

has been done. The DG said in this response that the particular application criteria of donor agencies may inhibit the fast-tracking of applications. The DG undertook to assist with assessing the adequacy of applications for donor funding in specific cases.

In a comment on the effectiveness of health related grants, the DG stated that there are unintended outcomes of the child support grant such as increasing teenage pregnancies. He stated that up to 80% of numbers of beneficiaries only benefiting from one child support grant. The DG said that further qualitative work is being done on the motivating factors of unintended outcomes.

A question by the Committee on the completion of four (4) hospital construction projects was not answered and the department needs to submit a written response.

DOH did not make any proposals for the 2007 MTEF period to the Committee. The Committee inquired about DOH'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. A written submission needs to be sent to the Committee. Other written submission should address the issues mentioned above, namely the adequacy of current funding to curb HIV/Aids, the success in sharing best practices in curbing HIV/Aids, the safety of health workers at ground-level, the completion of some hospitals, and lastly the adequacy of current health budgets in improving service standards and address hospital revitalisation backlogs.

The Committee noted DOH's concern about the to improve the remuneration packages for all health professionals, and especially in those areas where bottlenecks have been identified.

Department of Housing

The Department of Housing introduced the key challenges of the sector. The department explained that the housing backlogs are partially the result of various income and household settlement formations. Migration trends also put a strain on government to deliver housing and associated basic services in the major cities. Lastly, housing backlogs in informal settlements are erratic in that they are more susceptible to pressures from natural disasters.

The Department of Housing's strategy to address the key challenges of the sector is contained in its 'Comprehensive Plan.' Amongst other the following service delivery areas are priorities:

- informal settlement upgrading;
- speeding up service delivery mechanisms and construction projects;
- engaging with banking industry within the context of Financial Services Charter to ensure access to property finance by historically disadvantaged individuals;
- alignment of intergovernmental and inter-departmental funding streams to enable municipal structures to deliver basic services associated with housing projects; and
- the accreditation of municipalities to effectively deliver housing projects.

The department submitted funding proposals to the National Treasury to assist with fast-tracking of housing pilot projects and general housing backlog alleviation.

The department's unforeseeable and unavoidable expenditure items for the current fiscal year relate to funds released in response to several natural disasters, affecting especially informal settlements.

The Committee raised its concern about the constant reports of inferior quality of housing, and the cost estimations of this for the fiscus. In response the DG explained that the post-1999 withdrawal of major contractors left a void that was filled by poorly skilled contractors. The DG assured the Committee that quality inspections are currently at the order of the day. The question relating to the cost of inferior quality of housing was not answered and the department needs to submit a written response to the Committee.

The Committee raised its concern that civil servants in rural areas are unable to borrow from banks and inquired what the department can do about the situation. The Department did not address this question and a written response needs to be submitted to the Committee.

The department explained the reasons for not achieving housing delivery targets in some provinces. The most prominent reasons included the difficulty of provinces to procure the required resources for projects, such as timber, cement, as well as the necessary skills. The department admitted that there are problems that prohibit the effective expenditure of all funds it receives from the fiscus. It said backlog estimation models are beginning to explain particular trends in specific locations. It was not clear how these models will help the department to plan and spend better and a written submission on this topic has to be provided to the Committee.

The DG noted the Committee's concern that the average delivery period for a housing project is up to three (3) years, as well as the slow pace of the rolling out of housing pilot projects. The department needs to provide the Committee with written explanations and remedial actions for these queries.

The Committee noted that the absolute numbers of houses delivered by the department has slowed down over the last couple of years and that contrasted with the increase in its departmental budgets for the same period. The Committee therefore inquired about the capacity constraints that face the department. The DG explained that it has been a major challenge for the department to budget in conjunction with the basic delivery planning tools, i.e. municipal IDPs. As a response the department has started process to develop a human settlement protocol which aims to direct the delivery of different social services at provincial level. As part of such a protocol, MECs should be consulted to identify funds earmarked for specific projects and that would help to inform IDPs. This protocol is in line with the broader principle of intergovernmental relations. The Department also explained that the huge human flows associated with migration are a major challenge for delivery. The scarcity of well-located land for settlement and South Africa's spatial development disparities present additional challenges.

The Committee inquired about the reasons for the numerous vacancies in the department, and more specifically why basic positions such as clerks are vacant. The DG explained the situation by referring to the late finalisation of the human resources divisional structure. The DG assured the Committee that the situation of clerical vacancies will never occur again.

1. PHPs: Department need to look at this.
DDG: been corrupted, taken some time to be corrected.

The Department did not respond to the Committees inquiry about the department's plans for future hostel upgrading and a written response should be sent to the Committee.

The observation of the Committee is that the Department of Housing has the financial resources to implement its programmes. The department notes that there are capacity constraints in the department that impedes upon the successful translation of expenditure into housing deliverables.

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

The Committee requests that the Department of Housing respond in writing to the following issues that have been highlighted above:

- the cost of inferior quality of housing for the fiscus;
- how the department intends to plan and spend better in order to effectively address housing backlogs;
- the long duration of housing projects;
- the slow pace of housing pilot projects; and
- the department's plans for future hostel upgrading.

Department of Home Affairs (DHA)

The department, in response to its below norm mid-year expenditure percentage of total adjusted budget, explained that due to government's cash based accounting system, payments for invoices received will only be captured once payments have been generated. In terms of commitments and associated expenditure, the department is therefore on target at the end of the first six months of the fiscal year.

In response to a query why money destined for issuing 'smart IDs' has not been thoroughly spent, the acting-DG replied that the appropriate IT infrastructure was not place, for example a database of all fingerprints. Amounts frozen by the National Treasury have been released in the wake of the introduction of other required systems, such as the electronic document management system (EDMS) and the Electronic fingerprints identification system (EFIS). The department argued that control for these systems are secure as fingerprint identification (called the 'biometric logon system') is used in stead of usernames and passwords. The department did not respond to a question as to the time frames for the start of smart ID issuances and the electronic birth and death certificates database and therefore the department needs to submit its answer in writing to the Committee.

DHA saw the involvement of an intervention task team that evaluate and recommend on a number of issues, such as the vacancy problem. The duration for finishing up its work is six (6) months.

In terms of the visibility of multi purpose centres (MPCs), the department stated that the challenge is to fill vacant positions at these centres. In the Freestate, MPCs are open a full time five days a week and this will be extended to all provinces.

The Committee noted that the 2008/09 allocation to DHA is lower than the previous year and inquired whether this meant that the department's major functional challenges would have been reduced by then. The CFO explained that this allocation projects that many capital expenditure projects may have been realised prior to 2008/09. The CFO noted that additional funding over the MTEF has been requested from the National Treasury and if approved, would see an increase in the outer year's allocation. The additional funding is for major projects aimed at improving services, including investments in IT systems such as EDMS.

In response to the effectiveness of the department's mobile units, the CFO explained that these units are equipped with the necessary technology to reach almost all remote areas and deep rural areas. The number per province will increase, with more populous provinces receiving proportionately more.

The Committee inquired about the reasons for not filling vacancies, and also about the amount of current vacancies that were advertised in the previous (2005/06) fiscal year. DHA stated that it will have sorted out all vacancy-related problems by the end of 2006/07, and most or all vacancies should be filled by then. In terms of its internship programme, the department informed the Committee that it had lost a couple of interns, but overall the programme is quite successful.

The Committee inquired about the relationship between its management and its audit committee and the effectiveness of the committee in detecting and reacting to corruption and fraudulent practices. The CFO stated that the audit committee meets four times a year.

In response to queries on the nature and implications of virements between programmes through the year, the CFO stated that savings that were realised, for example due to delays in filling vacancies, were used to fund other priority programme areas, such as assisting refugees in their applications.

The department, in response to the comments on the disclaimer by the Auditor-General on the financial statements of the department in 2004/05, stated that it went through considerable effort to improve upon management capacity and systems. The department received a qualified Auditor-General opinion in its 2005/06 annual report.

In terms of its incentives to avoid corruption, especially with 2010 in sight, the department is rolling out the whistle blowing policy out to all its offices. A toll free whistle blower number exists to report fraudulent practices. DHA has a fraud prevention plan in place. A key limitation for successful fraud prevention, is finding the appropriate investigators. DHA has a counter-corruption chief directorate. The department declared that officials have been and will be immediately suspended when found out. The department concluded that corruption is a bigger national challenge is not only confined to only DHA.

The department did not answer a query on why its expenditure trends normally peak towards the end of the financial year and a written response needs to be submitted to the Committee.

The Committee inquired about the impact of the extended hours of business of DHA offices on the operations and specifically personnel management on the department.

DHA did not address this question and need to submit a written response to the Committee.

On a question about the integrity of the national population register, the department said that as soon as the appropriate IT and security system have been put in place, the register will have integrity.

The Committee expressed its concerns over allegations that the department's systems are ineffective and inaccurate. Notably are allegations about the loss of integrity of the ID database. The DG explained that there are limitations to the current legislative framework that exacerbates social problems, for example government is not allowed to take the fingerprints of children, hence creating incentives for manipulation of and errors in the ID database. The DG agreed that without IDs, the problems of child-headed families would be exacerbated. The DG argued that members of the public should be educated on population administrative issues, but begged the question whether only DHA should be responsible for creative programmes on this topic.

The observation of the Committee is that should DHA be allocated additional funding, there needs to be considerable capacity-building efforts at the department to ensure that funds are effectively and efficiently spent. The Committee noted the problem area of vacancies.

The department did not make any proposals for the 2007 MTEF period to the Committee. The department did not adequately respond to a question on whether the department is confident about the allocation in the outer years, in the light of the completion of capital expenditure projects and the upcoming 2009 general elections.

The Committee suggests that DHA come up with mechanisms to ensure that acts of corruption are deterred, and if once caught, perpetrators are dealt with efficiently to deter further acts.

The Committee requests that DHA respond in writing to the following issues that have been highlighted above:

- deadlines for the start of smart ID issuances and the electronic birth and death certificates database
- reasons for peaking of expenditure trends the end of the financial year;
- whether the department is confident about the allocation in the outer years, in the light of the completion of capital expenditure projects and the upcoming 2009 general elections; and
- the impact of the extended hours of business of DHA offices on the operations and specifically personnel management on the department.

Department of Social Development (DSD)

DSD highlighted the medium term budget priority areas and these are listed below.

- Institutional reform of the social security service delivery system. The main enabler of policy in this regard is the newly established Social Security Agency.
- Institutional reform of the department itself in the areas of strategy formulation, oversight, and monitoring and evaluation. In this regards, the National Treasury has been approached and is assisting.

- The expansion and consolidation of welfare and community development programmes and services.
- Human capital development, both within department in stakeholders and partners.
- Assisting with the coordination of the EPWP.
- The review of the Social Assistance Act.

DSD's key challenges for meeting the above-mentioned priorities are listed below.

- The substantial disparities in service provision and expenditure per capita among provinces, for example in terms of subsidies paid to children's and older persons' institutions.
- A general lack of human resource capacity in the department.
- Effective capacity-building at key service delivery stakeholders, such as social workers and NGOs.
- The degree of success of future provincial expenditure, with the main areas being the implementation of new legislation, such as Children's Act, Older Persons' Act and Child Justice Bill, and the subsequent expansion of other Social Welfare Services.

The under-expenditure from provincial Social Development departments is a worrying situation. Under-expenditure is largely on conditional grants, specifically on the integrated social development grant. The main reasons for this have been the late introduction of this grant and capacity constraints in provinces, such as staff shortages. The Committee noted that the department has reported to the Committee on the problem of staff shortages last year and inquired about the progress in this regard. The DG explained that although the department has been awaiting the ministerial approval of a restructuring process, it will not wait for final approval and will commence with a much-needed recruitment drive. As part of the enabler for the recruitment drive the DG created an office of the COO. The department is going through significant efforts to recruit for the Social Security Agency.

On this matter, the Committee further inquired about the department's previous commitment to recruit and retain social workers. The DG explained that the department has adopted a recruitment and retention strategy. It is however a considerable challenge to source the desired number of social workers in South Africa, as there are few university graduates each year in this field and social workers in rural areas tend to migrate to urban areas. Awareness needs to be created in learners and scholarships, over and above existing bursaries, should be awarded, although the effects would only be visible in the medium to long term. As a measure, the department increased the salaries of social workers. Already a number of social workers have been participating and trained within health and welfare SETA programmes.

The department admitted that an important aspect of its human resource capacity is the volunteer. Once all volunteers are registered and paid stipends, some form of equalisation of stipends would occur in order to attract more volunteers.

The department acknowledged that to an extent vacancies impacted negatively on its ability to effectively deliver its functions. It was not clear from the department's response how and by when the vacancy situation will be addressed and a written explanation needs to be sent to the Committee.

DSD admitted that it should monitor the effectiveness of transferred funds to provincial departments and other institutions and that there major risks involved as these are substantial amounts of money. To this end, the department established a Monitoring and Evaluation unit at chief directorate level and replicated this unit at provincial level in order to capture relevant information at the lowest possible level. DSD adopted a strategy on how to monitor and evaluate effectively and this include site visits to implementing institutions. The department admitted that due to the challenges inherent in the current intergovernmental relations system, monitoring and evaluation is still a big challenge. To this end, DSD has produced guidelines for grant implementation and reporting that has been provided to its provincial departments. DSD alluded to the challenge of dealing with the various accounting officers.

DSD detailed the reasons for under delivery at provincial level, among others the lack of knowledge by provincial departments and implementing institutions on how to deal with tendering processes.

DSD did not respond to a specific question on the stage of completion and challenges experienced with the building of some departmental office buildings. The targeted date of completion for these specific projects was 2004.

The DSD admitted that the misuse of the department's vehicles by its employees is a problem, but contextualise the problem in terms of the government-wide phenomenon. Part of the solution is a proper asset management system, which the National Treasury is assisting departments. The Auditor-General will qualify any department that does not have a proper asset management system.

The Committee inquired about DSD's strategy to avoid the re-occurrence of considerable under- expenditure. The department did not sufficiently address this question and needs to submit a written response to the Committee.

The Committee inquired about when the department will start implementing the Older Persons Act and how communities will be made aware of the impact of the act on them. DSD explained that one of the challenges to implementation is to accurately identify older persons' needs, and to first come up with norms and standards for old age homes.

The Committee inquired about the availability of data on projects in rural areas, such as on services provided by NGOs, the monitoring thereof, and the accountability implications for these service rendered. DSD explained that it is relying to a large degree on community development workers to ensure that communities in the area aware of all services that are provided. The department admitted that it is difficult to effectively monitor the vast amount of NGOs that render service on its behalf, as well as other social development-related services. The assessment and registration of NOG and services are constraint by time and staff shortages. DSD explained that there have been delays of fund transfers to NGOs in many cases due the lack of capacity in these NGOs, for example in terms of producing appropriate business plans.

The Committee inquired about aspects of the court decisions on the shift of functions of DSD to the Social Security Agency and how loopholes could be closed in future to avoid unnecessary litigation. The Committee also inquired about the reasons for the need to contest certain issues in court. The department explained that the legal capacity

constraint is a considerable challenge in government. Corrupt and fraudulent officials and their outside networks use a tactic whereby they litigate in volumes and the Department of Justice simply cannot cope with this. Sometimes already finished cases are resubmitted, thereby increasing the administrative burden on the defence and resulting in increasing turnaround times of cases. The problem is that if some cases go unopposed, the DSD need to pay up unnecessarily. The Law Society of South Africa will be approached to assist in rooting out fraudulent lawyers. The Committee noted that certain aspects of the recent litigation cases highlighted by DSD appear to be related to other cases in the department. The department explained the ensuing forensic investigation should determine the degree of collusion. A database of findings will be forwarded to the Committee by 10 November 2006.

Mr Mkhali

1. regrettable to not meeting the Dept as social cluster. Disparities within promises; in some instances allocations not replicated by PIG. DSD in social cluster should receive priority from provincial gov to PIG.

Acting-DG: NT undertook to provide specific allocation for DSD purposes.

The department, in response to a query on its progress in utilising SAPO for points of payments, explained that various payment preferences are being evaluated. The ideal is bank transfers, but too few people have bank accounts. There are arrangements with contractors to pay out grants on behalf of DSD. Of essence is the element of dignity that should always be associated to the handling and paying out of social grants.

The department, in response to its efforts to capacitate NGOs in rural areas, explained that NGOs are typically better capacitated than community and faith based organisations. DSD has about 35 capacity programmes in the country to train and capacitate the latter. Key learning areas are compliance with government legislation and procedures, and basic project management skills.

In response to a question on DSD's efforts to incorporate farming communities in the social grant distribution network, the DSD acknowledged that accessibility to social grants by all eligible citizens is a priority. The department requested the details the particular cases mentioned by the Committee and will follow up. The department will also follow-up on a request of the Committee to report on the building of a DSD office in a specified town worth R7 million.

The Committee noted that at regional level some posts in the Social Security Agency are not filled and inquired about the operational readiness of the Agency to fulfil its mandate. The department explained that the situation is under control in that the necessary arrangements are currently in place between the relevant provincial departments and the Agency, which enables the smooth administration of social grants. These arrangements are expected to last until the end of 2006/07, whereupon the Agency should be fully operational.

The Committee inquired about the reasons for the considerable increase in the administration programme of DSD. It was not clear that the department answered this question adequately and it needs to submit a written response to the Committee.

The observation of this Committee is that the DSD has the financial resources to implement its programmes. However, the Committee noted the department's concern that there is a general lack of human capacity.

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

The Committee requests that DSD respond in writing to the following issues that have been highlighted above:

- how and by when the vacancy situation will be addressed;
- the department's strategy to avoid the re-occurrence of considerable under-expenditure;
- the database of forensic investigative findings to be forwarded to the Committee by 10 November 2006; and
- the reasons for the considerable increase in the administration programme of DSD.

Department of Sports and Recreation

The department only submitted a written submission.

The department's additional funding proposals amounted to R491 million for 2007/08 and R494 million for 2008/09. Funding increase proposals are for the following projects:

- 2010 Match stadia;
- 2010 Team preparation support;
- training of volunteers;
- finding of stadia (legacy facilities);
- mobilisation of South Africans; and
- "leaving a legacy for the Youth"-project.

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

South African Local Government Association (SALGA)

The department only submitted a written submission.

SALGA noted that governments spending priorities generally are aimed to assist the poor, with the priority areas being health and social welfare services, education, the building of state capacity, and investments in housing, municipal and community services. In general SALGA is satisfied with additional allocations in the adjustment budgets of departments. However one or two issues were highlighted.

Firstly, SALGA expected that a specific allocation be made to address the shortage of social workers.

Secondly, SALGA expected that additional allocations be made to establish salary parity between employees of government and NGOs.

Thirdly, SALGA expected that 2006 MTBPS to announce the extension of the child support grant and an extensive school nutrition programme to also cover children between ages 14 and 18.

Fourthly, SALGA proposed the funding of a structured approach to building the capacity of the local government workforce in programmes such as Siyenza Manje. SALGA also proposed a structured approach to building capacity such as a second phase to the National Skills Development Strategy.

Fifthly, allocations for neighbourhood development partnerships to further fund improvements to settlements for sustainable communities should grow.

Sixthly, SALGA expected that there will be specific allocations for funding of electricity distribution restructuring.

Seventhly, SALGA expected that local government would receive allocations to assist with the establishing of transport authorities at local level to reduce public transport challenges.

Lastly, SALGA proposed additional funds for municipalities hosting the 2010 Soccer World Cup, especially those neighbouring hosting cities, for public transport infrastructure and system improvement.

Theme 4: International Trade

Department of Trade and Industry (DTI)

The department only submitted a written submission.

No additional funding has been allocated to trade initiatives for the 2006/07 year.

In its submission, DTI noted that the promotion of trade should be balance with structural adjustments in the broad economy. Supportive policies for especially labour market adjustment should therefore become a priority area. These policies should focus on safety nets and training for labourers.

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

Section 3: Committee observations and recommendations

3.1 Committee concerns and comments

The Committee expressed its concern regarding the fact that only one Minister (Public Enterprises) had appeared before the Committee. Often delegations did not even include the Director General of a department, in which case the delegation was excused from presenting until such time that the Director General or acting-Director General was present.

The Committee expressed its concern that most departments and organisations that made submissions did not clearly articulate their submissions in terms of their priority expenditure challenges and needs for the outlying years of the 2007 MTEF. Many departments also did not address the appropriateness of the MTBPS comments with regards to their respective service delivery areas as well as the appropriateness of additional allocations in the 2007 MTEF.

In the 2005 Joint Budget Committee Report on the MTBPS hearings, the Committee noted that the coordination between clusters needed to be strengthened as this would facilitate better understanding of other departments within the cluster. The Committee noted during various submissions during the 2006 hearings that it seemed that departments that provide the various basic services for the effective functioning of service delivery units, such as schools and clinics, were not effectively engaging with each other. Examples of schools without water and sanitation or clinics without electricity were matters of distress for the members of the Committee.

Again, the management of transfers, especially conditional grants to provinces and local government, and the ability to monitor these effectively were highlighted as concerns.

3.2 Recommendations 2006

The Committee recommends as follows:

1. The Committee recommends that Parliament enhance the Committee's effectiveness in monitoring and evaluating department budget implementation throughout a financial year. Such effectiveness could only be successfully realised by substantially increasing the Committee's research staff compliment. A bigger and capacitated staff compliment would mean that the Committee would be in a better position to effectively prepare its response to the MTBPS and prepare frameworks for the interrogation of departments.
2. A response should be formalised to the relevant national authorities responsible for local government capacity building in order to effectively implement national departments' plans.
3. Specification of the human resource needs, such as funds of the Committee in terms of number and level of skills of researchers, capacity-building and training of members in budget analysis techniques, among other things.

4. The Committee proposes an indaba between all departments on a model for inter-departmental coordination, especially in servicing basic service units, such as schools and clinics.
5. The Committee recommends that national departments must monitor conditional grants to provincial and local government.
6. Departments should be able to provide feedback on the successfulness of the implementation of their internal Monitoring & Evaluation (M&E) structures.
7. Studying the oversight framework of NT, which pre-dates the Committee lifespan, and possibly amending it, making it user-friendly and simple to interpret by members of the Committee.
8. Conducting international comparative studies of public budget oversight structures and incorporating best practices into Committee procedures and questionnaires.
9. 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.
10. Departments may be called upon by the Committee to report on monthly expenditure trends. At these report-back meetings, departments should be able to provide explanations for deviations from targets that have been communicated at the 2006 MTBPS hearings.
11. Departments need to have plan how to fill vacancies.
12. Equitable share expenditure
13. Local government utilise all grants.
14. Social grant uptakes

3.3 Recommendations 2005

For information purposes, the Committee's recommendations contained in the 2005 Joint Budget Committee Report on the MTBPS hearings are included below.

The Committee recommended as follows:

1. The Committee recommends that Parliament enhance its effectiveness in monitoring the capacity of departments to implement progressive policies.
2. The Committee recommends that Parliament pay particular attention over the medium term to the effectiveness of facilitating policies regarding the key MTBPS priorities of human and institutional capacity development and infrastructure investment, as well as the focus on growth, macroeconomic stability, raising the employment capacity of the economy, and reducing the gap between the first and second economies.

3. In considering the budget documentation of key departments such as the Departments of Home Affairs and Social Development, Parliament should satisfy itself that such Departments have monitoring systems in place, ensuring that their implementation supports their policies and that their policies have the required outcomes. This will enable timely policy adjustments.
4. The Committee recommends that Parliament strengthen monitoring and oversight of expenditure trends between national MTBPS functional allocations and Provincial budget allocations to the smaller spenders supportive of social and rural development and job creation (i.e. housing, land affairs, tourism and agriculture) to address concerns of adequate financing at provincial level.
5. Parliament should explore ways to influence cooperation and complementarities rather than competition between departments, particularly coordination of planning between departments in the same cluster.
6. Parliament should follow up on the amendment of strategic plans in order to align them with the MTBPS.
7. The Committee should carry out oversight visits, in particular to development nodes.