | 3.2 | 3.3 | 2.8 |
| Real Gross Domestic Product (GDP) growth | 1.5 | 1.7 | 2.1 | 1.8 |
| GDP at current prices (R billion) | 5 323.1 | 5 708.1 | 6 135.9 | 5 722.4 |
| Consumer Price Index (CPI) inflation | 5.2 | 5.4 | 5.4 | 5.3 |
| Current account balance (% of GDP) | -3.4 | -3.8 | -4.0 | -3.7 |

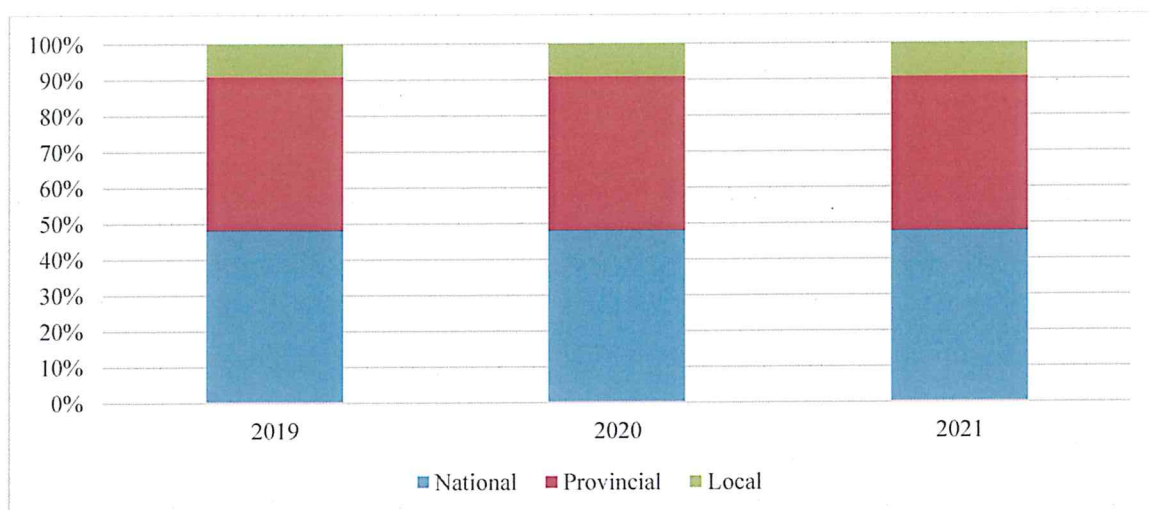
Source: Budget Review, 2019.

- 2.7. The macroeconomic variables underlying the 2019 budget proposal suggest a weaker macroeconomic position for South Africa going forward. The exchange rate is signalling a loss of export competitiveness, owing to South Africa's higher inflation rate relative to key trading partners. The current account deficit is expected to widen marginally by 600 basis points over the 2019 medium term expenditure framework (MTEF). Both public and private employment have stagnated, and this is likely to increase pressure on social spending.

Fiscal Framework and Division of Revenue Overview of 2019 Budget

- 2.8. Over the next three years (2019/20, 2020/21 and 2021/22), government is projected to spend R5.864 trillion, relative to a revenue envelope of R5.116 trillion. A shortfall of R16.3 billion is projected in tax revenue over the next three years and this has necessitated significant expenditure reprioritisation. The key risk to the fiscus is the financial requirements in respect of Eskom and other financially stressed SOEs.
- 2.9. Growth in debt and the attendant debt service costs have grown consistently and significantly since 2009, with continued increases threatening to crowd out economic and social spending, especially if economic growth remains sluggish.
- 2.10. In 2019/20, 88.5 percent of government's expenditure is made up of non-interest spending allocations which are inclusive of equitable share and conditional grant funding to subnational government (provinces and local government).
- 2.11. The 2019 DoR is set out as follows: National government accounts for 48.1 percent of the nationally raised revenue, while provinces and local government transfers constitute 43 percent and 8.9 percent respectively. As seen from Figure 1, the proportional revenue sharing across the three spheres of government is expected to remain fairly constant over the 2019 MTEF cycle. There is no identifiable and substantial policy shift driving a change in the proportions of revenue sharing across the three spheres. Allocations to the local government sphere grow the fastest at a nominal growth rate of 8.4 percent relative to 7.0 percent and 6.8 percent, for provinces and national government respectively. Similarly, the composition of both provincial government and local government transfers shows a similar consistency in terms of the relative proportions of conditional and unconditional allocations. Conditional grants will maintain at an average share of 17 percent and 35 percent of the total transferred over the 2019 MTEF for provinces and local government, respectively. Both the provincial equitable share (PES) and local government equitable share (LGES) allocations grow faster relative to conditional grants in each sphere. Slight changes to the subnational DoR are driven in part by the limited addition of policy priorities to the PES and LES; and the annual conditional grant reforms. Included, are a wage freeze for political office bearers, the incorporation of selected conditional grants into the PES and the consolidation of some local conditional grants.

Figure 1: Division of Nationally Raised Revenue



Source: Budget Review, 2019 & own compilation.

FFC RESPONSE TO THE BUDGET

3. ECONOMIC AND FISCAL OUTLOOK UNDERPINNING THE 2019 DIVISION OF REVENUE

- 3.1. South Africa's economic prospects have deteriorated as the country's real, long-term growth has continued to decelerate, beleaguered by recessionary scares and negative outlooks by the credit rating agencies. Years of institutional deterioration due to governance failure and uncertainty have caused structural degeneration on both the demand and supply side of the economy, coupled with the financial, operational and governance crises of key SOEs.
- 3.2. Domestically, on the supply side, the industry that suffered the most significant contraction in 2018 was mining and quarrying, at negative 0.34 per cent in contribution due in part to policy uncertainty in amending the Mining Charter, which negatively impacted the risk profile and prospects of the sector. Agriculture, forestry and fishing activities slowed by negative 0.26 per cent in contribution due to poor management of scarce water resources coupled with drought, as well as unclear policy regarding "the expropriation land without compensation".

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- 3.3. On the demand side, the private consumption growth contribution slowed from 1.7 per cent in quarter 4 of 2017, to 0.8 per cent in quarter 3 of 2018 due to a re-adjustment following a period of negative output gap (the economy had experienced overheating where short-term demand is high relative to the long-term supply capability). Government consumption growth contribution was sustained at 0.3 per cent for the first three quarters of the 2018 year. Public investment growth contributed slowed from 0.3 per cent at the beginning of the same year to 0.1 per cent in quarter 3, while private investment remained in the negative territory, declining at 0.1 per cent due to the subdued economic outlook and the expectation that future demand is falling. After the negative inventory carries in quarter 2 of 2018, firms began restocking again, adding a 0.8 per cent growth contribution in quarter 3 of 2018. Finally, external demand or net exports retreated significantly by -1.1 per cent in quarter 3 of 2018.
- 3.4. Looking at investment as a critical determinant of future growth, data suggests a continuation of the disturbing downward pattern in both the private and public sectors during the past financial year due to the subdued economic outlook and declining expected future demand. Private investment has remained in the negative territory for the second consecutive quarter, and public investment is following the same downward trend in savings for future growth.
- 3.5. In terms of specific types of investment, it is evident that capital stocks of machinery and equipment are deteriorating in line with the expected future demand declines. Construction capital growth also suffered a decline in 2018 as concerns over the long-term growth prospects have negatively impacted the need to build more structures to accommodate households and businesses, and also machinery and equipment for the production of goods and services on the supply side.
- 3.6. Data on cash balances show the effect of the 2008/09 financial crisis - national revenue and expenditure trends have diverged. Year after year, total expenditure remains higher than the total revenue collected, resulting in the cash balance of national government deteriorating. Fiscal contractionary measures implemented over the years include imposing an expenditure ceiling; consolidating spending through cost-containment measures; and the raising of the marginal income tax rate for the highest income earners from 40 per cent to 45 per cent in 2017/18. Also, the increase of value-added tax (VAT) from 14 per cent to 15 per cent and the cutting of government expenditure, including conditional grants – have all failed to close the widening gap between the total revenue and expenditure of government. With the economy locked into a low-growth spiral with rising deficits, it is evident that the current trajectory of expenditure is not sustainable given the total revenue trends. Government is required to raise its net borrowing requirement, incurring more debt and higher financing costs.

- 3.7. During the 2019/20 financial year, the government has to honour its current loan obligations and pay up to 6.3 per cent of its 2018/19 budgeted revenue in financing costs, this - before any expenditures and division of nationally raised resources can be allocated for service delivery. According to the redemption schedule: South Africa's obligation shall reach upwards of 8.1 per cent of the 2018/19 revenue budget in five years, and more than 10 per cent in years nine and eleven. Even though this is well below the 15 per cent threshold considered prudent for a developing country, given the multiple risk factors existing in the South African economy, it is disconcerting.
- 3.8. During the 2019 SONA, the President announced that the debt-laden, inefficient power utility Eskom would be split into three entities, i.e. generation, distribution and transmission businesses under a state holding company, allowing each to manage its costs more effectively. This new approach to unbundling operational inefficiencies, moving to reduce costs by addressing these inefficiencies in a specific direct market context is welcomed. It is further recommended that these entities be exempted from the safety net of financial guarantees and market barriers - to induce efficiency through the competitive market.

4. OVERVIEW AND GENERAL ASSESSMENT OF THE 2019 DIVISION OF REVENUE BILL

Technical Changes to 2019 Division of Revenue Bill

- 4.1. **Duties of transferring officer in respect to schedules 4¹, 5² & 6³ allocations:** clauses 9 (4) and 10 (11) have been added. These clauses were added to ensure accountability within the transfer system. The 2018 DoR Act imposes responsibilities on the transferring and the receiving officers of the grant only, and imposes no responsibilities on other departments that are mentioned in the grant framework. The addition will now ensure that other departments (including the provincial/national accounting officers) mentioned in the frameworks are also accountable. The Commission welcomes this approach as it will ensure collaboration by all departments involved and affected, so that the grant can effectively be managed to achieve its purpose. This approach will

¹ Grant supplements various programmes partly funded by provinces/municipalities

² Grant funds specific responsibilities and programmes implemented by provinces/municipalities

³ Grant provides in kind allocation through which a national department implements projects in provinces/municipalities

also ensure that all departments are held responsible for the performance of the grant. One of the reasons for poor performance of grants has been that some departments simply implement but are not held accountable for the performance of the grant, nor do they abide by the rules of the grant. This change is in line with previous FFC⁴ recommendations that departments need to ensure adequate monitoring capacity on an ongoing basis so as to ensure that there is compliance with the conditions and purpose of a grant.

- 4.2. **Preparations for 2020/2021 financial year and 2021/2022 financial year:** a new clause 27 (2) (b) is added. The clause requires the transferring officer of a conditional allocation to consult the department that has the responsibilities listed in the grant framework before submitting the draft conditional grant framework to National Treasury. The Commission welcomes this clause, as it formalises the responsibilities of departments relative to transferring officers. Furthermore, this is in line with previous FFC⁵ recommendations that national and provincial departments should not neglect their leadership roles in monitoring and evaluating grants and should boost their capacity to support effective grant design, and monitor and evaluate grant implementation.
- 4.3. **New allocations during financial year and Schedule 7 allocations:** Clause 26(3) is revised stating that the transferring officer may, with the approval of the National Treasury, make one or more transfers of a Schedule 7 allocation to a province or municipality for a declared disaster within the period specified in the Disaster Management Act, 2002 (Act No. 57 of 2002). This change is welcomed as it allows for a more immediate response to disaster situations, however within the requirements of the Disaster Management Act.
- 4.4. **Transfers before commencement of Division of Revenue Act for 2019/20 financial year**
Clause 28 (1) is expanded to make reference to the Appropriations Act on transfers prior to the commencement of the DoR Act. The Commission welcomes the adjustments made in Clauses 26 (3) and 28 (1) as they improve alignment and concurrence in the implementation of government legislation that is regulating the same function.
- 4.5. **Expenditure in terms of purpose and subject to conditions:** Clause 17(3) is added stating that for any transfer of grant funds to another organ of state, the receiving officer

⁴ FFC Submission for the 2007/08 Division of Revenue

⁵ FFC Submission for the 2014/15 Division of Revenue



must submit a (written) copy of the agreements envisaged in subsection 2 to the transferring officer and National Treasury before payment is made. The Commission supports the addition of this clause as it emphasises the use of service level agreements, which is important for accountability and would assist in eliminating the issues of unfunded mandates and duplication.

- 4.6. **Duties of receiving officer in respect of Schedule 5 or 7 allocations:** Clause 10(6)(b) is revised to require the transferring officer of a Schedule 5 or 6 allocation, as part of the reporting envisaged in section 40(4)(c) of the Public Finance Management Act to submit information, in the format determined by the National Treasury within a period of 20 days after the end of the month in question, instead of after 15 days. The Commission welcomes this adjustment as it will give national departments more time to prepare the information for the reports to be submitted to National Treasury. This should have positive effects on the quality of the reported information.
- 4.7. **Preparations for 2019/20 financial year and 2020/21 financial year:** Clause 27 5(c) is added to require the Department of Cooperative Governance (CoGTA) to seek National Treasury's approval for changes related to any additional qualifying municipalities for the Integrated Urban Development Grant (IUDG), and municipalities that have failed to continue to qualify. The Commission is of the view that the CoGTA should be allowed to manage the process without National Treasury approval. The conditional grant framework must guide this process and that modifications to the framework may need to be made.
- 4.8. **Duties of municipalities:** Clause 29 (2) is revised to state that a district municipality providing a municipal service must, before implementing any capital project for water, electricity, roads or any other municipal service, consult the category B municipalities within whose area of jurisdiction the project shall be implemented, and agree in writing which municipality is to be responsible for operational costs and maintenance, and the collection of user fees. The Commission supports the changes made in this clause as it emphasises the importance of infrastructure maintenance. Also, a service level agreement between districts and local municipalities will address issues of accountability, as it will clarify both the funding and expenditure responsibilities.

Government Responses to FFC Recommendations

- 4.9. The Commission tabled its Submission for the DoR 2019/2020 in Parliament in May 2018. As required by the IGFR Act, Government published its response to the FFC recommendations together with its tabling of the 2019 DoR Bill at the time of the 2019 Budget in February 2019.



- 4.10. The 2019/2020 submission comprises six chapters, with a total of twenty one recommendations. Government has responded to the twelve recommendations that have either a direct or indirect bearing to the DoR. The recommendations that do not apply to the DoR are being considered by the appropriate national departments. Overall, the Commission welcomes the consultative process and the manner in which government has responded to the recommendations, and further invites parliament to exercise oversight in the implementation of the recommendations accepted by Government.
- 4.11. Government agrees with most of the recommendations made by the Commission. For instance, Government has accepted recommendations pertaining to (a) recentralisation in terms of appropriate measures that need to be in place for this so as to ensure that conditional grants will achieve their intended service delivery objectives; (b) Provincial fiscal adjustment mechanisms in times of protracted fiscal constraints with respect to the health sector, that is, the need to prioritise and maintain assets even in times of fiscal constraint; and (c) introducing incentives within intergovernmental grants to encourage municipalities that have the capabilities to collect more own revenue, and to support the less capacitated municipalities.
- 4.12. In addition, for some recommendations Government has indicated the processes that will be put in place to address them. For example, Government has agreed to explore the possibility of establishing a framework for evaluating the performance of provincial infrastructure grants. Similarly, Government has indicated its desire to resume Blue Water Reporting as a measure to enhance water safety. In this regard, the Department of Water and Sanitation will resume publishing the Blue Drop report in its master plans.
- 4.13. A detailed table outlining each recommendation and the accompanying government response is contained as Annexure A.

5. MAJOR CHANGES AND ADDITIONS TO THE 2019 DIVISION OF REVENUE

Overview of the 2019 Division of Revenue

- 5.1. Table 3 outlines the division of nationally raised revenue over the 2019 MTEF period. Despite the strained fiscal environment, the Commission notes that Government has managed to maintain real growth in the resources allocated to the three spheres. On the whole, there has been a clear prioritisation of funding towards municipalities. On aggregate, allocations to the local government sphere will grow by a real annual average of 2.9 percent over the 2019 MTEF period whilst slower growth is projected in the cases of the national and provincial spheres of government, which are projected to grow by a real annual average rate of 1.4 percent and 1.5 percent respectively.

Table 3: Division of Nationally Raised Revenue, 2015/16 to 2021/22

| <i>R'billion</i> | Outcome | | | Revised est. | Medium term estimates | | | Real Annual Average Growth 2019 MTEF |
|--|----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|--------------------------------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | |
| National departments | 546.1 | 555.7 | 592.7 | 638.2 | 684.7 | 733.1 | 777.7 | 1.4% |
| <i>of which:</i> | | | | | | | | |
| Indirect transfers: provinces | 3.5 | 3.6 | 3.8 | 4.7 | 4.6 | 5.0 | 5.7 | 1.1% |
| Indirect transfers: local government | 10.4 | 8.1 | 7.8 | 7.9 | 7.2 | 7.1 | 8.2 | -3.6% |
| Provinces | 471.4 | 500.4 | 538.6 | 572.2 | 612.3 | 657.1 | 701.0 | 1.5% |
| Equitable share | 386.5 | 410.7 | 441.3 | 470.3 | 505.6 | 542.9 | 578.6 | 1.7% |
| Conditional grants | 84.9 | 89.7 | 97.2 | 101.9 | 106.7 | 114.2 | 122.4 | 0.9% |
| Local government | 98.3 | 102.9 | 111.1 | 117.3 | 127.3 | 137.9 | 149.5 | 2.9% |
| Equitable share | 49.4 | 50.7 | 55.6 | 60.5 | 69.0 | 75.7 | 82.2 | 5.1% |
| Conditional grants | 38.3 | 40.9 | 43.7 | 44.3 | 45.1 | 48.2 | 52.2 | 0.05% |
| General fuel levy sharing with metros | 10.7 | 11.2 | 11.8 | 12.5 | 13.2 | 14.0 | 15.2 | 1.3% |
| Provisional allocation not assigned to votes | – | – | – | – | 19.2 | 11.4 | 18.9 | |
| Non-interest allocations | 1 115.8 | 1 159.0 | 1 242.3 | 1 327.6 | 1 443.5 | 1 539.5 | 1 647.1 | 2.0% |
| <i>Percentage share allocated to each sphere</i> | | | | | | | | |
| National | 48.9% | 48.0% | 47.7% | 48.1% | 48.1% | 48.0% | 47.8% | |
| Provinces | 42.2% | 43.2% | 43.3% | 43.1% | 43.0% | 43.0% | 43.1% | |
| Local government | 8.8% | 8.9% | 8.9% | 8.8% | 8.9% | 9.0% | 9.2% | |

Source: Own calculations based on Budget Review 2019.

5.2. Overall, the Commission particularly welcomes the real growth in the equitable share allocations to subnational governments over the 2019 MTEF period, especially in respect of the LGES allocation. The LGES is projected to grow by a healthy real annual average of 5.1 percent over the next three years. It is anticipated that these increases will enable municipalities to deliver on their basket of constitutionally mandated basic services, particularly in the case of municipalities where funding is aimed at supporting the rollout of basic services to indigent households.

- 5.3. As raised in its Submission on the 2018 DoR, the Commission reiterates the need for stronger national oversight over provinces and municipalities. In accordance with Section 154 (1) of the Constitution, the Commission calls on national and provincial government to play a supportive role to municipalities so as to ensure the capacity to effectively spend these resources, thus amplifying its redistributive impact in terms of expanding access to basic services to the poorest of the poor, is realised.
- 5.4. More generally and as recommended in 2017, the Commission would like to reiterate the need for provinces and municipalities to continually evaluate each aspect of their spending plans to ensure that inefficiencies in service delivery systems are eliminated – this is particularly important in big spending areas such as health, education, electricity, water and sanitation and will assist in ensuring that spending programmes are effectively implemented.
- 5.5. Continuing with the concerning trend which commenced in 2018, conditional grants appear to bear the brunt of the need to reprioritise funding. As a result, in the 2019/20 financial year, conditional grants to subnational governments, particularly local government, will decline in real terms. More specifically, conditional grants to municipalities are set to decline by 3 percent in 2019/20 whereas provincial conditional grants see a more marginal decline of 0.5 percent. Greater detail on the specific changes to conditional grants is contained as part of the Sections on the Provincial Fiscal Framework and the Local Fiscal Framework.

Changes and Additions to the Provincial Fiscal Framework

Provincial Equitable Share

- 5.6. The 2019 budget provides an estimated total provincial allocation of R1.9 trillion over the MTEF with 82.6 percent assigned to the PES while the remainder is allocated to conditional grants. This proportional share of provincial transfers is expected to remain the same in the outer years and therefore guarantees stability of budget implementation plans. While there is no prescribed blueprint on the composition of unconditional transfers relative to conditional grants, the Commission is of the view that the share of conditional grants to total provincial transfers should be reduced gradually. In particular, the Commission welcomes the incorporation of the substance abuse and social workers employment grant into the PES. However, at the beginning this transition should be accompanied by greater oversight responsibilities to minimise potential crowding out by other provincial spending pressures.
- 5.7. For the 2019/20 financial year, the PES is revised upwards by R508 million, mainly as a result of absorbing the two social development grants and additional funding for the sanitary dignity program. However, the upward adjustment is offset against a

downward revision of the PES allocation by R340 million in 2020/21 as part of the broader fiscal consolidation goals. Notwithstanding this revision, the PES maintains a 7.2 percent nominal growth rate over the MTEF. Minimising the number of new priorities funded through the PES is a welcome development but government needs to guard against the erosion of critical goods and services spending funded through the PES. With compensation of employees as a first charge against the budget growing faster than inflation and the rapidly growing costs of goods and service, come a greater danger of budget (limitation) induced service delivery cuts. As consolidation maintains its grip, government must therefore invest in better public expenditure management, especially in reducing duplication.

Provincial Conditional Grants

- 5.8. Conditional grants appear to be the key budget adjustment variable in the budget consolidation exercise. The net reduction to provincial direct conditional grants for the 2019/20 MTEF amount to R5 billion. In its 2018 DoR submission, the Commission cautioned against the risks of using cuts in infrastructure conditional grants to maintain fiscal balance. The Commission agrees with the general thrust of reprioritising under-performing grants into areas where the needs are greater. Under-performing grants should at all times be specifically identified, in terms of applied criteria.

Table 4: Performance of Comprehensive Agricultural Support Programme, 2013/14-2016/17

| Year | Expenditure (%) |
|----------------|-----------------|
| 2013/14 | 100% |
| 2014/15 | 98% |
| 2015/16 | 99.7% |
| 2016/17 | 98.8% |
| Average | 99.1% |

Source: Division of Revenue Bill 2013/14-2017/18.

- 5.9. With respect to the agricultural sector, the changes mainly affect the Comprehensive Agricultural Support Programme (CASP). The aim of CASP is to provide support to the targeted beneficiaries of land reform and other producers who have acquired land through private means and are engaged in value-adding business or involved in exporting. Over the past few years, CASP has shown a good expenditure performance with respect to the spending (see Table 4).
- 5.10. CASP has been reduced by R887.3 million over the 2019 MTEF (R271.5 million in 2019/20, R295.8 million in 2010/21 and R320.1 million in 2021/22) as portion of this grant has been reprioritised and will be transferred to the Land Bank for the implementation of a new blended finance mechanism developed by the Department of

Agriculture, Forestry and Fisheries and the Land Bank. The new blended mechanism seeks to create 450 black commercial farmers over the 2019 MTEF. While the Commission supports the view that reprioritised funding remains within the sector, it recommends that Provincial Departments of Agriculture and Fisheries be involved and work together with the Land Bank with respect to the implementation of a new blended finance mechanism.

- 5.11. The Human Settlements Development Grant (HSDG) is aimed at establishing habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities. This grant is key to the delivery of housing including the upgrading of informal settlements. Expenditure performance of the HSDG has been good over the past 10 years with an average spending above 96 percent and at 98.76 percent in the past 5 years as shown in Table 5.

Table 5: HSDG Spending Performance, 2013/14-2017/18

| Year | Expenditure (%) |
|----------------|-----------------|
| 2013/14 | 97.1% |
| 2014/15 | 99.4% |
| 2015/16 | 97.3% |
| 2016/17 | 100% |
| 2017/18 | 100% |
| Average | 98.76% |

Source: Division of Revenue Bill 2013/14-2018/19.

- 5.12. As has been the trend over the past few years, the HSDG will again be reduced by R3 billion over the 2019 MTEF period as shown in Table 6. The Commission is of the view that this reduction in the baseline will significantly affect outputs such as the number of housing units to be completed and serviced sites.

Table 6: Reduction in the HSDG MTEF Baselines between 2016 and 2019

| Medium Term Expenditure Framework | Reduced by |
|-----------------------------------|--------------|
| 2016 | R1.6 billion |
| 2017 | R871 million |
| 2018 | R7.2 billion |
| 2019 | R3 billion |

Source: Division of Revenue Bill 2016/17 – 2019/20.

- 5.13. Furthermore in respect of earmarked funding within the HSDG, R7.3 billion will be reprioritised towards the informal settlements upgrading programme, whilst the title deeds grant will be phased back into the HSDG in 2020/21. While the Commission supports this as it is in line with its previous recommendations, it recommends that in future, a comprehensive evaluation of whether earmarked funding has achieved its goals and addressed the relevant challenges, has to be undertaken to inform this. Termination of a grant simply because its predetermined life span has been reached must be guarded against.
- 5.14. The Public Transport Operations grant (PTOG) subsidises commuter bus services and helps to ensure that provinces meet their contractual obligations and provide services efficiently. As part of devolution, it is anticipated that public transport contracting and regulatory functions could be assigned to metropolitan municipalities during 2019/20. If this takes place, R20.2 billion over the 2019 MTEF period will be transferred directly to the assigned municipalities. The Commission supports the anticipated function assignment as it is in line with its previous recommendations on devolution of the public transport function. The Commission further recommends that a decision on devolution should be taken without further delay as this effects planning and performance of those municipalities that are to receiving some functions through the process of devolution.
- 5.15. One of the key developments for the 2019 MTEF within the health sector includes the introduction of Human Resources Capacitation Grant (HRCG). This grant was announced as a component within the National Health Insurance (NHI) indirect grant in the 2018 MTBPS. Government has decided to introduce this new grant as a direct grant aimed at assisting provincial departments of health to address critical posts in health facilities. Funding amounting to R2.8 billion has been reprioritised from the personal services component of the NHI grant due to slow spending. The Commission supports an introduction of this grant as human resources are the key to the functioning of health facilities. This will address the shortage of staff in the sector which could enhance the effectiveness of the NHI. Care should be taken to employ staff in areas of shortage.
- 5.16. With respect to the basic education sector, the Education Infrastructure Grant (EIG) and the School Infrastructure Backlogs Grant (SIBG) are the key intergovernmental tools that fund basic education infrastructure.
- 5.17. The EIG was introduced to accelerate the construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in education. The Commission notes the allocation of R34.3 billion towards building new schools and maintaining schooling infrastructure. In aggregate, allocations to the EIG are projected to grow by a real annual average rate of 1.4 percent over the 2019 MTEF period. The EIG has performed relatively well with actual spending averaging 96 percent of planned spending between

2011/12 and 2016/17. Notwithstanding its relatively good spending performance, the Commission emphasises that it should be kept in mind that any underspending reflects unproductive use of the resource and that more importantly it is the quality of infrastructure/maintenance that is the more important indicator of performance. Regrettably the poor quality of education infrastructure has seen the safety of learners threatened in the recent past.

5.18. The Accelerated Schools Infrastructure Delivery Initiative (ASIDI) was introduced in 2011/12 with the aim of eliminating backlogs in school infrastructure and upgrading schools to meet the standards prescribed in the Norms and Standards for Schools Infrastructure as well as to eradicate inadequate, unsafe and poor physical infrastructure by using allocated funds properly. Funding for ASIDI is provided through an indirect conditional grant of the Department of Basic Education in the form of the Schools Infrastructure Backlog Grant (SIBG). The intention was for this grant to be short-term in nature and later to be merged with the EIG, to form one comprehensive education infrastructure grant. However, due to the sluggish performance of the SIBG since inception in 2011, the grant is set to continue over the 2019 MTEF period. The average SIBG spending performance has been around 66 percent.

5.19. The Commission notes the additional R2.8 billion allocated to the SIBG for the replacement of pit latrines as well as to provide water in schools. However, given the historical poor spending performance of the grant and the accompanying poor service delivery performance, the FFC emphasises the need for effective and efficient expenditure. In this regard, it is the Commission's view, as noted in its Submission for the 2019/20 DoR⁶, that the status quo mode of delivering most provincial infrastructure projects weakens the accountability chain. That is the separation of the planning, budgeting and implementation functions between sector departments and implementing agents distorts incentives. For example, projects are often completed over budget and time overruns are frequent because public works and other implementing agents in turn appoint consultants to design and oversee infrastructure projects, but are not incentivized to properly manage the grants, especially as the Auditor General does not hold implementing agents accountable for infrastructure spending. The analysis of the infrastructure value-chain reveals that a lack of oversight at key delivery points is increasing incentives to engage in fiscal misappropriation.

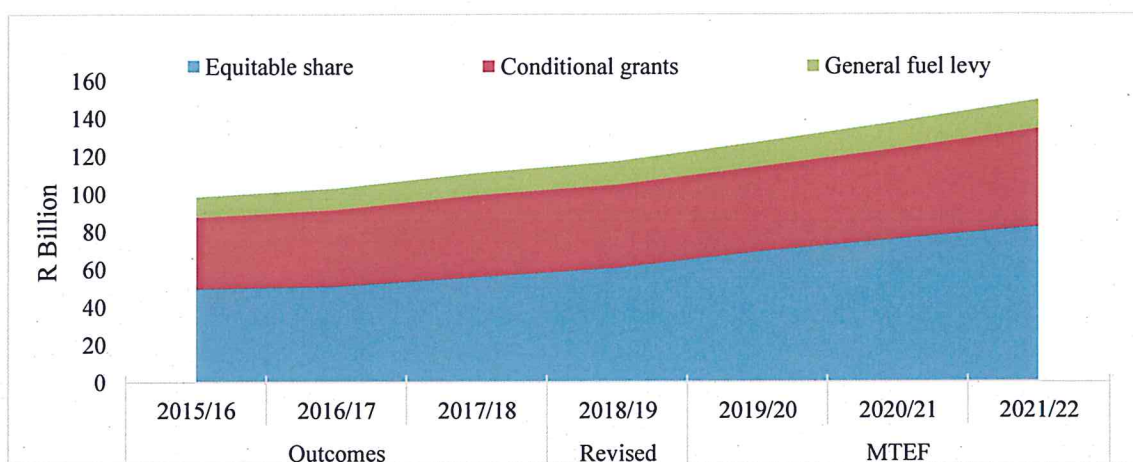
⁶ For further information see Chapter 5 of the Submission for the DoR 2019/20 (entitled: Assessing Efficiency of Key Provincial Infrastructure Programmes: The Case of Education, Health and Public Transport). This document can be accessed at: www.ffc.co.za

Changes and Additions to the Local Fiscal Framework

Local Government Equitable Share

5.20. The local government fiscal framework is allocated R414.7 billion over the 2019 MTEF. Of this amount, R227 billion will be added to the local government equitable share; R146 billion in the form of conditional grants; and R42 billion in the form of the fuel levy grant for sharing among metros. Over the MTEF, the share of local government transfers in nationally acquired revenue is envisaged to average 9 percent: growing from 8.9 percent in 2019/20 to 9.2 percent in 2021/22.

Figure 2: Composition and Trajectory of Local Government Transfers



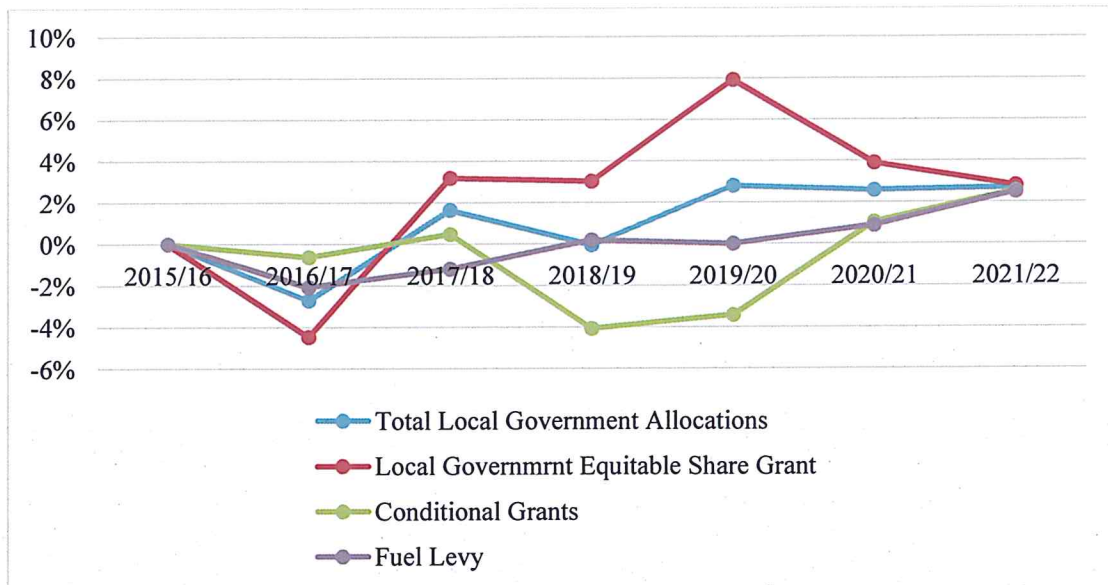
Source: Division of Revenue Bill 2016/17 – 2019/20.

5.21. In nominal terms shown in Figure 2, the local government allocations will grow modestly: by 8.4 percent over the MTEF. This growth is driven mainly by the local government equitable share allocation which grows by 10.7 percent over the same period. The fuel levy and the conditional grants grow respectively by 6.8 percent and 5.6 percent, albeit slightly above the projected average MTEF inflation rate of 5.4 percent.

5.22. In real terms, the growth of local government allocations over the MTEF is positive but muted. See Figure 3 which depicts the real growth rate of the total local government allocations and its three constituent components: the LGES, conditional grants and fuel levy grants. Figure 4 shows the MTEF average real growth rates of local government allocations. The total local government allocations will grow by 3 percent on average over the 2019 MTEF period. This growth will be driven largely by the LGES which is envisaged to average 5 percent. The positive real growth of the total local government transfers will be weighed down by the poor growth of the conditional and fuel levy grants, which are envisaged to grow by 0.05 percent and 1 percent in real terms over

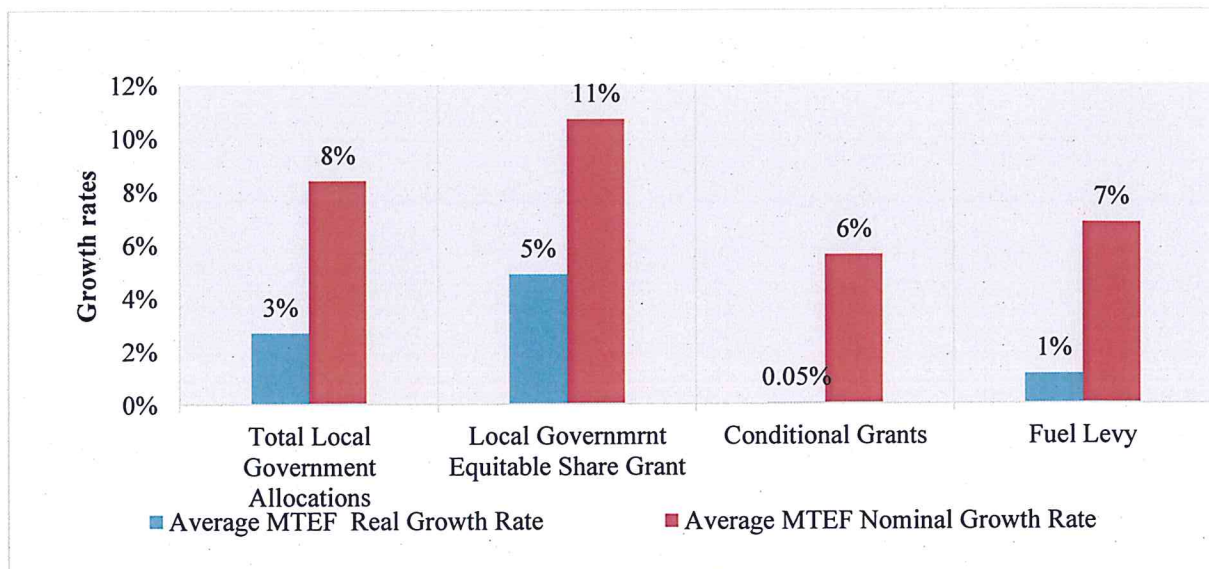
the 2019 MTEF. The conditional grants in particular, which grow by 0.05 percent over the MTEF largely because of the baseline cuts first effected in the 2018/19 budget, affect major infrastructure grants. The Commission welcomes efforts by Government to protect the LGES as it will go a long way to cushioning the poor against the negative effects of limited economic growth.

Figure 3: Local Government Allocation Growth Rates



Source: Division of Revenue Bill 2016/17 – 2019/20.

Figure 4: Average MTEF Real and Nominal Growth Rates in Local Government Allocations



Source: Division of Revenue Bill 2019/20.

Local Conditional Grants

- 5.23. Over the next three years of the 2019 MTEF, local government is set to receive a total allocation of R145.5 billion in the form of conditional grants. These allocations have grown over the years from R35.7 billion in 2014/15 to R45.2 billion in 2019/20, and are set to increase to R52.2 billion in 2021/22. During this period, conditional grant allocations to local government will be restructured by introducing a new grant, reprioritising funds and consolidating in some areas. The new grant to be introduced is the IUDG for non-metro cities, whose purpose will be to promote (a) spatial integration, and (b) greater leveraging on non-grant financing. The grant is set to amount to R857 million in 2019/20 and increase to R1 billion in 2021/22.
- 5.24. The structure of the Public Transport Network Grant (PTNG) is also revised. Government is envisaged to allocate 75 percent of the grant through a formula, and 5 percent as a performance-based grant⁷. The Commission supports the changes in the allocation of this grant as it is in line with its previous recommendations that grants should follow a differentiated allocation system. Furthermore, the Commission welcomes the incentive component of the PTNG as it is in line with the Commission's 2014/15 recommendations to introducing incentive components within grants. The Commission believes that the introduction of the incentive component will enhance the performance of individual grants.
- 5.25. In 2019/20, the Urban Settlement Development grant (USDG) will be revised to ring-fence 20 percent of the grant to fund the upgrading of informal human settlements. The Commission welcomes the prioritisation of the upgrading of urban informal settlements. This is a step in the right direction. However, the basis and adequacy of the 20 percent is unclear. Also, the Commission is of the view that the proposed one year window to test the roll out of this grant may not be enough to draw conclusions regarding the performance of the grant before introducing a newly designed stand-alone grant.
- 5.26. The USDG will also be revised to incorporate the integrated national electrification programme (INEP) grant for metros. The Commission welcomes this merger of the two grants as it will ensure a holistic approach to human settlement building. The scope of the municipal emergency housing grant, which is meant to assist with the provision of temporary housing in line with the emergency housing programme, will be adjusted so that it funds the repairs of houses damaged in disasters, i.e. if repairs are cheaper than relocations. The Commission supports the expansion of the scope of this grant, but emphasises the need to ensure that there is a link between the increased scope and the funding.

⁷ The remaining 20% is allocated equally to all municipalities.

6. SECTOR SPECIFIC ALLOCATIONS

Social Protection and Economic Functions

- 6.1. Government continues to invest substantially to close the poverty and inequality gap. Social spending benefits have therefore been expanded over time. In this context, the Commission welcomes the 7.4 percent average growth in social protection expenditure from R192.7 billion in 2018/19 to R238.7 billion by 2021/22 because cushioning social assistance beneficiaries is critical in compensating the poor for the adverse effects emanating from both government spending constraints in general and the consolidation of fiscal adjustment effects.
- 6.2. The Commission notes the purposeful and consistent annual 2 percent expansion in the social grant funding. The 7.6 percent annual increase in social grants spending from R162.6 billion in 2018/19 to R202.9 billion in 2021/22, is also commended because the extensive coverage and good targeting of social grants is effective in addressing the adverse impact of poverty. This is more so because approximately 76 percent of the monthly family income of the lowest-income earning quintile, comes from social grants⁸.
- 6.3. Spending on targeted social grants at a level of around 3 percent of GDP over the National Income Dynamics Survey period, has reduced the Gini coefficient by an average of 0.1⁹. This is more than what most countries have achieved through all the benefits they provide. The social protection programme therefore plays a pivotal role in alleviating poverty and inequality through the provision of social grants and social welfare services for the most vulnerable groups – i.e. the provision of a social wage.
- 6.4. The Commission supports Government in introducing new service providers in the delivery of grants with the aim of minimising intermediation costs and enhancing efficiency in social sector spending. A good return to investment is most likely to be realised from efficient spending in this programme, especially if the distribution challenges are effectively tackled.

⁸ 2017 South Africa Article IV Consultation, IMF Country Report No. 17/189


⁹ 2018 South Africa Selected Issues, IMF Country Report No. 18/247

Infrastructure and Economic Development

- 6.5. The Commission welcomes the additional allocation of R165 million to the Presidential Infrastructure Coordinating Commission over the MTEF to improve capacity and the preparation of infrastructure projects. The Commission commends Government for the allocation of R100 billion to a blended-finance infrastructure fund over the next ten years through new spending, reprioritisation and guarantees. The Commission supports the objective of the fund to enable the collaborations between the public and private sectors in financing sustainable social and economic infrastructure projects. More reliable, modern, and affordable infrastructure will greatly enhance South African competitiveness and benefit both businesses and citizens, including the poor.
- 6.6. The Commission also welcomes the additional allocation of R3.5 billion between 2019/20 and 2021/22 for non-toll national roads to resurface an additional 3 300 km of national roads and strengthen 1 500 km, because it will improve the connectivity between primary and secondary road networks and enhance the mobility of goods and people which is critical in accessing key markets and boosting trade facilitation.
- 6.7. Regarding water infrastructure, the Commission welcomes the 11.8 percent growth in spending for managing national water resources aimed at new bulk water infrastructure and maintaining other water provision projects because it will ensure that water security and access continues to play its critical role in sustaining life, the environment and food production.

7. CONCLUDING REMARKS

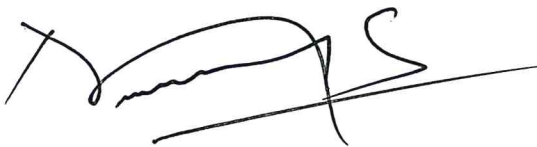
- 7.1. In the context of the above Response Remark on the 2019 DoR Bill, the Commission agrees with the new measures introduced to improve governance and performance of conditional grants, and the general thrust of the 2019 DoR Bill given the tight macroeconomic and fiscal environment.
- Despite an economic environment characterised by low growth, a larger than expected budget deficit, and rising debt, the Commission recognises that Government has managed to maintain real growth in the resources allocated to the three spheres of Government. Government has been resolute in not extending government guarantees of SoEs borrowing, and thereby managing down fiscal risk. There has been a clear prioritisation of funding to municipalities where need is clearly the greatest. Specifically, the Commission welcomes the real growth in the equitable share allocations to provinces and



municipalities. The Commission reiterates the need for greater oversight over provincial and municipal spending, particularly the latter.

- The Commission notes the reduction in the funding of provincial conditional grants but accepts that this was unavoidable given the prevailing fiscal situation. Nevertheless, the Commission has noted in this submission the commendable expenditure performance of some of these grants, notably the CASP, the HSDG and the PTOG. The service delivery output performance of grants generally lags expenditure performance and every effort must be made to increase efficiency and effectiveness in these grants. The Commission notes the urgent need to implement more efficiently and effectively, the conditional grants associated with the education sector.
- In local government, it is recognised that the allocations are expected to grow modestly. However, it is noted that efficiency in spending in this sphere should be recognised as a priority.
- The Commission applauds government for providing an increase in social grants as a continuing buffer against poverty. FFC welcomes the additional allocation of grants for the development of infrastructure and broader economic development. The Commission believes that the budget is aligned to the five urgent priority areas noted by the President in the SONA.

For and on behalf of the Financial and Fiscal Commission



Daniel Plaatjies (PhD)
Chairperson

6/03/2019



Annexure A. FFC Recommendations as per the Submission for DoR 2019/20 and Government Reponses

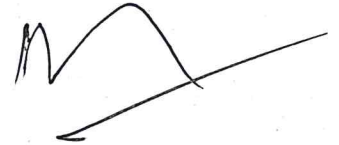
| Chapter Title | Recommendation | Government Response |
|---|--|---|
| Chapter 2: Recentralisation- Implications for Service Delivery and Intergovernmental Fiscal Relations | 1. Government should not automatically resort to increasing the role of national government in the current constrained fiscal environment in which resources are limited, since historical performance does not generally show support for this leading to improved performance. | No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations. |
| | 2. Developing and strengthening control measures other than earmarked conditional grant funding to improve service delivery and attainment of specific priority outcomes. | Government supports this recommendation. |
| | 3. Government implement a targeted approach to reforms to ensure that subnational governments previously lacking in capabilities and funding do not continue to be disadvantaged. Further, recommend that a differentiated approach to recentralisation, in which functions shifts are piloted and assessed is adopted. | No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations. |
| Chapter 3: Provincial Fiscal Adjustment Mechanisms in Times of Protracted Fiscal Constraints - Case of the Health Sector | 4. National and National and provincial treasuries in collaboration with the national and provincial departments of health should develop a framework or criteria for determining serious financial strain, with clear measurable financial and non-financial factors that can be monitored, reported and used to trigger automatic fiscal adjustment. | No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations. |
| | 5. The National Treasury and the Department of Health through the respective Ministers should allocate part of the 2019/18 MTEF health infrastructure budget towards gradually offsetting expenditure accruals which arise from unavoidable demand pressures for which allocated budgets were depleted | No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations. |
| | 6. The Minister of Finance through National Treasury should ensure that the framework for health infrastructure conditional grants (Health Facility Revitalisation Grant and National Health Insurance (non-personnel component)) accommodates flexibility during periods of protracted fiscal constraint so that provinces can re-allocate their available capital allocations towards maintenance. | Government supports this recommendation. |
| Chapter 4: Incentive Effects of Intergovernmental grants- Evidence | 7. The Minister of Finance through National Treasury gives municipalities, particularly those in small and rural municipalities (categories B3 and B4), greater flexibility in the use of grants to | Government agrees in principle with the recommendation. |

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| <p>from Municipalities</p> | <p>encourage innovative approaches to resolving local problems.</p> <p>8. A fiscal capacity component be introduced into the equitable share formula to make it more efficient and incentivizing. The component should incorporate two aspects: recognising the revenue-raising effort of municipalities as well the redistributive element of addressing horizontal imbalances.</p> | <p>Government addressed this recommendation through the review of the equitable share in 2012.</p> |
| <p>Chapter 5: Assessing the Efficiency of Provincial Infrastructure Programmes- The Case of Education, Health and public Transport</p> | <p>9. The national sector departments of Education, Health and Public Transport should develop clear performance evaluation frameworks for the provincial infrastructure grants under their control.</p> <p>10. The national sector departments of Education, Health and Public Transport should include greater scrutiny of requisition variation orders (such as automatic review and approval requests to provincial treasuries) when the value of these rises above acceptable levels of the project costs.</p> <p>11. The Minister of Finance, through National Treasury, set and publish the criteria to be measured in monitoring and evaluating infrastructure grants. The assessment criteria regarding infrastructure cuts should also be published.</p> | <p>Government welcomes this recommendation, to be implemented in the 2020 budget</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>Government addressed this recommendation.</p> |
| <p>Chapter 6: Assessing the Effectiveness of Intergovernmental Fiscal Relations Instruments in Addressing Water Challenges</p> | <p>12. A review of the basic norms and standards for water services and the associated Local Government Equitable Share must be undertaken by the Department of Water and Sanitation (DWS).</p> <p>13. In times of fiscal constraint, operating and maintenance costs must be prioritised.</p> <p>14. Clearer statements of grant objectives to achieve defined basic service levels or sustainability of services, must be established by DWS.</p> <p>15. Stronger conditions must be attached to financial transfers to ensure compliance and proper spending for the purposes indicated. Grant funding should be withheld from municipalities that do not have the necessary measures to monitor and control water consumption, or which</p> | <p>Government acknowledges this recommendation.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>Government acknowledges this recommendation.</p> <p>Government agrees with this recommendation.</p> |

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| | <p>do not meet criteria or have valid abstraction licences.</p> <p>16. The IGFR system should shift towards incentivizing sustainable operations and maintenance and introduce a dimension of outcomes-based support for higher levels of service.</p> <p>17. Municipalities indicate what standards they intend to provide and how their capital and operational costs are to be funded. This should be done through their Water Services Development Plans.</p> <p>18. The DWS, in collaboration with the Department of Cooperative Governance and Traditional Affairs (COGTA) and National Treasury, lead a view of the basic standards established in terms of section 9 regulations, in order to set standards that are both feasible and sustainable.</p> <p>19. The allocation of conditional grants be made conditional on the employment of appropriately qualified staff with commensurate mandates.</p> <p>20. Roles be clarified and support provided by:</p> <ul style="list-style-type: none"> • Involving relevant municipalities in the planning and costing of projects by the DWS or Water Boards in order to confirm their support for the proposed projects and their willingness to pay appropriate tariff for the supply. • By clarifying the role of COGTA and scrutinizing their performance. • By ensuring that the Minister of Water and Sanitation complies with the statutory obligation to provide information on the performance of water services to the public. • By the DWS providing support to achieve safe water. The resumption of Blue Drop reporting by DWS and associated monitoring and support to municipalities is critical. | <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>Government welcomes this recommendation and committed to resume the publishing.</p> |
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| | <ul style="list-style-type: none">• By COGTA and National Treasury continuing efforts with sector departments such as DWS to enhance the quality of municipal reporting, with emphasis on coordinating reporting requirements so that they become an integral part of overall administrative processes.• By requiring municipalities to report on relevant indicators as a condition of funding. These should include the reduction of bulk water supplies required as well as revenue increases. <p>21. The IGFR system shift incentivizing sustainable operations and maintenance and introduce a dimension of outcome-based support for higher levels of service.</p> | <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> <p>Government agrees with this recommendation.</p> <p>No response, recommendation does not relate to the division of revenue and the relevant national departments will consider the recommendations.</p> |
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A handwritten signature in black ink, consisting of a stylized 'M' followed by a long horizontal line that curves downwards at the end. Below the signature, a long arrow points from the right towards the left.