

Theme 2: Justice and Protection Services

Department of Correctional Services

The department did not make a presentation to the Committee, although a written submission was received. The department highlighted key policy priorities that informed its proposals to the National Treasury. These are investments in various IT systems for streamlining and improving both internal and external services, investments in security equipment, which include complying with minimum security standards, and the management of remand detainees (MRD) project, which aims to address inadequacies in the management of remand detention.

The department did not make any proposals for the 2007 MTEF to the Committee.

Department of Justice and Constitutional Development

The department did not make a presentation to the Committee, although a written submission was received.

The key policy priority areas of the department are:

- investing in its expanded capital works programme;
- increasing its capacity and enhance efficiency;
- increasing the capacity of SIU and LAB; and
- reducing criminal case backlogs.

The department highlighted the following matters raised in the 2006 MTBPS that may inform decision-makers in terms of the department's funding proposals:

- "strengthening the criminal justice sector, ...especially court case flow;
- improving the capacity of the state to deliver in the fight against crime;
- skills development;
- additional allocations are under consideration to improve administration of justice, including funds to retain staff and increase personnel in LAB, SIU, the judiciary, and magistracy;
- emphasis on Justice College programme;
- funding is proposed for the construction of the new HC Mpumalanga and Limpopo; and
- management of monies in trust."

The department did not make any proposals for the 2007 MTEF to the Committee.

Department of Safety and Security

The department did not make a presentation to the Committee, although a written submission was received.

The key policy priority areas of the department are:

- crime prevention and public safety;
- actions against organised crime syndicates;
- improving effectiveness of the criminal justice system
- upholding national security; and

- safety at big events.

The department highlighted the following matters raised in the 2006 MTBPS that may inform decision-makers in terms of the department's funding proposals:

- "strengthening the criminal justice sector, with particular emphasis on visible policing...; and
- provision for costs associated with policing and border control..."

Additional funding was requested for the 2007 MTEF period for the following areas:

- investments in capital infrastructure (facilities);
- further enhancement of policing capacity, vehicle fleet management, and deployment system; and
- security arrangements during 2010 Soccer World Cup.

The department did not make any proposals for the 2007 MTEF to the Committee.

Theme 3: Employment and Economic Development

Department of Minerals and Energy (DME)

A R10 million rollover was due to the late arrival and payment of capital goods ordered in the previous financial year.

The Committee raised its concern about the trend with some municipalities to rather pursue private sector loans than accessing grants administered by departments. The DME noted in response that this may be a problem of the architecture of government. The constitution does grant municipalities considerable powers to raise money through external loans. The incentive is therefore created to rather raise unconditional loans through private sector funding for through other entities such as DBSA, than accessing grants that are tightly controlled and monitored by other spheres of government. The DG added that he is obliged by the PFMA to withhold transfers to municipalities if those municipalities do not have the required systems and management capacity to administer the funds.

The Committee enquired about the nature of electricity provision backlogs and how the department see the alleviation of these. The DME's response took into consideration that rural areas pose particularly big challenges. Local government communication flows or the lack of it result in unrealistic expectations. The DME acknowledged that it should be more robust in its communication strategy to local government. The DME is creating capacity at regional offices in provinces.

The DME explained that there is no link between energy failures and rollovers. The DME has plans that will enable them to improve on the bulk infrastructure in the country. The department is busy with a process for new generation energy supply and infrastructure is being invested, either new or refurbishing of existing infrastructure. In terms of value for money concerns, the DME acknowledges that there is weak electricity delivery in some areas. However the department is focussing on household connections and not on other related electrical infrastructure. Fortunately, the National Treasury has assigned additional allocation for bulk electrical expansion. Technical Audits are done to give credibility to the value for money principle once municipalities or Eskom has completed projects.

The Committee enquired about the department's commitment to developing skills in this sector and filling current vacancies. The DG explained the knowledge-intensiveness of the sector and that scarce skills, such as scientists and geologists, are required. Affirmative action laws exert pressure on private sector firms to keep a pool of these scarce skills. The DG suggested that the department is a victim of the policies created. Additionally, private sector firms offer strong competition in terms of salaries. The DME's internship programme is relatively successful as part of the broader scarce skills and retention strategy to retain skills.

The DME highlighted a matter of grave concern, in that school and clinic information is invariably unreliable and that effective communication and coordination between other line departments, such as DWAF, is crucial for the effective functioning of these service units. In terms of municipal-wide planning, the DME is guided by the inputs of the community as contained in IDPs to guide their planning efforts.

DME need to ensure that Eskom plans are in line with development by getting as closely involved as is necessary in IDP formulation. For this to happen, solid institutional arrangements to work with local authorities should be in place. Eskom is currently doing a pilot that looks at large capacity energy provision in Northern Cape as an avenue for alternative and sustainable energy alternatives.

The Committee enquired about the extent of integrated planning by different line departments on broad range of development issues. The DME remarked that there is an infrastructure joint plan from the coast to the interior that is in line with national economic growth. The integrated human settlement paradigm presents a challenge to joint planning efforts. The DME needs to submit further explanations in terms of integrating planning initiatives to the Committee.

The DG is in general satisfied with the current and medium-term allocations, especially in terms of the electrification programmes.

It is the observation of the Committee that DME has the necessary financial resources to implement its programmes, but the recruitment and retention of highly skilled personnel is a matter of concern for its capacity to implement its programmes. The DME needs to submit its integrating planning initiatives to the Committee in writing. The department did not make any proposals for the 2007 MTEF to the Committee.

Dept of Environmental Affairs and Tourism (DEAT)

A question to the delegation inquired about the reason for the frequency of virements in the past financial year, considering the transparent nature of annual budget planning processes. This question requires a written explanation by the department.

A question to the delegation inquired about what can be done to improve local government's capacity to implement service delivery programmes that require DEAT support. The DG's response mentioned that DEAT had done an audit of bottlenecks after the adoption of ASGISA. Serious backlogs were identified around the fast-tracking of environmental impact assessments (EIAs) in the local government sphere. Provincial governments unfortunately cannot earmark additional funds for EIA-related capacity-building.

A question to the department inquired about the usefulness of the SETA initiatives for the attainment of the department's objectives. The DG responded that the design of the SETA system lends itself effectiveness only for the capacity-building medium and larger firms, whereas tourism industry-related firms are predominantly (at least 70%) small and micro enterprises.

A question to the department inquired about the completion date of the Marion Island base, as rollovers destined for this project keep on recurring over the last two financial years. It was heard that the anticipated completion date is June 2007, although the DEAT acknowledged that the Department of Public Works is responsible for construction. DEAT will try utmost best to avoid future rollovers. The Committee noted this statement.

A question to the department inquired about the adequacy of current budget allocations to DET. The DG replied that the department had demonstrated that it can manage

public monies well and that with additional allocations it would be better able to target and promote tourism in South Africa in order to achieve even larger amounts of annual tourist flows.

It is the observation of the Committee that DEAT has the necessary financial resources and capacity to implement its programmes. However, a question to DEAT inquired about the impact of vacancies on service delivery in the programmes where these vacancies occur. This question requires a written explanation by the department to the Committee. The department did not make any proposals for the 2007 MTEF to the Committee.

Dept of Public Service and Administration (DPSA)

The Committee expressed concern over the existence of ghost posts and what the DPSA is doing about it. The DPSA explained that "creative management" by corrupt employees account for the existence of these ghost posts. An example is the shifting of vacancies from one area of need to another unit. DPSA acknowledged that there are weaknesses in the whole human resources planning framework. DPSA recommends tighter and centralised oversight mechanisms over how posts are created and utilised, backed-up by clearly communicated and agreed upon norms and standards. Furthermore, the control over delegation flows and abolishment of surplus posts need to be highly centralised. In the wake of misconduct, disciplinary actions necessarily follow. DPSA acknowledged that despite its efforts, weaknesses exist in disparate planning in creation of and abolishment posts at various government departments.

It is the observation of the Committee that DPSA has the necessary financial resources to implement its programmes.

DPSA need to prepare a written submission to the Committee on the following issues:

- what DPSA will be doing to curb the remuneration disparities between civil servants in rural and urban areas;
- public sector personnel expenditure projections in the light that the department will soon be starting soon with salary and wage negotiations;
- strategies to employ and fill vacant posts in the public sector;
- latest strategies for determining bonuses in the public sector;
- strategies to employ former civil servants; and
- what DPSA will be doing to fast-tracking employment in the department.

The department did not make any proposals for the 2007 MTEF to the Committee with regards to its own departmental budget.

Dept of Public Enterprises (DPE)

The DPE presentation highlighted the relatively small budget and large transfer components, and how this should be interpreted in terms of its mandate. The DPE sees only minor changes over the MTEF period, with the only significant changes with transfers and subsidies. The Minister briefly sketched the outline of the various enterprises under the auspices of the DPE.

The DPE welcomes last year's and this year's increased allocations to the Pebble bed, modular reactor. The department is still looking for strategic and investment partners

and some technical difficulties prevented the timely conclusion of the project. Denel and Alexkor also will receive additional funding over the MTEF. Denel is in a process of recapitalisation, while Alexkor will see a capital infusion as well as a separation of non-mining activities.

Questions to the Minister related among others to the timeframes attached to the completion of the PBMR. The Minister replied that the 2007 deadline for the start of the project is on track, although an EIA process first needs to be completed. Due to other associated arrangements, the PBMR will only be connected to the national grid in 2013.

It is the observation of the Committee that DPE has the necessary financial resources and capacity to implement its programmes. However, a question to DPE inquired about the impact of vacancies on service delivery in the programmes where these vacancies occur. This question requires a written explanation by the department to the Committee. The Minister indicated that he is reasonably satisfied with the MTEF allocations and did not make any proposals.

Federation of Unions of South Africa (FEDUSA)

FEDUSA presented its economic outlook and noted its concern about the inflation outlook as presented by the National Treasury. In the light of recent exchange rate developments, FEDUSA feels that inflationary pressures would mount, with oil price increases further impeding economic growth. FEDUSA is concerned about low foreign direct investment, which it argues is an important driver for employment. Slower international growth is a risk factor that should be monitored closely.

FEDUSA urged Minister of Finance to promote export growth over the MTEF, and the SARB to continue keeping a watchful eye on inflationary pressures. Government's fiscal and macroeconomic policies facilitated progress in business confidence, successful inflation-targeting, a gradual rise of productivity, increased black and women economic empowerment, higher real growth figures, etc. Public infrastructure spending allocations are generally good news, although FEDUSA argues that the money use for the Gautrain project could be better spent in upgrading the entire rail system.

The following summarises FEDUSA's recommendations.

- More expenditure should be diverted to current public infrastructure, especially public train and rail infrastructure.
- Serious investment in public sector human capital formation.
- More fixed investment projects, such as harbours and transport systems.
- Municipalities to improve capacity to spend and deliver.
- Crime prevention strategies should drastically improve.
- Higher child care and old age grants.
- More allocations for training, education, and health, especially to benefit hospitals and for HIV/Aids alleviation and caretaking.
- Abolish retirement fund tax.
- Carefully risk management current account of balance of payments impact on inflation rate.
- Land reform should be finalised as it is critical for job creation and housing projects.

For the outer years of the MTEF, FEDUSA proposes significantly more allocations for the transport sector. Various maintenance backlogs as well as supply chain blockages should get immediate attention, especially rail and train related infrastructure. FEDUSA stated that it is liaising with various chambers of commerce to encourage them to invest in large-scale projects.

The Committee felt that some issues that FEDUSA recommended on should be communicated to the relevant portfolio committees.

FEDUSA argues that care should be taken with tax rebates, as it may encourage unsustainable credit growth driven by consumption expenditure. Basic financial training for citizens should help to avoid unsustainable credit growth.

FEDUSA stated that it is involved in various workshops and social dialogue forums that would help to overall quality of public service delivery. FEDUSA argued that the SETAs are not well organized and not functioning at full steam.

Department of Transport (DOT)

The department did not make a presentation to the Committee, although a written submission was received.

Two key priorities for DOT are investments in road and rail to contribute to economic efficiency and the investment in stadiums and public transport to support the 2010 Soccer World Cup. To this end, DOT made proposals to the National Treasury for additional funding over the 2007 MTEF for the following areas:

- South African Rail Commuter Corporation Ltd for upgrades: R1.1 billion;
- maintenance and rehabilitation of national roads: R1.1 billion;
- earmarked allocations for provinces for rural access roads;
- transfers to local government for public transport investments: R5.5 billion; and
- supporting infrastructure for 2010 Soccer World Cup: R4.75 billion.

The department did not make any proposals for the 2007 MTEF to the Committee.

Department of Labour (DOL)

The department did not make a presentation to the Committee, although a written submission was received.

The department did not make any proposals for the 2007 MTEF to the Committee.

Theme 4: Social Services

Department of Education (DOE)

The department stated that it was very optimistic and confident about additional allocations that it received over the MTEF.

The DG noted that invariably national priorities translate into the spending of rands and cents at provincial level. He referred to the example of the recapitalisation of FET funding. Some provinces are however cutting their own FET allocations, which is not quite the correct interpretation of the national department's action. In terms of the department's overall performance, coverage and access to education is almost equal to developed nations. However, the department receives weak evaluations on the quality of service delivery, in that numeracy and literacy standards are poor.

The DG noted that DOE's budget continues to grow in real terms, while learner numbers have stabilised. Encouraging is that per learner expenditure between provinces is levelling out. Personnel expenditure continues to decline as proportion of budgets in favour of other inputs.

The DG summarised DOE's main challenges.

- Previous bids such as no-fee schools were under-funded.
- Backlogs in most basic services areas, such as sanitation and water, occur at too many schools.
- Although aggregate expenditure is on track, some provinces such as Mpumalanga experiences too low expenditure midway into the financial year.

The DG argued that DOE's proposals for new funding over the MTEF were based on the importance of distinguishing between national and provincial departmental funding areas. An important observation by the DG is that in some areas of expenditure, funds should flow through the national department to the provincial department in order to increase the quality of monitoring of funds.

In response to the Committee's inquiry about the extent of interaction and communication with other departments when planning new schools, the DG felt that they have close cooperation with DWAF and DME, in terms of basic services areas.

The committee showed interest in how DOE will tackle backlogs in school formation. The DG stated that the planning may be and still is inadequate, although realistic in terms of the revenue envelope. The DG emphasised that there definitely is neither under-budgeting nor under-spending on the programme responsible for building schools. Data on backlogs is actually becoming better and through regular provincial reporting on the matter, infrastructure delivery is speeding up.

The Committee inquired about the monitoring of funding of schools. The DG responded by explaining how each province has the discretion to change the rankings of a school, i.e. move them up or down the quintiles.

On FETs, the Committee stated that the provinces should regulate the distribution of funds to it, and if these funds are not used, it should be clear where the funds are re-allocated to. The DG remarked in turn that DOE has full control over such monies; provincial departments are not allowed to touch it. The DG alluded to the proposal of

FET institutions to be situated at a national level, although he admitted this is a political question.

The department expanded on its 'Qidsup' project in response to a question. This project aimed to assist the poorest schools. A basic resource package is sent to the identified school to assist with the improvement of quality of learning.

In response to a question on the 'Morkel Model', the DG explain that this model merely assigns the available funds in a province for education to the optimal number of teachers that can be employed by the state in that province. The DG conceded however that the model cannot be blamed for the real problem in the country: there are too few schools and the assignment of teachers to the available class space and numbers of learners is not operationally efficient.

The Committee probed the efficiency and value for money for some food provision programmes at school. The DG conceded that to avoid an inefficient practice, tight monitoring is necessary. DOE increasingly aims to encourage school gardens and local parent involvement in its food provision programmes, either voluntary or through a co-op arrangement.

The Committee inquired about the reasons for rollovers in three separate programmes of the department from the last financial year. In response the DG remarked that the business units at regional level had seen the rejection of some business plans and therefore unspent funds.

The Committee wanted to know how the situation of temporary teacher posts is being handled, and in his response the DG explained that temporary posts could only evolve into permanent posts if teachers are suitably qualified.

The Committee announced its apprehension about the abilities of some provincial education departments to spend all monies allocated to them. The DG admitted that provincial treasuries would have to commit themselves to the expenditure commitments of provincial departments vis-a-vis the national department.

The Committee inquired about the value of the FET system for the whole country, upon which the DG suggested that the current outcomes of FET are successful. The matric pass rate is however a matter of concern; the pass rate worsened over the last year, although in defence it should be mentioned that there were 40 000 more matriculants last year.

The Committee expressed its concerns over current mathematics and science competency levels. The DG acknowledged the problem and explained that the current undertaking is that mathematics or at least mathematical literacy is compulsory for all learners. Teachers are increasingly capacitated by comprehensive feedback when their learners are not doing well in especially these subjects.

The Committee inquired about the efforts of DOE to ensure that "no learner will learn under a tree." The DG explained that achieving this target is problematic in the light of migration and the zoning of schools.

The Committee's question about the appropriateness of the various provincial budgets for FET and related institutions should be noted by the department. Separate written submissions to the Committee by the department need to be submitted. The Committee request that DOE supply to the Committee the name of the province that did not absorb temporary teachers.

Payment of capital assets was to finance the building its head-quarters. The department will have to provide feedback.

The Committee finds that the DOE has enough financial resources and capacity to implement its programmes.

Department of Public Works (DPW)

DPW's presentation commenced with highlighting the key MTBPS implications for the sector, amongst other things the substantial increases in public infrastructure spending, especially in terms of basic services. DPW's key role in the R370 billion set aside for ASGISA related projects was highlighted. DPW's contribution to expenditure and economic impact was contextualised. The Expanded Public Works Programme (EPWP) was also briefly discussed. The Committee noted the fact that DPW does not have a DG and this matter should be addressed urgently. The department needs to report quarterly on the progress.

DPW acknowledged that the pool of skills relevant for achieving EPWP targets is a major constraint. Associated with scarcity of skills, under-expenditure of Municipal Infrastructure Grant (MIG), provincial capital under-expenditure, and equitable share under-expenditure by both spheres, are also negatively influencing EPWP targets. The acting-DG assured the Committee that DPW is reviewing the above-mentioned problem areas and processes. As an initial measure, the number of EPWP offices has been rationalised. Municipalities are encouraged to use their equitable share grants for the implementation of the EPWP. Direct support by DPW is provided to the 138 Project Consolidate municipalities. Provincial departments are faring much better in spending provincial infrastructure grants with EPWP objectives in mind.

The Committee inquired about what should be done to capacitate provincial departments to facilitate DPW objectives, such as EPWP. In response, the acting-DG argued that regional DPW offices are capacitated to improve performance monitoring

In response to a question on the reason for the recent R32.5 million rollovers, the acting-DG explained that the rollovers could not be seen as under-expenditure, as some components of the 2005/06 budget did not pass the criteria for supplementary appropriation. This response needs further written explanations from DPW.

The Committee asked the DPW to respond to FEDUSA's opinion that the minimum daily wage in term of EPWP projects is too low. In its response, the DPW highlighted the urban and rural disparities of the daily rates, and the fact that some municipalities have the discretion to pay more that the minimum rate.

The Committee inquired whether savings due to vacancies not filled had an effect on service delivery in the department. The acting-DG replied that DPW possesses a plan that should address this issue. The details of this plan were not clear. The department needs to provide further written explanation for it to the Committee.

In response to a question about its asset register, DPW responded by saying that the department does have an asset register and that enhancements to the electronic system are being made.

In response to a question on the departments maintenance strategy, DPW responded by saying that the department has a holistic approach on the maintenance of public infrastructure. For DPW it is quite important to source the minimum charge-out rates to other departments in order to cost appropriately for maintenance budgets.

The Committee inquired about DPW's specific requests for changes in its MTEF budget allocations that may be needed for the department to achieve its output targets. DPW did not adequately address this question.

The Committee commented that the construction industry may not be geared for particular large-scale government projects and that DPW may need to interact with the private sector on this matter. The acting-DG explained that there is a stakeholder's forum where sector participants engage with DPW. Following from deliberations, and action plan will be drawn up.

The observation of this Committee is that DPW has the resources and capacity to implement its programmes. DPW need to confirm in writing to the Committee that it does have an asset register and describe the degree of completion. The Committee inquired about DPW's specific requests for changes in its MTEF budget allocations that may be needed for the department to achieve its output targets, but did not receive an adequate answer. DPW did not make any proposals for the 2007 MTEF period to the Committee.

People's Budget Coalition (PBC)

The combined PBC presentation welcomed the main expenditure priorities defined in the MTBS. PBC is however concerned that public infrastructure expenditure on service delivery improvement should extend well beyond the 2010 point. PBC's main other concern is that urban areas is attracting far more resources than rural areas.

PBC argues for even more pronounced expansionary budget in context of developmental state objectives. VAT is seen as a regressive tax system to the detriment of the poor. Local government capacity constraints are recognised. PBC argued for a more extensive social security network.

PBC was not satisfied with allocations for the Pebble Bed Modular Reactor (PBMR), due to massive capital intensiveness of the project and unanswered questions regarding nuclear waste disposal. Private capital sources should be exploited to fund the PBMR. PBC argued that Alexkor and particularly Denel could not furnish adequate business plans and should therefore not have qualified for additional MTEF allocations. The coalition argued that money used for these two enterprises could be re-directed towards social policy objectives and that technologies inherent to these specific industries could be utilised for peaceful and commercial aims in the country.

PBC did however welcome the additional funding allocated to Infraco. PBC also welcomed the additional allocations for the N2 Gateway housing project. The coalition is satisfied about the integration of Metrorail into the SA Rail Commuter Corporation.

PBC noted that revenue constraints show up in the country's high VAT:GDP ratios. The PBC urges the Minister to review this situation and to give priority to reducing VAT through a reduction in the general rate and / or through the introduction of a tiered VAT system. PBC announced that it was bemused by the continuous announcements on under estimations of revenue.

PBC emphasized the implication of being a developmental state and this only mirrored marginally in the MTBPS. PBC argue that the state should be active in employment creation and capital formation, especially through state enterprises. The coalition is not satisfied with the current direction of economic growth as it exacerbates income disparities.

The Committee urged the PBC to provide meaningful inputs for changes in allocations in the outer years of the 2007 MTEF. The PBC's publication does not critique the current year. It gives forecasts for the following 2008 MTEF, but these may be interpreted as proposals for allocation adjustments for the outer years of the 2007 MTEF.

PBC, in response to a question on the topic by the Committee, acknowledge the existence of rural area integrated sustainable development plans, but insisted that the direction of investments may be an area of debate.

PBC stated that the Section 77(3) of the Constitution calls for Parliament to put place legislation that would enable amendment of the national budget by Parliament. This has still not been done after 12 years.

The Committee noted that PBC was not forthcoming with recommendations in terms of skills development and did not allude to any improvements in the SETA system. Also the PBC did not comment on the impact of HIV/Aids on public servants and on service delivery.

In response PBC acknowledged that it cannot change government capacity, but government institutional capacity building and training is crucial. Something should be done about low morale and poor staffing in the public service and holistic answers should be sourced.

Department of Health (DOH)

The DOH noted that the health-related priorities areas defined in the MTBPS are line with the DOH's priority areas submitted in previous years. These areas are explained below in terms of the activities associated with these priority areas.

- Proper remuneration structures for health professionals;
- Improvements to emergency services in terms of turnaround times and fleet replacements;
- General upgrading of skills pool, but specifically mid-level workers called clinical associates;
- Equipment stock for technical procedures;
- Formulation of a Comprehensive Plan on the Prevention, Care, Treatment, and Support for HIV/Aids;
- Hospital revitalization;
- Investments in key programmes such as TB.

DOH shared its concern with the monitoring of transfers, especially health-related conditional grants, to provincial health departments. The department noted that the Auditor-General often comments that accounting officers of national departments are not monitoring provincial expenditure of grants. The DG alluded that provincial departments feel burdened by conditional grants and that they would rather concentrate on spending unconditional equitable share grants. The DG concluded that it is in a difficult situation with regards to monitoring provincial expenditure, but undertook to assist provincial health departments to spend their conditional grants.

The Committee inquired about the perceptions of slow delivery associated with mortuaries has already take place, as well as improvements in financial management of mortuaries. The DG noted that the Department of Health is attending and retaining forensic investigative services. The Committee inquired about the supposedly linear relation ship between increasing hospital stays. The DG argued that remuneration packages should improve for all health response. Another question on the adequacy of current health budgets to address the backlogs within the hospital revitalisation programme.

The Committee inquired about the reasons for the difficulties experience by health institutions to obtain donor funding when it appeared that all the necessary paperwork