Division of Revenue Bill 2020

Submission by the Organisation Undoing Tax Abuse (OUTA) to the Standing and Select Committees on Appropriations

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1. Introduction

The Organisation Undoing Tax Abuse (OUTA) is a non-profit crowd-funded organisation. We aim to hold government to account and ensure responsible use of tax revenues.

We make this submission as part of the public participation process on Budget 2020.

2. Summary

Budget 2020 is characterised by the intention to cut R160 billion from the state wage bill, at national and provincial levels. This has yet to be negotiated and is expected to be reflected in MTBPS 2020. It is characterised by the need to cut a further R100 million in spending. Much of this is to fund failing state-owned entities (SOEs) like Eskom and SAA.

It is also characterised by the increase in government debt and the need to stabilise this.

These problems are reflected in the Division of Revenue, which focuses on transfers and grants to provincial and local government. Conditional grants are particularly affected.

These financial problems underline the urgent need to get value for money.

Central to this is the need to eliminate corruption and mismanagement in spending, which together still siphon off considerable and much needed funding.

Measures to reduce spending which doesn't benefit the public are needed. Failing SOEs like Eskom and SAA are threatening social spending and require fierce and transparent debt management.

There are also smaller areas for cuts: ministerial benefits and perks should constantly be reassessed.

We would like to see an increase in expenditure for sectors like Health, Education and public transport.

We suggest that the appropriations committees cooperate directly with the portfolio committees which oversee the most problematic entities and departments.

3. Division of Revenue

The Division of Revenue sees revenue divided between the national, provincial and local spheres of government. The equitable share formula sees the largest percentage share going to national departments, followed by provinces and in a distant third, local government. For 2020/21, national departments receive R757.7 billion (49.2%), provinces receive R649.3 billion (43.2%) and local government R132.5 billion (8.6%).

DIVISION OF NATIONALLY RAISED REVENUE							
R billion/percentage of GDP	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome			Estimate	Medium-term estimates		
DIVISION OF AVAILABLE FUNDS							
National departments	555.6	592.6	634.3	739.5	757.7	768.9	797.8
Provinces	500.4	538.6	572.0	612.8	649.3	692.0	730.7
Local government	102.9	111.1	118.5	125.0	132.5	142.4	151.4
Non-interest allocation	**1 158.9**	**1 242.3**	**1 324.8**	**1 477.3**	**1 531.7**	**1 587.2**	**1 645.1**
PERCENTAGE SHARES							
National departments	47.9%	47.7%	47.9%	50.1%	49.2%	48.0%	47.5%
Provinces	43.2%	43.4%	43.2%	41.5%	42.2%	43.2%	43.5%
Local government	8.9%	8.9%	8.9%	8.5%	8.6%	8.9%	9.0%

Source: 2020 Budget Review, National Treasury

4. Local government

We note the proposals for a special local government Budget Forum lekgotla later this year to discuss the structure of the local government fiscal framework and size and structure of transfers. We also note that "National Treasury has proposed collaborating with SALGA and the Department of Cooperative Governance to produce papers and presentations for the local government Budget Forum lekgotla in 2020." Civil society must be involved in the process to avoid backfires and exclusionary decision making.

We recommend that among the structural reviews to be undertaken, alternative and existing revenue models for municipalities should be critically analysed and simulated. This exercise should include a thorough review of international literature to determine what types of rates, taxes and revenue generation mechanisms other countries use at a local level.

While the equitable share rationale is that local government and provinces may raise their own revenue, in reality these revenue sources have come under pressure. Revenue has particularly come under pressure at the local government level, because municipalities rely largely on service charges from onselling electricity and water as a source of revenue. As electricity supply came under pressure, so too did the revenue which local government could derive. Similarly, with drought affecting many areas throughout South Africa, municipal revenue from provision of water is under pressure.

See **Annexure A:** Where does the City of Cape Town gets its money from?

It is encouraging that the Budget Review highlights government progress in reducing unfunded municipal budgets and initiatives for pilot projects to improve municipal revenue collection.

The municipal revenues are significantly negatively affected by financial mismanagement. Far too many municipalities have failed to manage collection of revenue from their customers so now have billions of rand in uncollected – and uncollectable – revenue. Municipalities have also been indebted for years to Eskom and the water boards, partly because of their own revenue collection problems but also partly due to mismanagement of revenue. While these problems have garnered national attention that has been little to no improvement in these problems. Indeed, municipal debt to Eskom keeps growing. And as Eskom and municipal customers find ways to circumvent municipalities as providers of electricity, the ability of some municipalities to raise their own revenue will likely decrease.

The District Development Model

The new “Khawuleza” District Development Model is promised to resolve issues of silos in government and strengthen the capacity of local government through increased coordination between local and district municipalities. The problem that the District Development Model seeks to address is “lack of coherence in planning and implementation and has made monitoring and oversight of government's programme difficult". While OUTA welcomes that there are efforts underway to address incoherent planning and implementation, we wish to highlight that there is very little clarity as to how this new

District Development Model will itself work and will be funded. It can be argued that South Africa's planning is already well-developed and that extensive planning is done at all levels of government. More planning without follow through and cost-effective spending of budget allocations will not address the levels of frustration that South Africans experience with failures in service delivery.

How will the District Development Model be addressed in the Division of Revenue?

Better value for money

There is an urgent need for better value for money from local government.

While it may easily be argued that local government needs more rather than less funding, as this is the point of delivery of essential services and there are significant backlogs to be overcome, the reality is that local government financial management remains disastrous. There is no guarantee that money will be properly spent in the majority of municipalities. We need better value for money. This requires better oversight and, more importantly, real consequences for repeated delinquency.

The last two Section 71 reports released by Treasury (the report for July to December 2019[4] was released on 5 March 2020) refers to ongoing efforts by municipalities to dodge financial controls which were required since July 2017:

> · A large number of municipalities are not budgeting, transacting and reporting directly in or from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheet and then import the excel spreadsheets into the system. Often this manipulation of data lead to unauthorised, irregular, fruitful and wasteful (UIFW) expenditure and fraud and corruption as the controls that are built into the core financial systems are not triggered and transactions go through that should not; and
>
> · Municipalities are not locking their adopted budgets or their financial systems at month end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2019/20, the Local Government Portal will be locked at the end of each quarter.

We welcome the emphasis in the Budget review of consequences for provincial and local governments which mismanage finances. But we have heard this before and need to see effective action on this. Although it is encouraging to see Treasury confirming that it withheld some transfers to some municipalities, this requires more public transparency so the public will be aware of what is happening in their municipalities. We support the requirement that when conditional grants are withheld due to failure to meet the conditions, the province or municipality must report this and the reasons for it in its annual report. However, we note that municipalities already omit legally required information from websites and annual reports, with no apparent consequences.

We suggest that more grants should have incentives built into them to reward compliance, good governance and competent spending.

The Municipal Fiscal Powers and Functions Amendment Bill

Budget 2020 appears to assume that additional revenue will soon be available for municipalities – particularly metros – arising from the Municipal Fiscal Powers and Functions (MFPF) Amendment Bill.

Both Budget 2019 and the MTBPS 2019 referred to the MFPF Amendment Bill, and both raised the expectation that this could extent municipal revenue by R20 billion per year.

However, the Bill is still out for public comment (until 31 March) and unlikely to be passed in time for the new municipal financial year in July. More importantly, this is a controversial piece of legislation which may do more damage to the local economies than could be justified by any additional revenue. This is not a Bill which will encourage economic growth but may instead to the reverse. OUTA will make an input on this Bill as part of the public participation process.

The solution to local government financial problems is not to introduce a new or extended tax on businesses. Municipalities have already, repeatedly, shown that they cannot be trusted with public funds and it is an insult to the public to "fix" this problem by demanding more funds from the public.

Funds for Emfuleni sanitation and the Vaal River cleanup

We welcome the inclusion, finally, of some funding for the Vaal River clean up and Emfuleni sewerage system improvements. Unfortunately, this has been very delayed and is unlikely to be sufficient. Even more unfortunately, this funding goes through the dysfunctional Emfuleni Local Municipality.

Budget 2020 finds R650 million to add to the Regional Bulk Infrastructure Grant (RBIG) for upgrading the Emfuleni sanitation system and cleaning up pollution in the Vaal River. It is unfortunate that some of these funds had to be cut from grants intended for water delivery.

This is a long way off the R1.2 billion estimated budget needed for the project, announced in April 2019. Worse, because this funding is now a year late, it cannot capitalise on the resources of the SANDF, which deployed a team in October 2018 – at the President's request and on the promise of funding – and spent a year in Emfuleni waiting in vain for funds to do the job.

The funding and requirements for this job have been too vague for too long. We want clarity on what the Emfuleni sanitation system needs to function properly, what is needed to clean up the polluted Vaal River, how much these interventions will cost, who is responsible for implementing the work and the timelines for delivery.

It appears that the full R650 million for the Emfuleni sanitation and Vaal clean up goes through the RBIG for Emfuleni.

We believe that Emfuleni should not have any responsibility for or control over this funding.

Emfuleni is a severely dysfunctional municipality which should be under administration. In June 2018, the Gauteng government intervened in Emfuleni; however, the financial rescue plan does not appear to have been implemented. Emfuleni passed an unfunded budget for 2019/20; it was among the municipalities which the National Treasury ordered to redo budgets. A new budget was passed but failed to make provision for the Eskom debt. On 10 March 2020, the sheriff attached assets at Emfuleni arising from court action by Eskom over unpaid electricity bills totalling R2.3 billion.

In March 2019, R242 million was reallocated to Emfuleni through the RBIG but this was later rolled over as unspent, an extraordinary situation given the urgency of the sanitation situation. It's not clear if this R242 million is now included in the R650 million.

The difficulties of finding funding for this project underline the overall inadequacy of funding for water and sanitation.

We ask that the Committee look carefully at the funding for this crucial and much-delayed work, and ensure that it is properly spent and accounted for.

5. Improve spending patterns

Due to the current need to do fiscal consolidation, it's important that the state find ways to improve the efficiency of its spending to deliver cost-effective services.

Closer monitoring of fiscal dumping is needed. Fiscal dumping can be detected by looking for spikes in spending at the end of the financial year in specific departments that illustrates that they are not spending in a sustained manner to ensure continuity of services. Hasty purchasing decisions at the end of the year can lead to the wrong type of goods and services being purchased, simply to make use of the money rather than returning it to the fiscus. OUTA recommends that the Appropriations Committees request that National Treasury undertake closer monitoring of fiscal dumping. The committees may wish to invite National Treasury to present an analysis of the final quarter of the prior financial year's spending in which it identifies which departments have had surges in spending in the last month of the year and from which subprogrammes' potential fiscal dumping is emanating.

Noting that the procurement of information technology has its own specific challenges, OUTA requests that the Appropriations Committees recommend to National Treasury that it specifically consider measures to address the procuring of IT services. Specifically, Treasury should examine whether the procurement regulations and guidelines are geared such that departments are dealing in the most cost-effective manner with considerations of software intellectual property rights and being locked into systems which require repeat licences after an initial outlay to implement the system.

OUTA notes that at the same time as Treasury is ensuring that municipalities reduce underfunded budgets, it is also reporting that many local governments adopted unrealistic spending plans of a different nature, where as a result, 211 municipalities underspent their operating budgets and 214 municipalities underspent their capital budgets. This speaks to poor financial management capability and perhaps of more concern to citizens, poor capacity to deliver planned programmes, projects and services.

We support National Treasury when it states in the Budget Review that: "Improving spending efficiency requires greater accountability from provinces and municipalities – especially to the residents who are entitled to these services. Over the period ahead, national government will continue to fund provinces and municipalities, work with them to build capacity, and ensure that underperforming sub-national governments face consequences."

The provincial equitable share and other usual distribution mechanisms in mainstream intergovernmental fiscal relations must be reviewed in light of worsening audit outcomes published by the Auditor-General of South Africa.

Minor revisions to structural allocations will not adequately address systemic misspending and ineffective allocations to provincial and municipal organs of state. The Financial and Fiscal Commission (FFC) focused its research and analysis on local government in 2019 and we urge the committee to better incorporate the recommendations of such crucial advisory entities.

One issue OUTA wishes to highlight is the relative silence on provincial oversight structures and allocations. Harsh consequences are being faced by municipalities that repeatedly underperform, but what about those provinces that consistently underperform? A key area of provincial underperformance is in their own roles in holding local government to account. Over and above quantitative adaptations or reductions, we recommend that the committee raises the neglected matter of structural adaptations that must go hand in hand with punitive reductions to appropriations.

6. Health

Health services are being diminished due to a need to prioritise the stabilisation of SOEs. In this regard, OUTA notes that the in Estimates of National Expenditure it says that “cabinet-approved budget reductions to lower the national aggregate expenditure ceiling have resulted in decreases to the department’s allocation of R1.2 billion in 2020/21, R1.3 billion in 2021/22 and R1.4 billion in 2022/23. These are affected in areas such as conditional grants to provinces, goods and services, transfers to public entities, and compensation of employees. They are not expected to lead to significant disturbances in service delivery as most of the affected areas were identified based on historical financial and non-financial performance, which was lower than anticipated.”

We are not convinced that removing R1.2 billion, R1.3 billion and R1.4 billion from the department’s allocation won’t lead to disturbances. Simultaneously, noting that the money was identified out of areas of non-financial performance, points to issues of capacity to deliver and spend allocated funds within the health system.

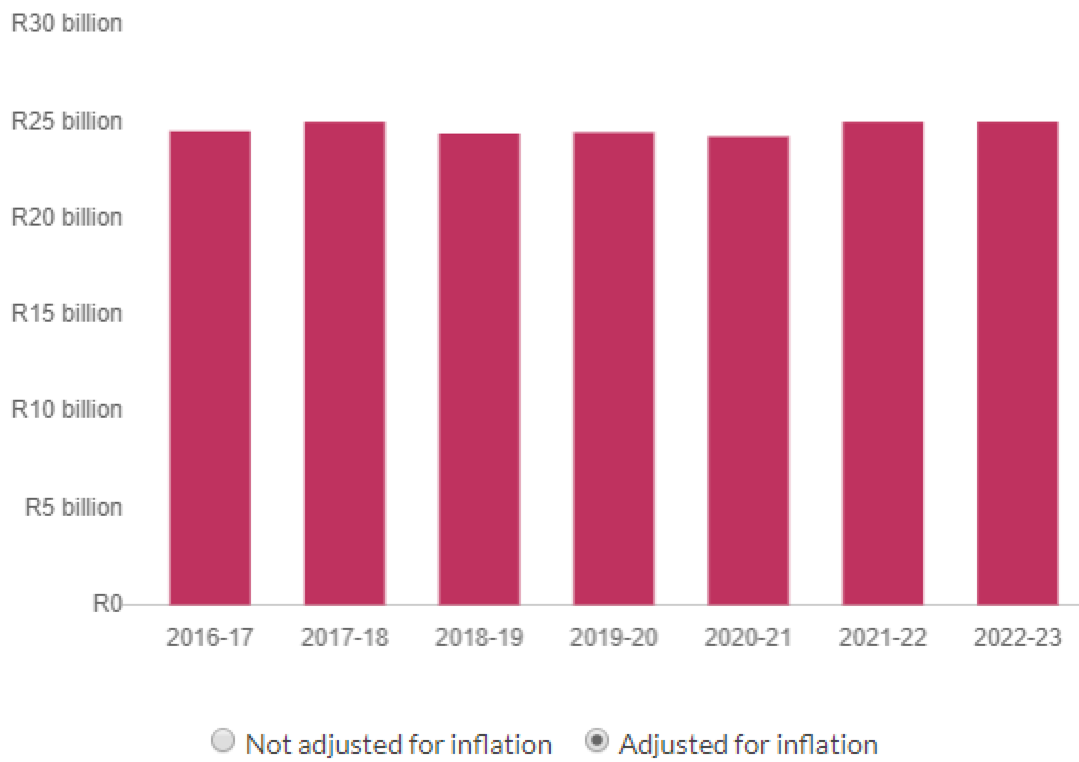
Despite the reductions, average nominal growth in health spending for 2020/21 to 2022/23 is 5.1%. However, this increase must be considered in the context that the demand for health care is increasing and public health facilities are already struggling to meet that demand. Human resources for health (HRH) remains a critical issue. Many clinics and hospitals simply do not have enough health professionals; this under-resourcing of HRH is greatly and adversely affecting working conditions, staff morale and (ultimately) service delivery.

We note that Treasury explains that the overall nominal growth in health spending is “largely driven by an increase in the HIV and AIDS component and the community outreach services component of the HIV, TB, malaria and community outreach grant and allocations towards national health insurance”.

We also note that National Health Insurance (NHI) will need to be implemented more slowly due to what can be afforded. We fully support the principle of Universal Health Coverage, and think that it is important to strengthen the primary healthcare system as proposed. OUTA is, however, concerned about the governance arrangements proposed for the NHI Fund in the National Health Insurance Bill that has been tabled. The governance arrangement for the NHI fund will pool a massive amount of public finances for spending on health. The governance arrangements have to be strengthened to mitigate against corruption or we will not be looking at quality health care for all as the bill envisions, but at the paving of the way to more looting of public resources. OUTA made a written submission on the NHI Bill to the Portfolio Committee on Health (detailing these points and other areas of concern) in November 2019.

7. Education

Cabinet has approved reductions to the education infrastructure grant, which goes to the provinces. These reductions total R1.9 billion over the MTEF period. When adjusted for inflation, the National Department of Education’s budget allocation has not grown in real terms between 2019/20 and 2020/21.



The Rand values in this chart are adjusted for CPI inflation and are the effective value in 2018 Rands. CPI is used as the deflator, with the 2018-19 financial year as the base.

Source: Vulekamali, National Treasury

The School Infrastructure Backlogs Grant, a smaller more targeted provincial grant, loses R123 million over the MTEF.

While this may not seem a large amount, this grant is to replace unsafe and inappropriate school structures and to provide water, sanitation services and electricity. It is to make schools safe. It would replace a lot of unsafe toilets and shoddy classrooms.

If these cuts are due to lack of funds, then priorities should be reassessed. We note that the VIP Protection Services (programme 5 in the Police vote) receives an additional R195 million for 2020/21 alone, a 12% increase on an already substantial budget. This prioritises spending for political elites over some of the most vulnerable in our society: this is not pro-poor budgeting. VIP services will not build the economy or educate our children.

Our concern on oversight is that it is difficult to find what work has been done through this grant. The indicators in the Department of Basic Education vote do not clearly state whether historical indicators record the targets for those years or the actual work done, while indicators for 2020/21 do not match targets in the Budget Review.

We recommend that this information be included in the Budget: a list of new schools completed, those started but incomplete, and those where sanitation and/or water was provided. These schools should be named. There should also be a list of schools where this work is planned for the upcoming year. There is some attempt to provide this information in some of the provincial budgets, but it is inadequate.

While National Treasury is having to make tough choices about spending levels, OUTA is concerned that it may be forgetting that the quality of South Africa's basic education is linked to the country's ability to be globally competitive on an economic level. Learners being educated in structurally unsound schools that have inadequate sanitation facilities and whose numeracy and literacy levels are not adequate must somehow enter the job market in today's global village. The education system is not giving the country's youth the springboard to success that they and South Africa need. Instead of cutting from education, National Treasury should look at the number of public entities that have proliferated and determine how many of these are funded off government department's budgets, have overlapping mandates and are wasting public funds.

For more on the need to improve spending on education, see **Annexure B**.

8. Water

The National Department of Water and Sanitation's legislative mandate is to "ensure that the country's water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation".

The right to water and sanitation is a fundamental human right. Chapter 2 of the Constitution of South Africa provides that: "Everyone has the right to have access to sufficient food and water." It is a travesty that there are towns where the taps have run dry and citizens are relying on non-profit organisations to supply water, while Auditor General findings reveal that the National Department of Water and Sanitation is paying little attention to addressing audit recommendations over time.

See **Annexure C** for detail on the AG findings.

In the Auditor General of South Africa's Citizens Report - PFMA 2018/19, the AG found that:

- The department engaged in projects that had no budgets or were not aligned with budgets, leading to budget overruns and underspending alike.
- There were high levels of irregular expenditure because money was spent on other projects such as the war on leaks and the bucket eradication programme.
- Significant levels of fruitless and wasteful expenditure was incurred mainly because of project delays.

In the same report, we note that R3.13 billion was spent irregularly (primarily during the 2018/19 financial year) due to non-compliance relating to contract management and other procurement processes.

In August 2018, OUTA made a joint submission to the Standing Committee on Public Accounts (SCOPA) and the then Portfolio Committee on Water & Sanitation in this House to support the promised inquiry into the Department's financial performance, functions and governance. No such inquiry has been hosted to date. We strongly recommend that the Committees on Appropriations nudges the Portfolio Committee on Human Settlements, Water & Sanitation to fine comb the persistent adverse findings reported by the Auditor General in this Department.

In May 2018, Parliament's Portfolio Committee on Water and Sanitation was briefed that the Department of Water and Sanitation had a budget hole of over R1 billion and an unsustainable overdraft facility. A major cause of the overspending was the continuing funding of the "War On Leaks" programme, using unbudgeted funds generated by the Water Trading Entity (WTE)[1]. In November 2019, the Department committed to fund the "War on Leaks" programme until October 2020[2]. It does not appear that performance on the programme has gone as planned[3]. OUTA therefore recommends that Treasury and

[1] https://pmg.org.za/committee-meeting/26328/

[2] https://www.gov.za/speeches/dws-commits-fund-war-leaks-programme-5-nov-2019-0000

[3] https://africacheck.org/reports/south-africas-state-of-the-nation-address-2016-to-2019-in-review/

the Department of Performance Monitoring and Evaluation conduct an Expenditure Review on the "War on Leaks" programme.

Water is a basic human right and many communities have been bearing scarcity of potable water for decades. On 11 March 2020, SCOPA heard from this department on the non-tabling of its annual report and financial statements. How can division of revenue continue with business as usual in light of these issues? We recommend that the Appropriations committees clamp down and allocate grants conditionally.

In the Estimates of National Expenditure, selected key performance indicators are included for each Department. The indicators included for the Department of Water and Sanitation are indicative of misplaced the priorities and underperformance in relation to their actual mandate:

Selected performance indicators

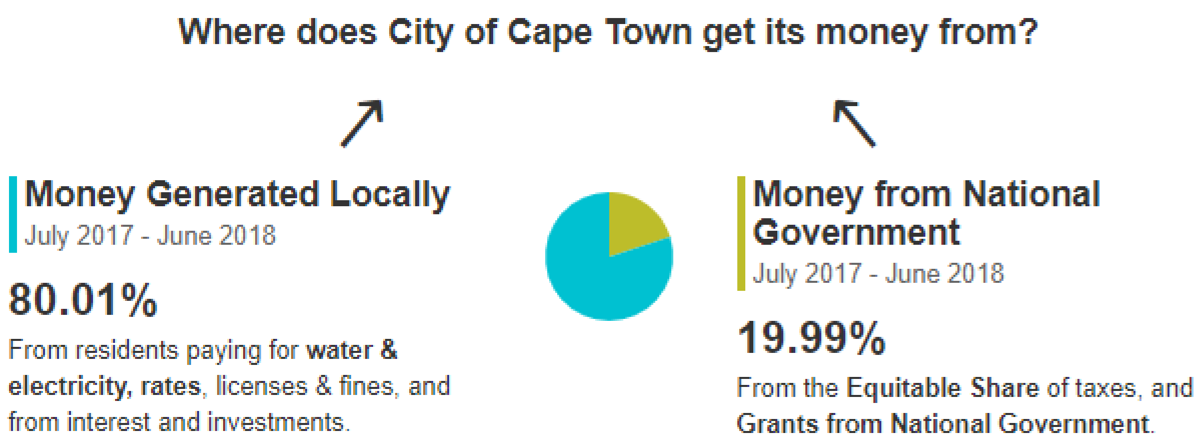
Table 41.1 Vote performance indicators by programme and related priority

Indicator	Programme	MTSF priority	Past			Current	Projections		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Number of reports on progress analysed against the approved annual international relations implementation plan per year	Administration	Departmental mandate	4	4	1	1	1	1	1
Number of river systems with water resources classes and determined resource quality objectives per year	Water Planning and Information Management	Priority 4: Spatial integration, human settlements and local government	2	1	4	3	0	0	1

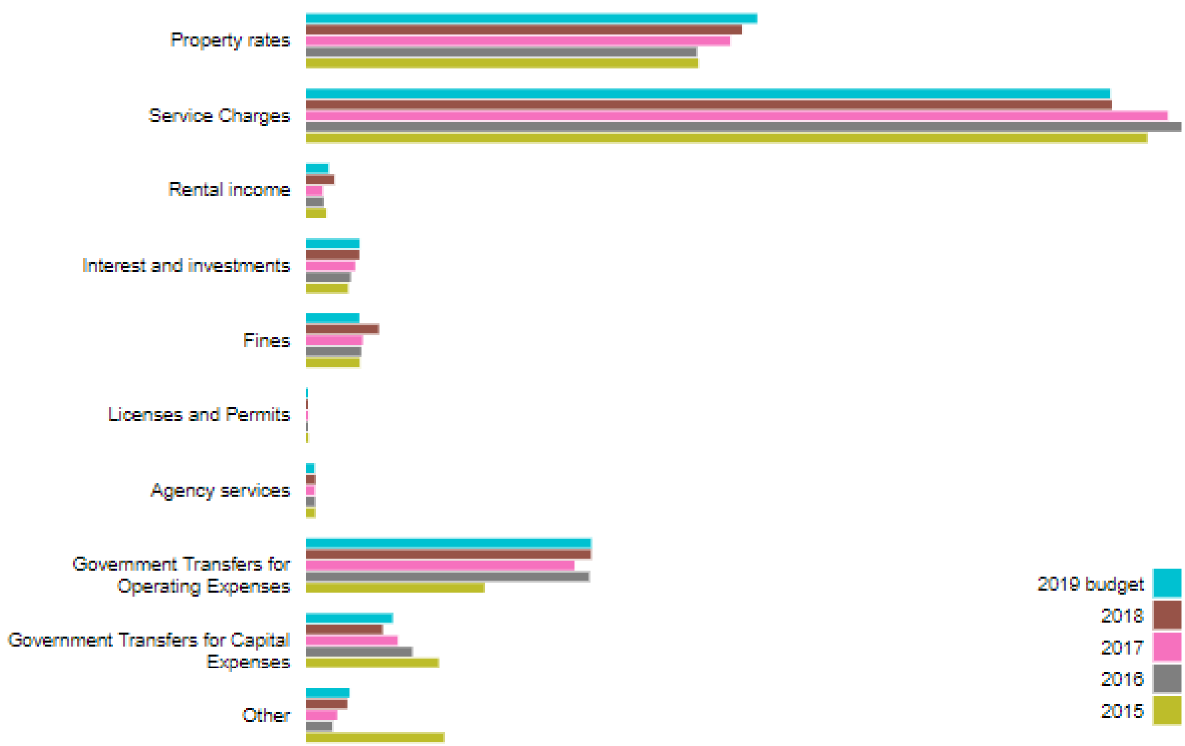
Source: National Treasury, Estimates of National Expenditure 2020: vote 41

Annexure A: Where does the City of Cape Town get its money from?

The City of Cape Town is an example of problems of drought and load shedding on revenue collection. The City is still on water restrictions and, like municipalities across the country, is faced with load shedding. As can be seen in the graphic below, revenue derived from service charges dipped after drought and load shedding started to impact the City, but because citizens' expectations regarding service were not changing, the city needed to find alternative revenue sources and property rates start increasing as a revenue source.



Where money comes from



Source: Municipal Money, National Treasury

Annexure B: The need for more spending on Basic Education

While National Treasury is having to make tough choices about spending levels, OUTA is concerned that it may be forgetting that the quality of South Africa's basic education is linked to the country's ability to be globally competitive on an economic level. Learners being educated in structurally unsound schools that have inadequate sanitation facilities and whose numeracy and literacy levels are not adequate must somehow enter the job market in today's global village. The education system is not giving the country's youth the springboard to success that they and South Africa need. Instead of cutting from education, National Treasury should look at the number of public entities that have proliferated and determine how many of these are funded off government department's budgets, have overlapping mandates and are wasting public funds.

A closer look at matric performance in Mathematics and Science is indicative of what sort of disciplines matriculants will have been able to gain access to study at university. Together with a bachelor's pass, Mathematics is considered a "gateway" for entry into many professions including engineering, medicine, commerce and computer science. While different commentators may argue the merits of the societal applicability of the content covered in the maths curricula to the changing world of work, globally the subject remains a university entry requirement for a range of degrees and strong performance in mathematics is an excellent predictor for the ability to succeed in certain fields. Completion of a university degree that requires mathematics or science as a prerequisite can lead to a wide range of employment prospects.

Excellence in science, technology, engineering, and mathematics (STEM subjects) is considered important for a country to improve its prospects for economic development, job creation and competitiveness. South Africa's National Development Plan makes this link between the performance of the education system and the country's economic prospects. It acknowledges the need to improve its prowess in the numbers of doctoral graduates emerging from universities, saying that "if South Africa is to be a leading innovator, most of these doctorates should be in science, engineering, technology and mathematics".

OUTA notes that R1.3 billion has been allocated over the next three years to maths, science and technology grant. We welcome that several public ordinary secondary schools will be transformed into focus schools and in addition to prioritising mathematics, science and aviation, new technology subjects and specialisations will be introduced at these focus schools. We are pleased that the grant will also provide resources for workshops and laboratories, ICT equipment and support to 1 000 schools, including 200 technical high schools and 300 primary or feeder schools over the next three years.

In 2019, 186 058 matric learners achieved a bachelors pass. This figure comprises of 103 310 girls who attained admission to Bachelor Studies compared to 82 748 boys; and 63.8% of the distinctions were attained by girls, including distinctions in critical subjects such as Accounting, Business Studies, Economics, Mathematics, and Physical Science. In the 2015 Trends in International Mathematics and Science Study (TIMMS) South Africa's results showed that girls outperformed boys in the mathematics scores. Yet, despite this, a 2017 World Bank study found that women remain a minority in the STEM fields[4].

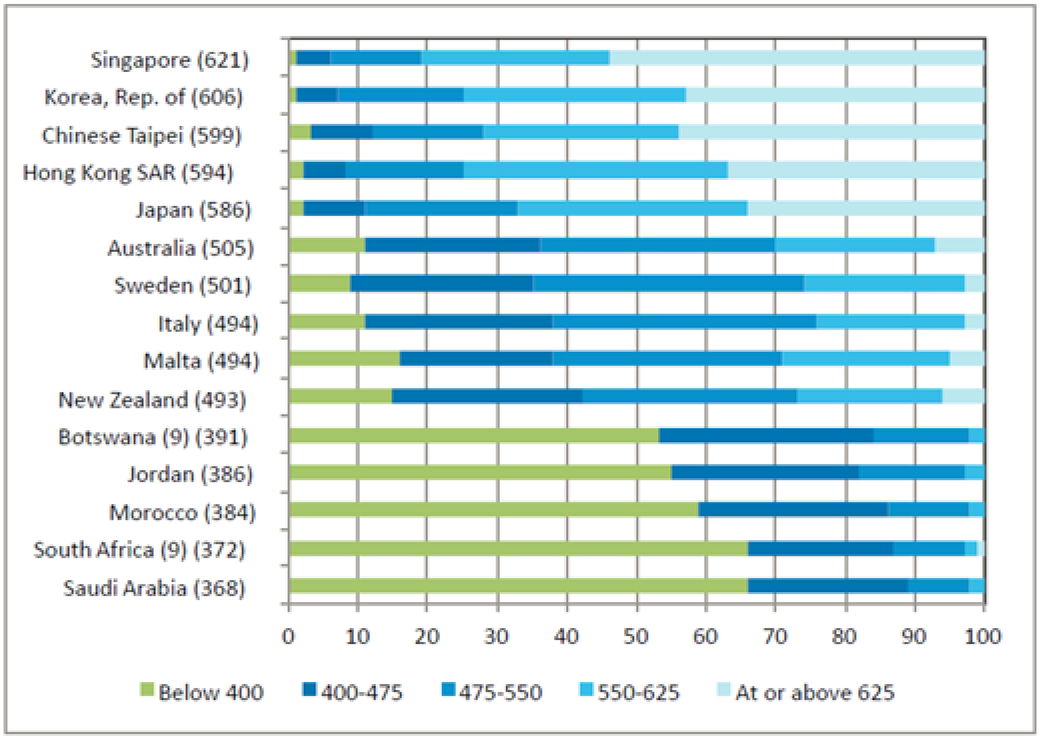
The Trends in International Mathematics and Science Study (TIMMS) is an international assessment of mathematics and science at the fourth and eighth grades that has been conducted every four years since 1995. TIMSS 2015 involved 60 countries and benchmarking regions and assessed more than 600,000 grade four, grade eight, and advanced mathematics and physics students in their final year of secondary school. TIMMS is therefore a key assessment tool for gaining insight into how South Africa is performing over time and how that compares to other countries. Rights-based civil society organization, Equal Education's appraisal of South Africa's performance in TIMMS assessments is that "South Africa has registered improvements in the Trends in International Mathematics and Science Study (TIMMS) assessments, between 2002, 2011 and 2015 - emerging as the fastest-improving country in grade nine maths and science. This improvement is admittedly from a very low base".

The 2015 TIMMS results show that the top five countries whose students display excellence in mathematics and science, outperforming other countries, are Singapore, Hong Kong SAR, Korea, Chinese Taipei, and Japan.

In terms of where South Africa sits when compared to other countries for mathematics, the 2015 TIMSS report shows that Morocco performs slightly better than South Africa and South Africa performs slightly better than Saudi Arabia. Notably, on the African continent, South Africa comes in behind Botswana. The Department of Basic Education observes that analysis for the 2017 High Level Panel report of the legislative sector confirmed that South Africa's TIMSS's gains were strongest amongst the most

[4] https://blogs.worldbank.org/developmenttalk/breaking-stem-ceiling-girls

disadvantaged, meaning that schooling has contributed to reduce social inequalities. Despite South Africa's improvements, it is still one of the lower performing countries.



Source: [*Report: 2015 Highlights of Mathematics and Science Achievement of Grade 9 South African*]

As those students from matric class of 2019 who managed to get accepted to study a university degree in the highly revered STEM degree choices begin their studies, their peers in other countries will be doing the same. The graphic below shows South Africa's eighth grade performance in mathematics. In 2015 matric class of 2019 was in Grade 8. This is how they performed compared to their peers in other countries when they were in Grade 8.

Source: TIMSS 2015 International Results in Mathematics report

The results of the 2019 TIMMS assessment are expected soon and will provide updated insight into South Africa's performance in mathematics and science when compared to its own previous results and those of other countries.

It has been 8 years since the release of the NDP, in which National Planning Commissioners included a concern that "the downward trend in the number of learners who pass matric with mathematics must be reversed". In the NDP, government set itself a performance target of increasing the number learners eligible for a bachelor's programme to 300 000 by 2024, with 350 000 learners passing mathematics and 320 000 learners passing physical science. By 2030, the Department of Basic Education wants to increase the number of National Senior Certificate passes with mathematics and Physical science to 450 000.

The Table below shows the performance of full time candidates in public ordinary schools in the 11 "Gateway subjects". The matric maths pass rate has declined to 54.6% for 2019 when compared to 58% for 2018.

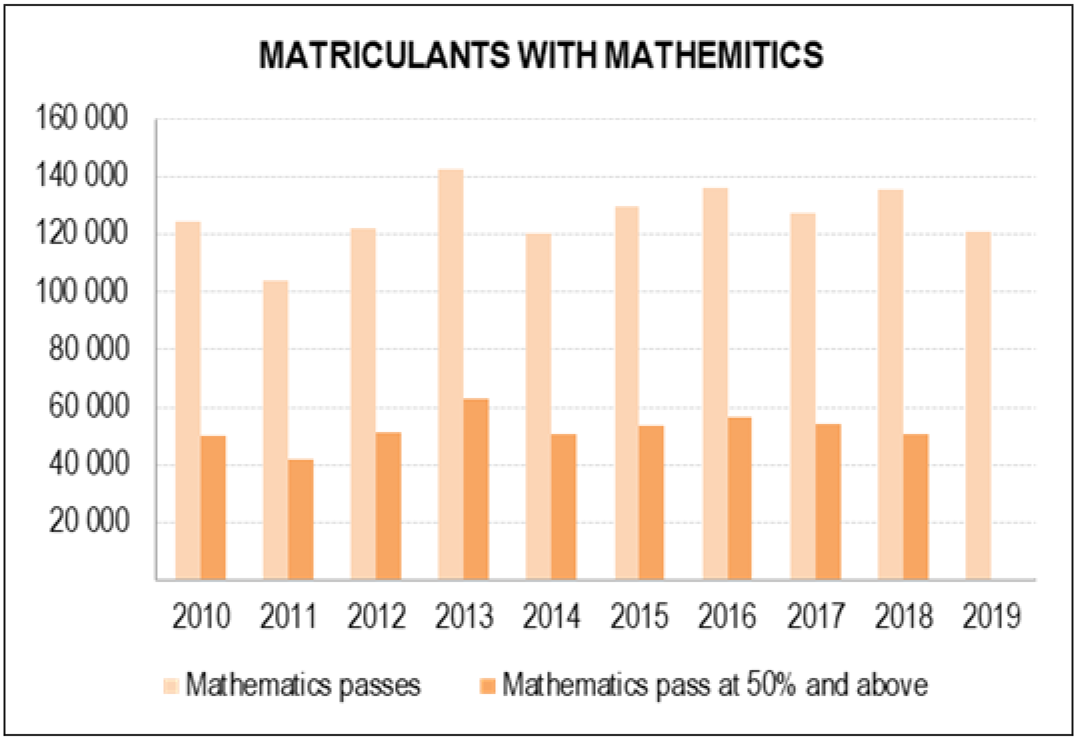
Candidates' performance in Gateway subjects at the 30% level and above – 2015 to 2019

Subjects	2015	2016	2017	2018	2019
Accounting	59.6	69.5	66.1	72.5	78.4
Agricultural Science	76.9	75.4	70.4	69.9	74.6
Business Studies	75.7	73.7	68.0	64.9	71.0
Economics	68.2	65.3	71.0	73.3	69.3
Geography	77.0	76.5	76.9	74.2	80.5
History	84.0	84.0	86.0	89.7	90.0
Life Sciences	70.4	70.5	74.4	76.3	72.3
Mathematical Literacy	71.4	71.3	73.9	72.5	80.6
Mathematics	49.1	51.1	51.9	58.0	54.6
Physical Science	58.6	62.0	65.1	74.2	75.5

Source: Department of Basic Education, 2019 National Senior Certificate examination report

While there have been improved pass rates in 7 out of the 11 gateway subjects, mathematics remains the subject that displays the lowest pass rate performance. Acknowledging the drop in the matric mathematics pass rate, the Department of Basic Education says in its National Senior Certificate examination report: "Although there is a drop in the number of candidates passing Mathematics in the November 2019 NSC examination compared to 2018, the trend with regard to learners attaining admission to Bachelor studies and passing Physical Sciences as per the indicators outlined in the National Development Plan is on an upward trajectory".

Notwithstanding the improvements in the TIMSS results and the DBE's contention that overall the trends are going in the right direction, improving maths performance remains a stubborn challenge. The table below shows the numbers of matriculants with a maths subject pass and of that cohort, which learners achieved the subject pass at above 50%. The significance of this is that these are the matriculants who may gain access to universities to study STEM related disciplines. In reality, universities often require a mark of 60% or higher in maths to be considered for certain degrees, so even less learners will be eligible than what the data available from DBE permits analysis of.



Source: Department of Performance Monitoring and Evaluation, updated for 2018 and 2019

**2019 mathematics pass figures at 50% and above not yet available*

OUTA questions how when the Department of Basic Education is battling to ensure improved maths results at a matric level and overall literacy and numeracy levels, does it plan to teach coding to learners? Too many teachers don't pass the maths exams that they are meant to prepare learners to take. While coding is an important skill for the digital economy, we are concerned that the DBE and Provincial Departments of Education must do a lot more if they are to prepare learners to compete in a globally competitive and increasingly digital world.

While we have focused on university entrance, we are also cognisant that the bulk of people do not go to university so education should be mostly focused on technical skills, apprenticeships, nursing colleges, teaching colleges etc. Universities do not need to be the aim of everyone and the education budget should focus on tertiary education that provides for all not just the elite!

South Africa funds education relatively well when compared to peer countries, so it may not necessarily require more funding, but a more efficient and targeted spend of the existing budget.

Annexure C: AGSA findings on the Department of Water and Sanitation

Here is a summary of the audit outcomes for the last five years of the Department of Water and its reporting entities:

Audit outcome	2018/19	2017/18	2016/17	2015/16	2014/15
Department of Water	Financially Unqualified	Qualified	Qualified	Financially Unqualified	Qualified
Amatola Water	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified
Bloem Water	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified
Breede-Gouritz Catchment Management Agency	Financially Unqualified	Financially Unqualified	Clean Audit	Financially Unqualified	Financially Unqualified
Inkomati-Usuthu Catchment Management Area (IUCMA)	Financially Unqualified	Financially Unqualified	Clean Audit	Clean Audit	Financially Unqualified
Lepelle Northern Water	Audit not Finalised	Audit not Finalised	Qualified	Financially Unqualified	Financially Unqualified

Magalies Water	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified	Clean Audit
Mhlathuze Water	Financially Unqualified	Qualified	Qualified	Clean Audit	Clean Audit
Rand Water	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified
Sedibeng Water	Qualified	Qualified	Qualified	Financially Unqualified	Financially Unqualified
Trans-Caledon Tunnel Authority	Qualified	Financially Unqualified	Financially Unqualified	Financially Unqualified	Financially Unqualified
Umgeni Water	Clean Audit	Clean Audit	Clean Audit	Clean Audit	Clean Audit
Water Research Commission	Financially Unqualified	Clean Audit	Clean Audit	Financially Unqualified	Financially Unqualified