

Parliamentary

Brief on 2021 Division of Revenue  
Bill for Select Committee on  
Appropriation, 17 March 2021

Budget  
Office



# Outline

- Introduction
- Background
- Provincial Equitable Share
- Local Government Equitable Share
- Division of Revenue in context
- Provincial Government's mandate
- Local Government's mandate

# Introduction

- The Parliamentary Budget Office was established to support the Finance and Appropriations Committees in both Houses of Parliament with the implementation of the Money Bills and Related Matters Act of 2009
- The purpose of this presentation is to provide an analysis of the Division of Revenue Bill to assist Members with their discussions on the Bill before adoption or recommendations
- The presentation focuses on:
  - Changes made to the 2021/22 financial year in all three spheres of government
  - The change in the division of revenue over time
  - Changes to the provincial equitable share
  - Changes to provincial and local government conditional grants
  - It also provides statistical information emphasising the need for improving services on a provincial and local government level

# Background: 2021 MTEF

- Firstly, the 2021/22 financial year, reimburses departments, provinces and local government for adjustments made towards the covid-19 pandemic and pressures from SOCs in the 2020 adjusted estimates
- Reprioritisation of the 2021/22 baselines were then introduced to provide for remaining pressures from the Covid-19 pandemic as well as for additional pressures from SOCs, once-off priorities such as the local government elections (IEC) and Census 21 (StatsSA)
- The reprioritisation was mainly based on:
  - Expenditure performance in the 2020/21 financial year
  - The adjustment to baselines according to the demand for services based on data updates informing the Equitable Shares
- The outer years of the 2021 MTEF were adjusted to achieve fiscal consolidation and reduce the deficit
- Concern about economic and fiscal pressures expected in the 2020/21 and 2021/22 financial years led to lower, than previously estimated, distributions to-provincial and local governments in the division of revenue

# The provincial equitable share (PES)

- The equitable share is the main source of revenue through which provinces are able to meet their expenditure responsibilities. For each year of the 2021 MTEF, provincial equitable shares amount to: R523.7 billion, R524.1 billion and R525.3 billion.
- The current PES is allocated through a formula using objective data to reflect the demand for services across all nine provinces.
- It consists of six components that account for the relative demand for services and take into consideration the change of demographics in each of the provinces. The formula components are: (DORB p.75-90)
  - An education component (48 per cent), based on the size of the school-age population (ages five to 17) and the number of learners (Grades R to 12) enrolled in public ordinary schools.
  - A health component (27 per cent), based on each province's risk profile and health system caseload.
  - A basic component (16 per cent), derived from each province's share of the national population.
  - An institutional component (5 per cent), divided equally between the provinces.
  - A poverty component (3 per cent), based on income data. This component reinforces the redistributive bias of the formula.
  - An economic activity component (1 per cent), based on regional GDP

# The local government equitable share (LGES)

- The local government fiscal framework responds to the constitutional assignment of powers and functions to this sphere of government.
- The framework refers to all resources available to municipalities to meet their expenditure responsibilities.
- National transfers account for a relatively small proportion of the local government fiscal framework, with the majority of local government revenues being raised by municipalities themselves through their substantial revenue-raising powers.
  - Poor rural municipalities, however, receive most of their revenue from transfers, while urban municipalities, although not always effective, raise the majority of their own revenues.
- Funds raised by national government are transferred to municipalities through conditional and unconditional grants.
- Over the 2021 MTEF period, R432.6 billion will be transferred directly to local government and a further R23.7 billion has been allocated to indirect grants.
- Direct transfers to local government over the medium term account for 9.4 per cent of national government's non-interest expenditure.
- When indirect transfers are added to this, total spending on local government increases to 10 per cent of national non-interest expenditure.

# Division of Revenue in context

Poverty and inequality

Change over time

National vote expenditure

# Division of revenue in the context of extraordinary poverty and inequality

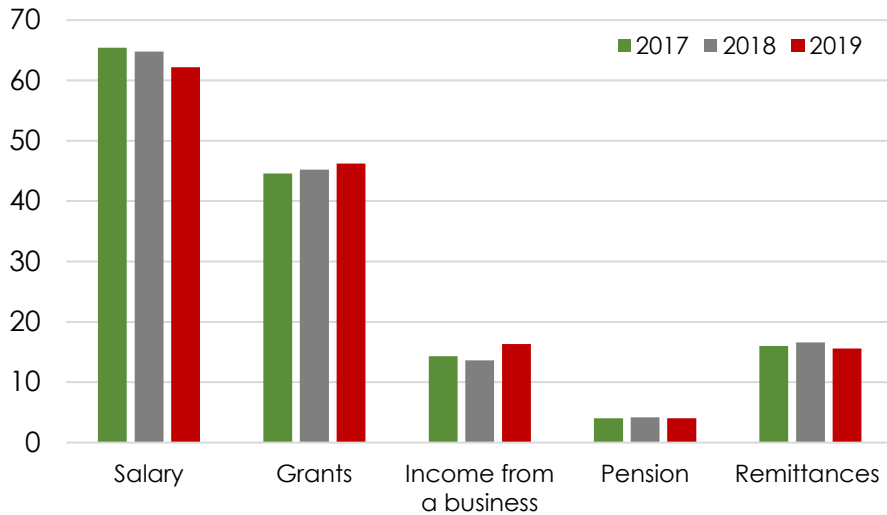
Inequality Indices	What is measured by the index	SA's index	Comment
<b>Human Development Index (HDI)</b>	Takes into account: A long and healthy life, access to knowledge and a decent standard of living	0.79	Puts SA in the high human development category SA ranked 114 out of 189 countries
<b>Inequality HDI (IHDI)</b>	It takes into account the distribution of the HDI in a country	0.47	Inequality causes a staggering 34% decline from the HDI to the IHDI in 2019
<b>Gender Inequality Index (GII)</b>	Reflects gender-based inequalities in 3 dimensions: reproductive health, empowerment & economic activity	0.41	SA by GDI was ranked 93 out of 162 countries in 2019
<b>Multidimensional Poverty Index</b>	Identifies multiple overlapping deprivations suffered by individuals in 3 dimensions: health, education and standard of living	-	In 2016, 6.3% (3.6 million people) were multi-dimensionally poor and an additional 12.2% (7 million people) were vulnerable to it

- The Covid-19 pandemic has worsened already high levels of poverty in SA
- There was slow progress in dealing with service delivery backlogs
- DOR allocations before the pandemic did not significantly reduce poverty

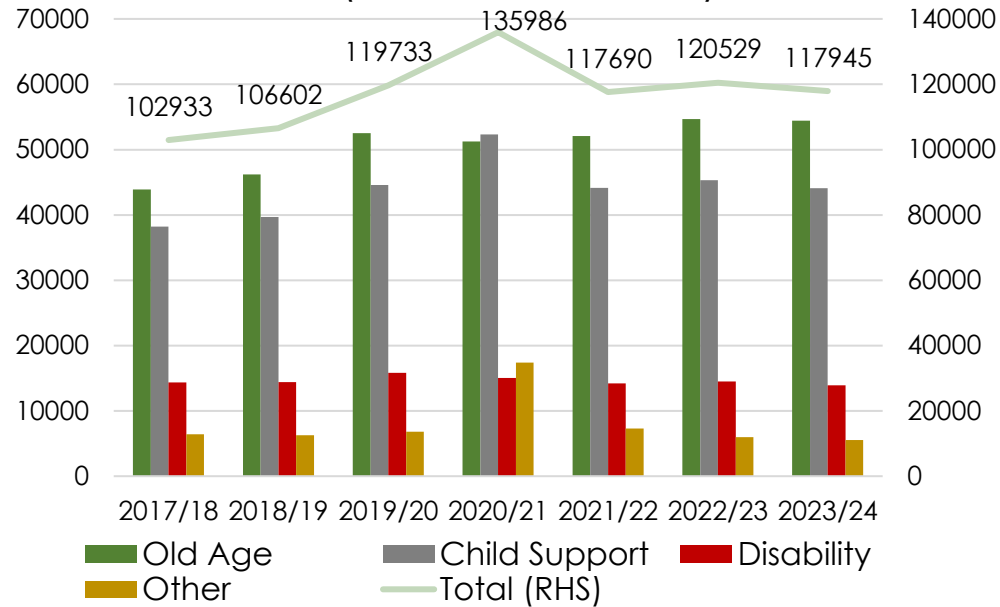


# Social grants and food adequacy

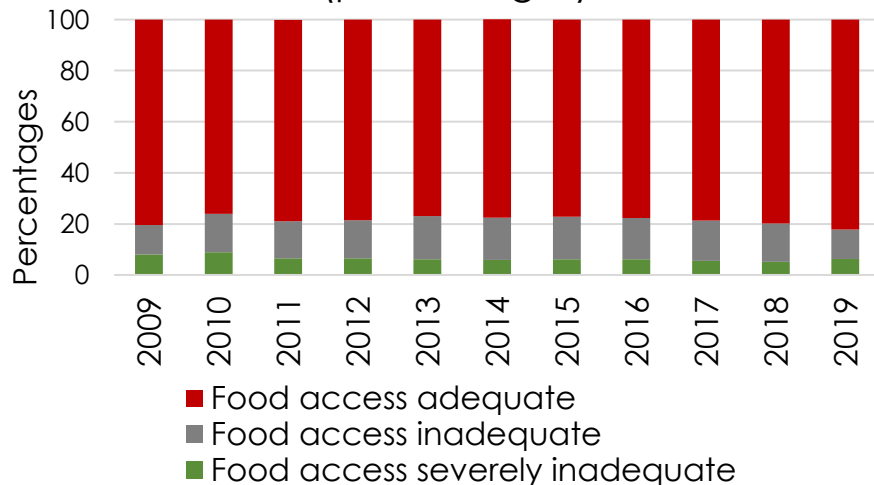
Percentage of household that received income from these sources



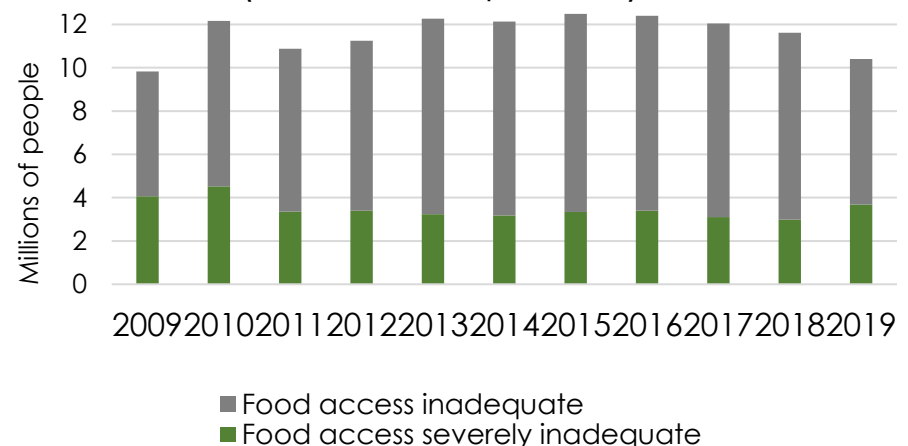
Real expenditure on social grants (Rmillions, 2010=100)



Food adequacy of households (percentages)



Food adequacy - number of people (in millions of persons)

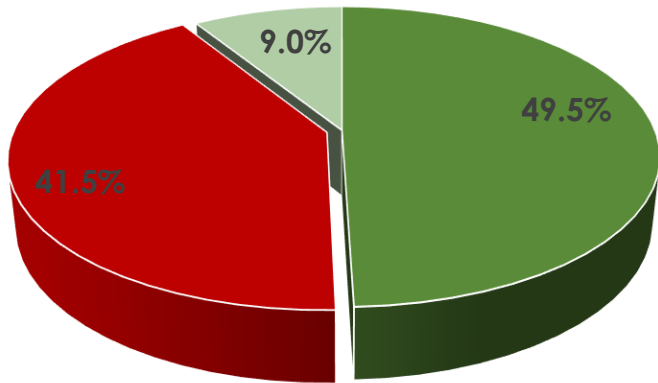


# 2021/22 Division of Revenue: Change from 2020/21

R billion	2020/21 MTEF estimate 2020 BR	2020/21 Revised estimate 2021 BR	2020/21 Adjustments	2021/22 MTEF estimate 2021 BR	2021/22 Growth from Revised	Average annual from revised MTEF growth
<b>Division of available funds</b>						
<b>National departments</b>	<b>757.7</b>	<b>804.5</b>	<b>6.2%</b>	<b>763.3</b>	<b>-5.1%</b>	<b>-2.8%</b>
<i>of which:</i>						
<i>Indirect transfers to provinces</i>	4.1	4.2	2.5%	4.4	5.8%	5.5%
<i>Indirect transfers to local government</i>	7.6	6.9	-10.0%	7.1	2.8%	7.3%
<b>Provinces</b>	<b>649.3</b>	<b>628.3</b>	<b>-3.2%</b>	<b>639.5</b>	<b>1.8%</b>	<b>1.0%</b>
Equitable share	538.5	520.7	-3.3%	523.7	0.6%	0.3%
Conditional grants	110.8	107.6	-2.9%	115.8	7.6%	4.1%
<b>Local government</b>	<b>132.5</b>	<b>138.5</b>	<b>4.5%</b>	<b>138.1</b>	<b>-0.3%</b>	<b>2.3%</b>
Equitable share	74.7	84.5	13.1%	78.0	-7.7%	-0.4%
Conditional grants	43.8	40.0	-8.7%	45.5	13.6%	7.3%
General fuel levy sharing with metros	14.0	14.0	0.0%	14.6	4.2%	3.2%
<b>Non-interest allocations</b>	<b>1 531.7</b>	<b>1 571.3</b>	<b>2.6%</b>	<b>1 552.5</b>	<b>-1.2%</b>	<b>-0.1%</b>
<i>Percentage increase</i>	3.7%	5.7%	54.1%	-1.2%		
Debt-service costs	229.3	232.9		269.7	15.8%	13.3%
Contingency reserve	5.0	–		12.0		
<b>Main budget expenditure</b>	<b>1 766.0</b>	<b>1 804.2</b>	<b>2.2%</b>	<b>1 834.3</b>	<b>1.7%</b>	<b>1.9%</b>

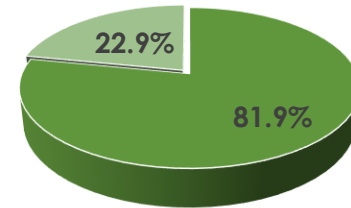
# 2021 Division of Revenue

2021/22 MTEF estimates



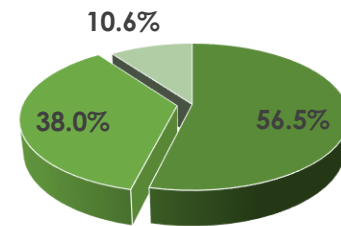
- National departments
- Provinces
- Local government

Provinces



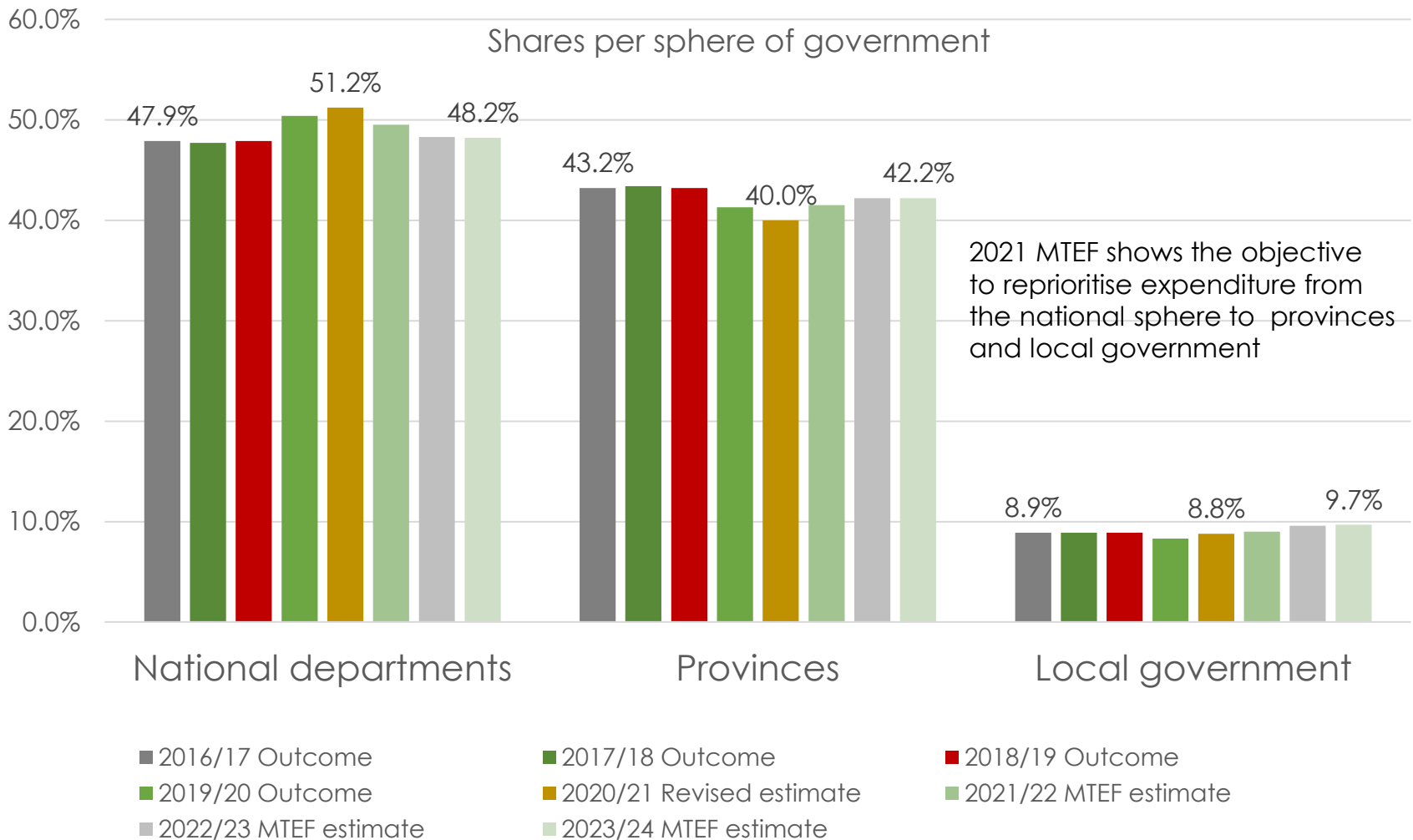
- Equitable share
- Conditional grants (Direct and Indirect)

Local Government



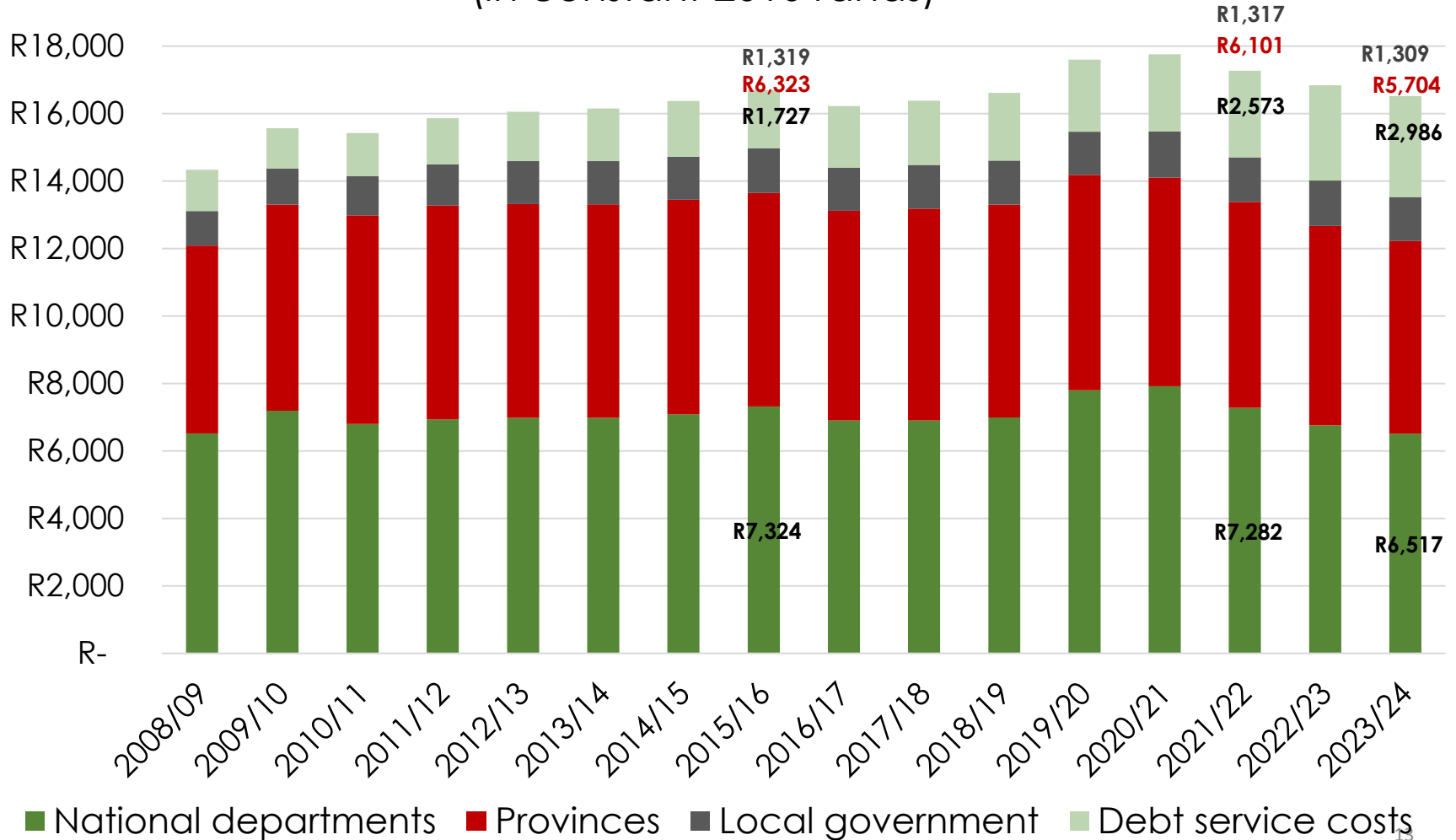
- Equitable share
- Conditional grants (Direct and Indirect)
- General fuel levy sharing with metros

# Change in Division of Revenue from 2016/17 and 2021 MTEF estimates



# 2021 Division of Revenue: the pie is getting smaller

Division of Revenue: per capita allocation  
(in constant 2010 rands)



# Expenditure: changes within a selection of national votes 2020/21 to 2021/22

	Adjusted appropriation	Change from Main appropriation	Estimated Main appropriation	Change from Adjusted appropriation	Change from appropriation 2020/21
R million	2020/21	2020/21	2021/22	2021/22	2021/22
2 Parliament	2 015.8	-7.5%	2 144.1	6.4%	-1.7%
3 Cooperative Governance	106 942.8	11.1%	100 875.9	-5.7%	4.8%
4 Government Communication and 13 Public Works and Infrastructure	725.1	0.6%	749.7	3.4%	4.0%
16 Basic Education	7 724.4	-4.3%	8 343.2	8.0%	3.4%
17 Higher Education and Training	23 395.0	-7.6%	27 018.1	15.5%	6.7%
18 Health	94 094.9	-3.4%	97 784.0	3.9%	0.3%
19 Social Development	58 052.6	4.6%	62 543.3	7.7%	12.7%
25 Justice and Constitutional Development	230 807.3	16.7%	205 226.9	-11.1%	3.8%
27 Office of the Chief Justice	18 666.3	-6.0%	19 119.8	2.4%	-3.7%
28 Police	1 188.1	-5.7%	1 211.8	2.0%	-3.8%
29 Agriculture, Land Reform and Rural Development	99 560.9	-2.1%	96 355.5	-3.2%	-5.3%
30 Communications and Digital Technologies	15 247.6	-9.3%	16 920.4	11.0%	0.7%
31 Employment and Labour	3 280.9	-3.3%	3 692.9	12.6%	8.8%
32 Environment, Forestry and Fisheries	3 299.3	-9.3%	3 505.7	6.3%	-3.6%
36 Small Business Development	9 937.8	11.0%	8 716.8	-12.3%	-2.7%
39 Trade, Industry and Competition	2 277.8	-5.4%	2 538.3	11.4%	5.5%
40 Transport	9 273.3	-16.3%	9 736.6	5.0%	-12.1%
41 Water and Sanitation	57 354.7	-7.5%	66 691.8	16.3%	7.5%
<b>Total appropriation by vote</b>	<b>1 025 349.7</b>	<b>6.5%</b>	<b>980 583.9</b>	<b>-4.4%</b>	<b>1.8%</b>

2021/22 Estimates mainly reverse some of the reprioritisation of allocations during the supplementary and adjustments budgets in 2020/21

# Provincial Government's mandate

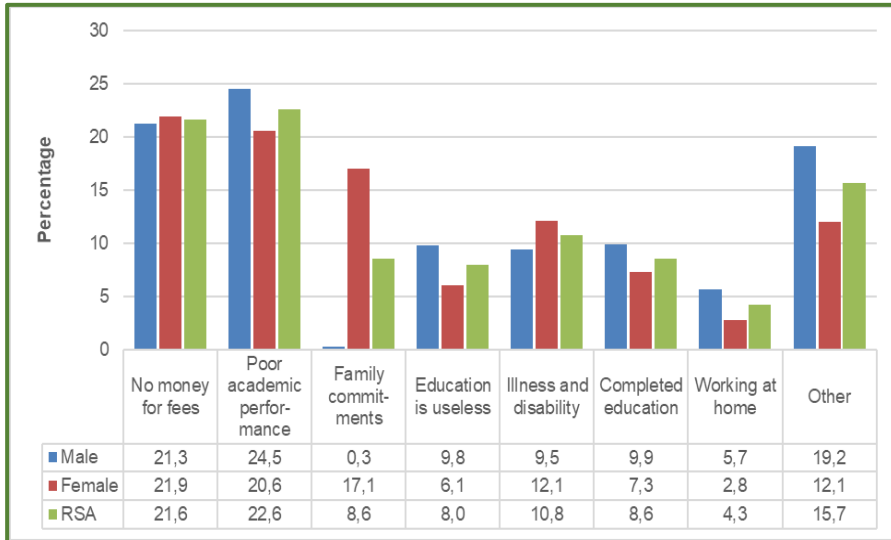
Education

Health Services

Social Development

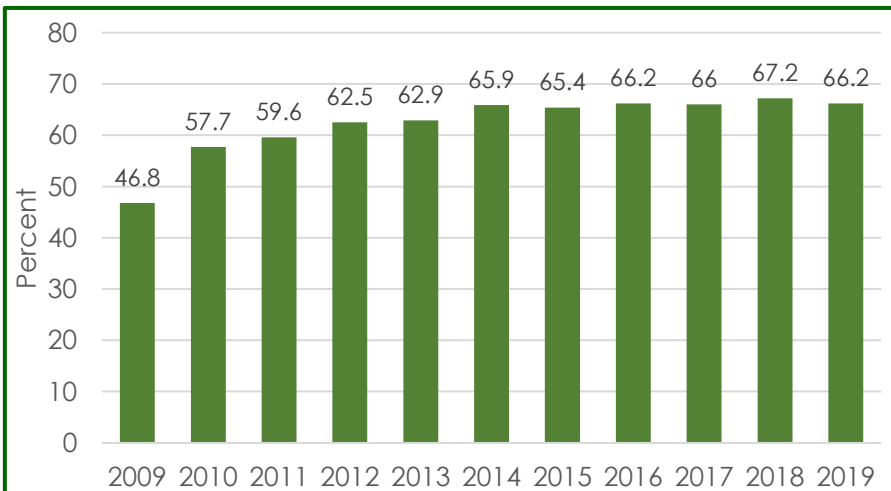
# Trends in educational development indicators

**Reasons for individuals aged 7 to 18 years not attending an educational institution, by sex, 2019**

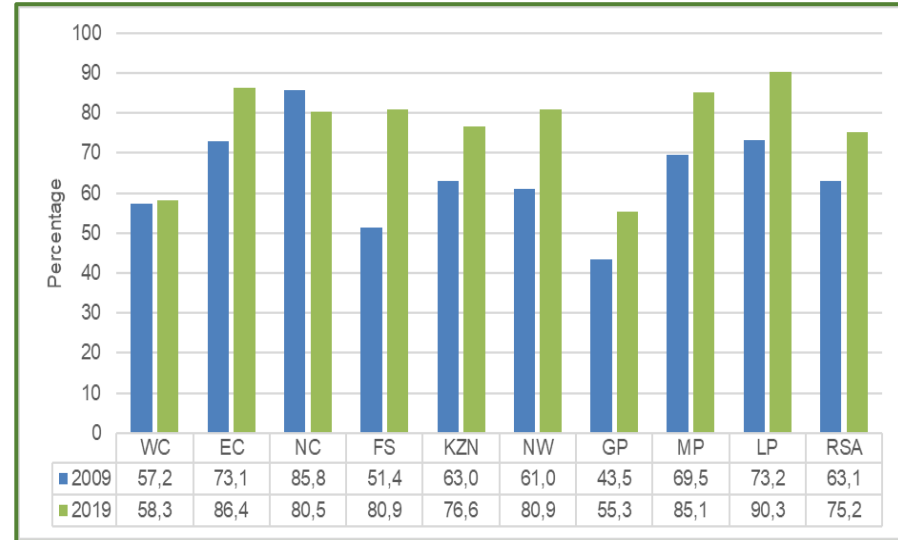


Source: General Household Survey, 2019

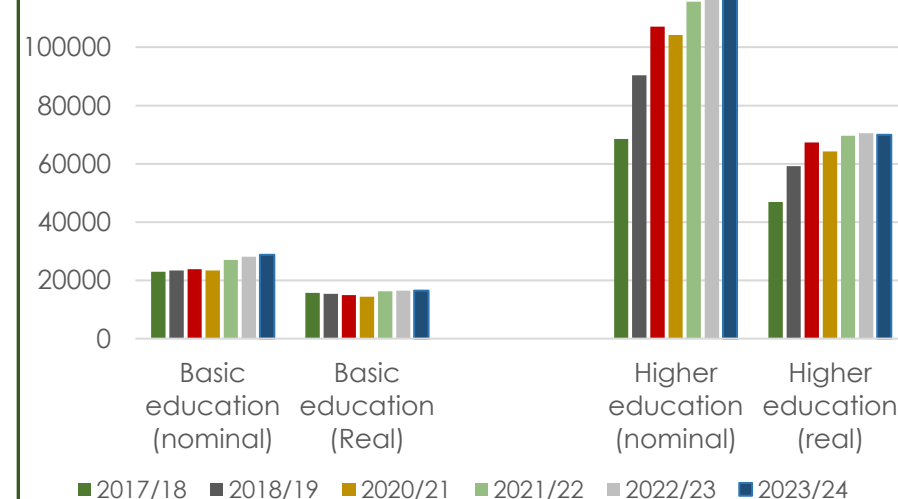
**Percentage of individuals aged 5 years and older who attended schools and who do not pay tuition fees, 2002–2019**



**Percentage of learners attending public schools who benefited from the school nutrition programme by province, 2009 and 2019**



**Expenditure on basic and higher education, nominal and real (2010=100), R'millions**





# Provincial Equitable Share per province

- 2020/21 Total adjustments amounted to -3.3 per cent
- 2020/21 Adjustments were between -2.8 per cent and -3.8 per cent per province
- 2021/22 Total estimates increase by 0.6 per cent
- 2021/22 Estimates change between -1.6 per cent and 2.9 per cent per province
- 2021 MTEF Total annual average growth amounts to 0.3 per cent
- 2021 MTEF Annual average growth varies between -1.1 per cent and 1.7 per cent per province

	2019/20	2020/21	2020/21	2020/21	2021/22	2021/22	Average
R million		2020 MTEF	Adjusted	Adjusted	MTEF estimate		annual
							2021 MTEF
Eastern Cape	68 824	71 415	69 195	-3.1%	68 060	-1.6%	-1.1%
Free State	28 187	30 017	28 934	-3.6%	29 055	0.4%	0.1%
Gauteng	102 448	112 118	108 310	-3.4%	111 429	2.9%	1.7%
KwaZulu-Natal	106 014	111 442	107 608	-3.4%	107 126	-0.4%	-0.2%
Limpopo	58 965	62 329	60 299	-3.3%	60 028	-0.5%	-0.6%
Mpumalanga	41 428	44 105	42 637	-3.3%	42 828	0.4%	0.2%
Northern Cape	13 424	14 290	13 749	-3.8%	13 919	1.2%	0.5%
North West	34 973	37 548	36 307	-3.3%	36 793	1.3%	0.8%
Western Cape	51 291	55 208	53 677	-2.8%	54 448	1.4%	1.1%
<b>Total</b>	<b>505 554</b>	<b>538 472</b>	<b>520 717</b>	<b>-3.3%</b>	<b>523 686</b>	<b>0.6%</b>	<b>0.3%</b>

Source: National Treasury

# Provincial in-year information, first quarter 2020/21 (NT database not updated)

Provincial Economic Classification	2020/21		
	Main Budget <sup>1</sup>	Actual Receipts/ Payments	Actual Receipts/Payments
<b>R'000</b>			
<b>Receipts</b>			
<b>Transfers from National Revenue Fund</b>	<b>648 822 906</b>	<b>161 422 802</b>	<b>24.9%</b>
Equitable share of revenue	538 471 528	134 617 881	25.0%
Conditional grants	110 351 378	26 804 921	24.3%
<b>Provincial own receipts</b>	<b>20 253 271</b>	<b>1 934 046</b>	<b>9.5%</b>
<b>Total receipts</b>	<b>669 076 177</b>	<b>163 356 848</b>	<b>24.4%</b>
<b>Payments by provincial departments</b>	<b>521 572 341</b>	<b>119 266 449</b>	<b>22.9%</b>
Education	272 616 108	60 915 881	22.3%
Health	224 880 515	53 668 544	23.9%
Social Development	24 075 718	4 682 024	19.4%
Other	148 528 739	22 511 718	15.2%
<b>Total payments</b>	<b>670 101 080</b>	<b>141 778 167</b>	<b>21.2%</b>
<b>Payments by economic classification</b>			
<b>Current payments</b>	<b>552 164 922</b>	<b>121 850 037</b>	<b>22.1%</b>
Compensation of employees	417 169 657	95 609 171	22.9%
Goods and services	134 988 523	26 233 040	19.4%
<b>Transfers and subsidies</b>	<b>81 728 954</b>	<b>15 638 421</b>	<b>19.1%</b>
Provinces and municipalities	8 118 495	613 079	7.6%
Departmental agencies and accounts	12 161 720	2 680 910	22.0%
Higher education and institutions	152 423	45 212	29.7%
<b>Payments for capital assets</b>	<b>36 200 392</b>	<b>4 288 922</b>	<b>11.8%</b>
<b>Total payments</b>	<b>670 101 081</b>	<b>141 778 167</b>	<b>21.2%</b>

# Provincial in-year information, first quarter 2020/21 (NT database not updated)

	Budget	Payments to Date	
	Division of Revenue Act, No. 4 of 2020 R'000	Actual Payments R'000	Actual Payments %
<b>Schedule 5, Part A Grants</b>			
<b>Agriculture, Land Reform and Rural Development (Vote 29)</b>	<b>2 153 424</b>	<b>104 758</b>	<b>4.9%</b>
(a) Comprehensive Agricultural Support Programme Grant	1 522 190	91 042	6.0%
(b) Ilima/Letsema Projects Grant	548 815	13 047	2.4%
(c) Land Care Programme Grant: Poverty Relief and Infrastructure Development	82 419	669	0.8%
<b>Sports, Arts and Culture (Vote 37)</b>	<b>1 479 093</b>	<b>175 045</b>	<b>11.8%</b>
Community Library Services Grant	1 479 093	175 045	11.8%
<b>Basic Education (Vote 16)</b>	<b>8 556 312</b>	<b>781 148</b>	<b>9.1%</b>
(a) HIV and AIDS (Life Skills Education) Grant	246 699	18 143	7.4%
(b) Learners with Profound Intellectual Disabilities Grant	242 864	38 505	15.9%
(c) Maths, Science and Technology Grant	400 862	11 653	2.9%
(d) National School Nutrition Programme Grant	7 665 887	712 847	9.3%
<b>Health (Vote 18)</b>	<b>35 198 298</b>	<b>6 901 999</b>	<b>19.6%</b>
(a) HIV, TB, Malaria and Community Outreach Grant	24 387 202	4 772 002	19.6%
(b) Health Facility Revitalisation Grant	6 367 652	1 136 882	17.9%
(d) Statutory Human Resources, Training and Development Grant	4 154 604	939 559	22.6%
(e) National Health Insurance Grant	288 840	53 556	18.5%
<b>Human Settlements (Vote 33)</b>	<b>17 198 555</b>	<b>1 246 614</b>	<b>7.2%</b>
(a) Human Settlements Development Grant	16 620 732	1 244 275	7.5%
(b) Title Deeds Restoration Grant	577 823	2 339	0.4%
<b>Public Works and Infrastructure (Vote 13)</b>	<b>834 345</b>	<b>120 753</b>	<b>14.5%</b>
(a) Expanded Public Works Programme Integrated Grant for Provinces	420 762	55 493	13.2%
(b) Social Sector Expanded Public Works Programme Incentive Grant for Provinces	413 583	65 260	15.8%
<b>Social Development (Vote 19)</b>	<b>915 149</b>	<b>93 962</b>	<b>10.3%</b>
Early Childhood Development Grant	915 149	93 962	10.3%
<b>Sports, Arts and Culture (Vote 37)</b>	<b>596 617</b>	<b>30 018</b>	<b>5.0%</b>
Mass Participation and Sport Development Grant	596 617	30 018	5.0%
<b>Sub-Total</b>	<b>66 931 793</b>	<b>9 454 297</b>	<b>14.1%</b>

# Provincial Conditional Grants

	2019/20	2020/21	2020/21	2020/21	2021/22	2021/22	2022/23	2023/24	Annual
R million	Adjusted budget	MTEF estimate	Revised estimate	Adjustments	Revised estimate	Change from 2020/21	Medium-term estimates		average growth
<b>Direct conditional grants</b>									
Comprehensive agricultural support programme	1 538	1 522	1 191	-21.8%	1 558	30.8%	1 592	1 618	10.8%
Ilima/Letsema projects	538	549	423	-22.9%	597	41.2%	610	620	13.6%
Community library services	1 501	1 479	1 153	-22.1%	1 496	29.8%	1 554	1 571	10.9%
Education infrastructure	10 514	11 008	8 787	-20.2%	11 689	33.0%	12 229	12 768	13.3%
National school nutrition programme	7 186	7 666	7 666	0.0%	8 115	5.9%	8 504	8 879	5.0%
HIV, TB, malaria and community outreach	22 039	24 387	27 222	11.6%	27 585	1.3%	27 910	27 090	-0.2%
Health facility revitalisation	6 007	6 368	6 315	-0.8%	6 445	2.1%	6 886	7 235	4.6%
Human resources and training grant	3 846	4 155	4 309	3.7%	4 054	-5.9%	3 999	3 997	-2.5%
National tertiary services	13 186	14 069	14 013	-0.4%	13 708	-2.2%	14 000	14 024	0.0%
Human settlements development	18 780	16 621	14 892	-10.4%	13 403	-10.0%	13 858	14 469	-1.0%
Informal settlements upgrading partners	–	–	–		3 890		4 121	4 303	
Provincial roads maintenance	11 442	11 593	10 467	-9.7%	11 937	14.0%	12 506	13 057	7.6%
Public transport operations	6 326	6 750	6 750	0.0%	7 121	5.5%	7 090	7 403	3.1%
Other direct grants	4 360	4 619	4 405	-4.6%	4 185	-5.0%	4 395	4 487	0.6%
<b>Total direct conditional grants</b>	<b>107 263</b>	<b>110 785</b>	<b>107 594</b>	<b>-2.9%</b>	<b>115 783</b>	<b>7.6%</b>	<b>119 255</b>	<b>121 520</b>	<b>4.1%</b>
<b>Indirect transfers</b>	<b>3 941</b>	<b>4 060</b>	<b>4 160</b>	<b>2.5%</b>	<b>4 401</b>	<b>5.8%</b>	<b>4 944</b>	<b>4 882</b>	<b>5.5%</b>
School infrastructure backlogs	1 987	1 736	2 415	39.1%	2 284	-5.4%	2 403	2 079	-4.9%
National health insurance indirect	1 909	2 288	1 710	-25.3%	2 118	23.9%	2 541	2 803	17.9%
Ilima/Letsema projects	45	36	36	0.0%	–	-100.0%	–	–	-100.0%

Source: National Treasury

# Local Government's mandate

Water services

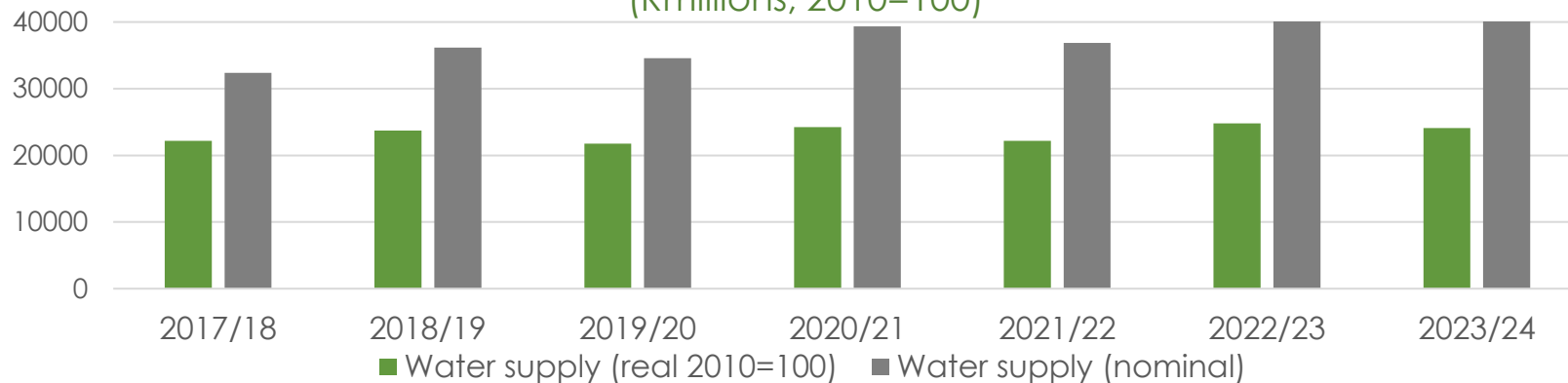
Transport

# Abdication of responsibilities through reduced coverage of basic services component of LGES

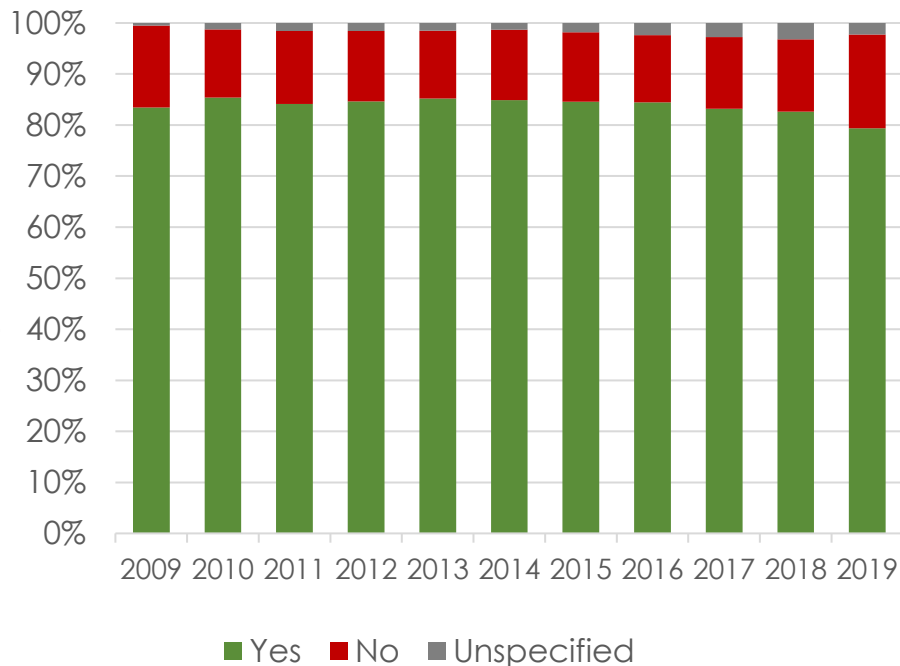
- The basic services component of the LGES critically provides for free basic water, sanitation and electricity and refuse removal services to indigent houses
- It has generally been allocated to 100% of households that fall below the poverty threshold
- Government intends to consistently decrease coverage over the MTEF
  - 96% of households in 2021/22 (10.2 million hh)
  - 94% of households in 2022/23 (10.3 million hh)
  - 88% of households in 2023/24 (9.8 million hh)
- An intentional abdication of responsibility and a direct cost to the indigent of fiscal consolidation
- Government claims that the impact on service delivery should be minimal because municipalities have not rolled-out free-basic service to all indigent households.
  - The reduction in coverage of the basic services component of the LGES compounds LGs' possible abdication of responsibilities.

# Household access to piped water and service rating

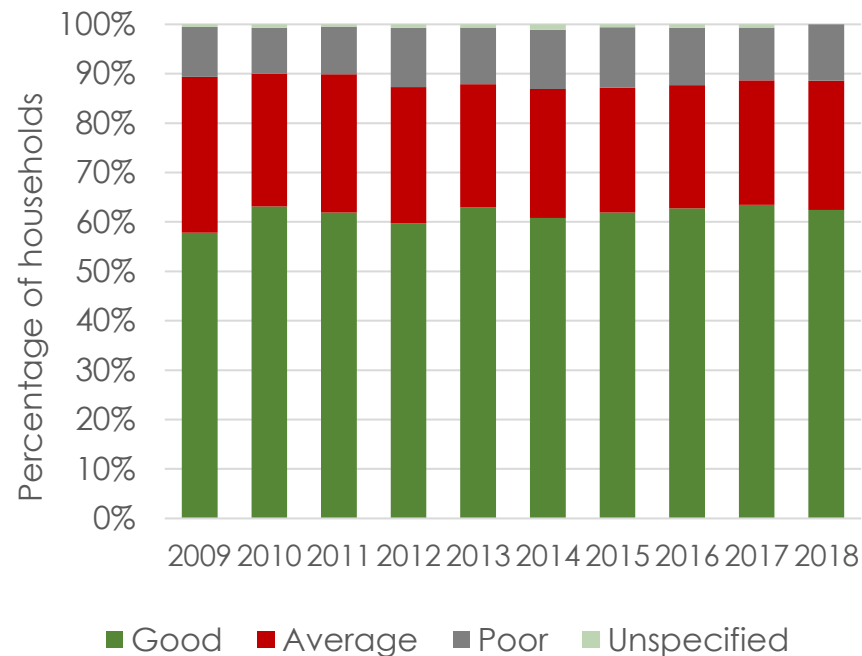
Comparing nominal and real government expenditure on water supply  
(Rmillions, 2010=100)



Households with access to piped water

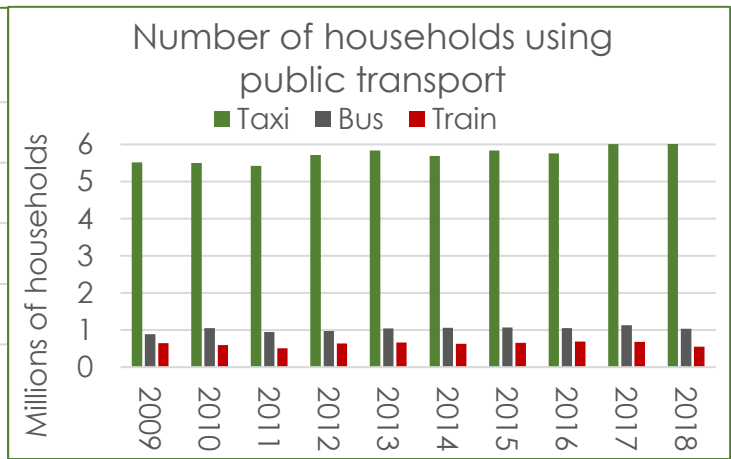
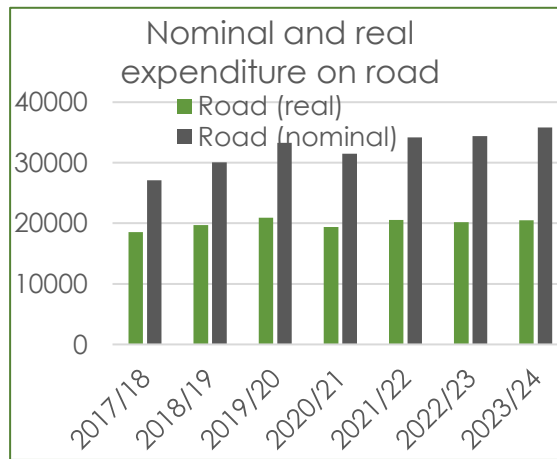
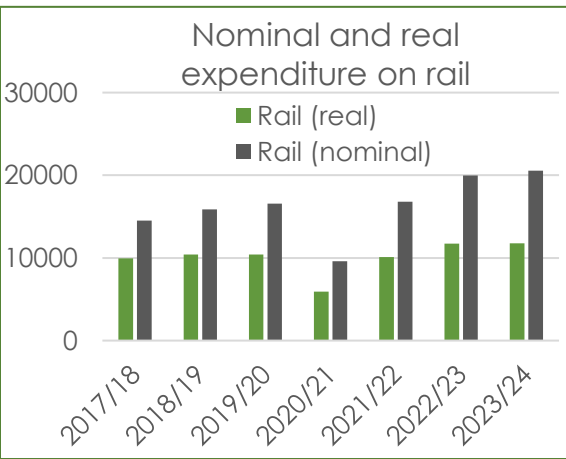
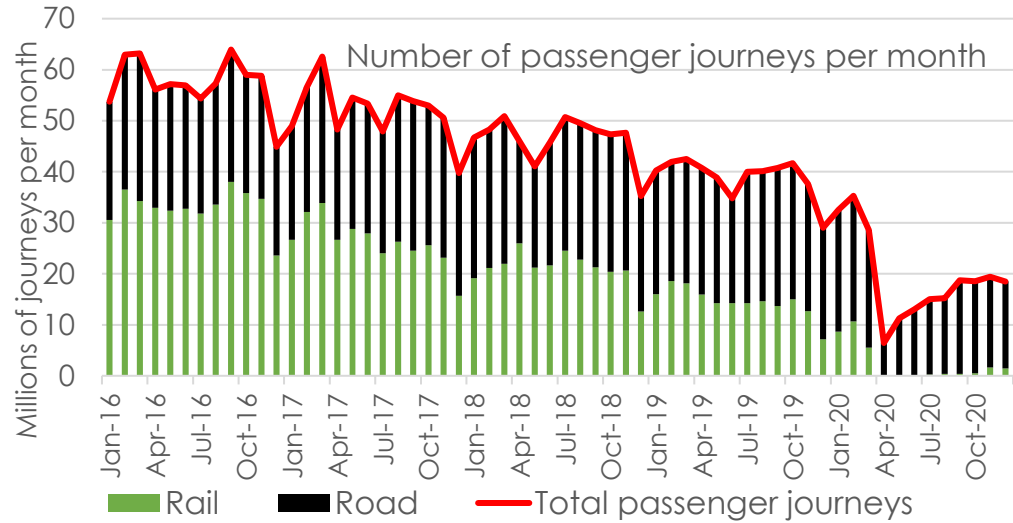
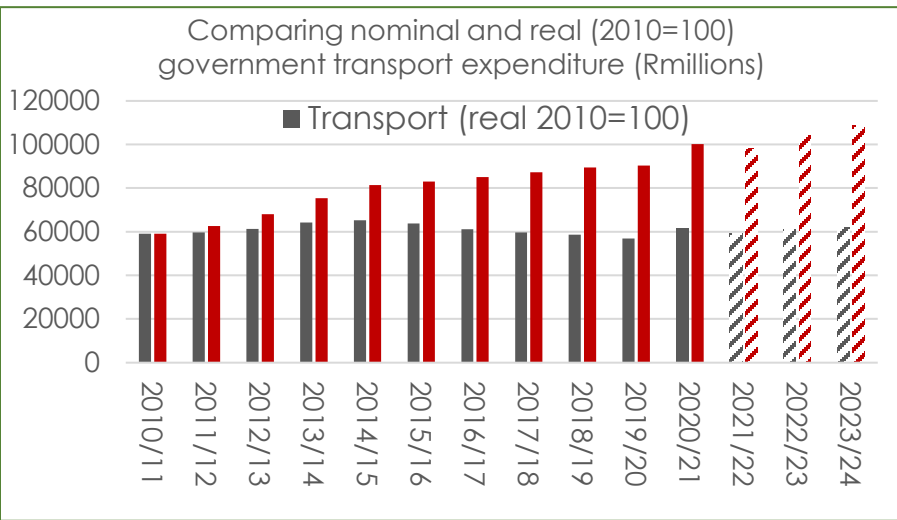


Water services ratings



# Public transport

- Discouraged work seekers increased from 2.5m in 4Q2017 to 2.9m in the 4Q2019.
- The cost and quality of public transport influences levels of labour force discouragement
- 54 per cent of the 13 recipient cities have not successfully established public transport systems
- The public transport network grant reduces by R1.3 billion over the MTEF
- The number of passenger journeys decline from 62.6m in March 2017 to 42.5m in March 2019





# Local Government Conditional Grants

	2019/20	2020/21	2020/21	2020/21	2021/22	2021/22	2020/21
R million	Adjusted budget	MTEF estimate	Revised estimate	Adjustments	MTEF estimate	Change from 2020	% spent as at end
<b>Equitable share and related</b>	<b>68 973</b>	<b>74 683</b>	<b>84 483</b>	<b>13.1%</b>	<b>77 999</b>	<b>-7.7%</b>	
<b>with metros</b>	<b>13 167</b>	<b>14 027</b>	<b>14 027</b>	<b>0.0%</b>	<b>14 617</b>	<b>4.2%</b>	
<b>Direct conditional grants</b>	<b>45 068</b>	<b>43 819</b>	<b>40 018</b>	<b>-8.7%</b>	<b>45 477</b>	<b>13.6%</b>	
Municipal infrastructure	14 816	14 671	14 491	-1.2%	15 593	7.6%	42.7%
Integrated urban development	857	948	936	-1.2%	1 009	7.8%	14.3%
Urban settlements development	12 045	11 282	10 572	-6.3%	7 405		36.2%
Informal settlements	–	–	–		3 945		
Integrated national electrification	1 863	1 859	1 359	-26.9%	2 003	47.4%	21.7%
Public transport network	6 468	6 446	4 389	-31.9%	6 515	48.4%	28.6%
Water services infrastructure	3 669	3 445	3 368	-2.3%	3 620	7.5%	35.9%
Regional bulk infrastructure	2 066	2 006	2 006	0.0%	2 156	7.5%	21.8%
Other direct grants	3 283	3 162	2 897	-8.4%	3 231	11.5%	
<b>Total direct transfers</b>	<b>127 209</b>	<b>132 529</b>	<b>138 528</b>	<b>4.5%</b>	<b>138 093</b>	<b>-0.3%</b>	
<b>Indirect transfers</b>	<b>7 024</b>	<b>7 628</b>	<b>6 865</b>	<b>-10.0%</b>	<b>7 055</b>	<b>2.8%</b>	
Integrated national	3 124	3 001	1 983	-33.9%	2 824	42.4%	
Regional bulk infrastructure	3 094	3 857	4 108	6.5%	3 275	-20.3%	
Other indirect grants	806	770	774	0.5%	956	23.6%	

# LG: Capital and operating revenue and expenditure as at end December 2020 (NT data updated)

R thousands	Operating Revenue	Capital Revenue	Total	Total Revenue as % of Main app	Q2 of 2019/20 to Q2 of 2020/21
Eastern Cape	59.9%	38.0%	17 552 606	55.1%	(57.3%)
Free State	48.9%	16.5%	10 550 578	43.5%	(54.5%)
Gauteng	51.5%	31.7%	89 625 976	49.8%	(46.7%)
Kwazulu-Natal	61.7%	36.8%	48 440 371	58.4%	(61.0%)
Limpopo	63.9%	40.4%	15 437 306	58.4%	(41.4%)
Mpumalanga	54.2%	35.7%	12 728 280	51.3%	(34.3%)
North West	50.1%	-1.5%	10 000 874	35.4%	(44.7%)
Northern Cape	50.3%	33.7%	4 474 650	48.0%	(73.6%)
Western Cape	51.8%	29.0%	36 669 126	48.0%	(45.4%)
<b>Total National</b>	<b>54.3%</b>	<b>28.9%</b>	<b>245 479 767</b>	<b>50.7%</b>	<b>(50.5%)</b>
R thousands	Operating Expenditure	Capital Expenditure	Total	Total Expenditure as % of Main app	Q2 of 2019/20 to Q2 of 2020/21
Eastern Cape	40.6%	39.9%	12 907 098	40.5%	(54.5%)
Free State	37.5%	16.5%	8 455 775	34.1%	(59.3%)
Gauteng	48.4%	31.7%	84 607 483	47.0%	(44.3%)
Kwazulu-Natal	52.4%	39.1%	42 107 704	50.6%	(61.7%)
Limpopo	43.5%	62.4%	12 236 613	48.1%	(31.5%)
Mpumalanga	38.8%	34.4%	10 307 006	38.2%	(32.0%)
North West	34.5%	-0.9%	6 684 174	24.1%	(29.8%)
Northern Cape	41.9%	119.9%	4 962 725	52.9%	(40.1%)
Western Cape	43.6%	27.3%	32 686 768	40.9%	(39.0%)
<b>Total National</b>	<b>45.8%</b>	<b>32.7%</b>	<b>214 955 346</b>	<b>43.9%</b>	<b>(47.6%)</b>

# Spending on LG Conditional Grants as at 31 December 2020

R thousands	Division of revenue Act 2020	Total Available 2020/21	Transferred to municipalities for direct grants	Actual expenditure by municipalities	Actual expenditure by municipalities
<b>Direct Transfers</b>	<b>32 303 184</b>	<b>29 884 734</b>	<b>18 907 077</b>	<b>10 725 642</b>	<b>35.9%</b>
<b>Infrastructure</b>	<b>30 359 879</b>	<b>27 981 034</b>	<b>17 571 485</b>	<b>9 981 372</b>	<b>35.7%</b>
Municipal Infrastructure Grant	14 671 101	14 649 323	10 015 426	6 259 426	42.7%
Public Transport Network Grant	6 445 848	4 543 573	2 500 241	1 299 545	28.6%
Integrated National Electrification Programme	1 858 752	1 358 752	995 882	294 198	21.7%
Neighbourhood Development Partnership Grant (Capital)	559 442	491 749	332 839	178 075	36.2%
Rural Road Assets Management Systems Grant	108 436	108 436	9 309	21 444	19.8%
Integrated City Development Grant	317 499	317 499	-	45 303	14.3%
Regional Bulk Infrastructure Grant (Schedule 5B)	2 005 605	2 005 605	998 592	437 228	21.8%
Water Services Infrastructure Grant (Schedule 5B)	3 445 165	3 445 165	1 922 482	1 235 539	35.9%
Municipal Emergency Housing Grant	-	124 564	105 554	-	0.0%
<b>Capacity and Others</b>	<b>1 943 305</b>	<b>1 903 700</b>	<b>1 335 592</b>	<b>744 270</b>	<b>39.1%</b>
Local Government Financial Management Grant	544 862	544 862	544 862	191 603	35.2%
Municipal Systems Improvement Grant	128 248	119 774	-	249	0.2%
Expanded Public Works Programme Integrated Grant	748 039	748 039	464 515	387 960	51.9%
Infrastructure Skills Development Grant	153 192	143 860	75 750	99 770	69.4%
Energy Efficiency and Demand Side Management	217 994	196 195	99 495	32 952	16.8%
Municipal Disaster Grant	150 970	150 970	150 970	31 736	21.0%
<b>Indirect Transfers</b>	<b>7 628 072</b>	<b>6 539 598</b>	<b>48 963</b>	<b>-</b>	<b>-</b>
<b>Infrastructure</b>	<b>7 499 824</b>	<b>6 419 824</b>	<b>48 963</b>	<b>-</b>	<b>-</b>
Regional Bulk Infrastructure Grant	3 856 833	3 776 833	-	-	-
Integrated National Electrification Programme (Eskom)	3 001 483	2 001 483	-	-	-
Neighbourhood Development Partnership Grant	62 702	62 702	48 963	-	-
Water Services Infrastructure Grant (Schedule 6B)	578 806	578 806	-	-	-
<b>Capacity and Others</b>	<b>128 248</b>	<b>119 774</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
Municipal Systems Improvement Grant (Schedule 6B)	128 248	119 774	-	-	0.0%
<b>Total</b>	<b>39 931 256</b>	<b>36 424 332</b>	<b>18 956 040</b>	<b>10 725 642</b>	<b>29.4%</b>
<b>Grants excluded from the publication</b>	<b>11 281 871</b>	<b>10 181 871</b>	<b>-</b>	<b>4 258 021</b>	<b>41.8%</b>
Urban Settlement Development Grant	11 281 871	10 181 871	-	4 258 021	41.8%
<b>Total as per DoRA</b>	<b>51 213 127</b>	<b>46 606 203</b>	<b>18 956 040</b>	<b>14 983 663</b>	<b>32.1%</b>

# In conclusion

- Covid-19 pandemic has worsened already high levels of poverty in SA
- Even before the pandemic there was slow progress in dealing with large service delivery backlogs and poor provision of services
- There was improvement in provincial and local government social and economic development indicators over the last 10 years up to 2019
- Despite the progress, there was already regress in some indicators, e.g. decline in number of households with access to piped water
- The Covid-19 pandemic has erased some of the service delivery gains achieved in the past decade, and continues to put more pressure on government service delivery at both provincial and local government
- Government intends to consistently decrease coverage of basic services components of the LGES that critically provides for free basic services to indigent households over the MTEF
- It is clear that the division of revenue did not turn out as might have been envisaged a few years ago. Covid-19 and its effects on the economy, fiscus and society led to reprioritization of spending
- Government had to make hard budget choices, it is therefore important that current budgeting choices improve socioeconomic development indicators

# In conclusion

- Several initiatives are in progress. These include the review of the PES formula, including:
  - Developing options to take account of costs associated with living in a rural location
  - To revise and update the risk-adjusted factor of the health component.
  - To develop options on how to account for different funding needs of different types of schools and learners
- Many stakeholders have expressed concern that elements of the current local government fiscal framework make it difficult for municipalities to balance their revenues with their expenditure responsibilities
- A proposal is on the table to review the structure of the framework and to agree on which issues in local government are attributable to the structure of the fiscal framework and which are related to other factors such as problems in governance, intergovernmental relations and the assignment of functions between spheres
- There is further need to ensure that there are adequate skills and capacity to implement budgets by government and municipalities, and that governance measures function according to legislation

**PARLIAMENTARY BUDGET OFFICE**

Tel: +27 021 403 2360 \* Fax: +27 021 403 3153

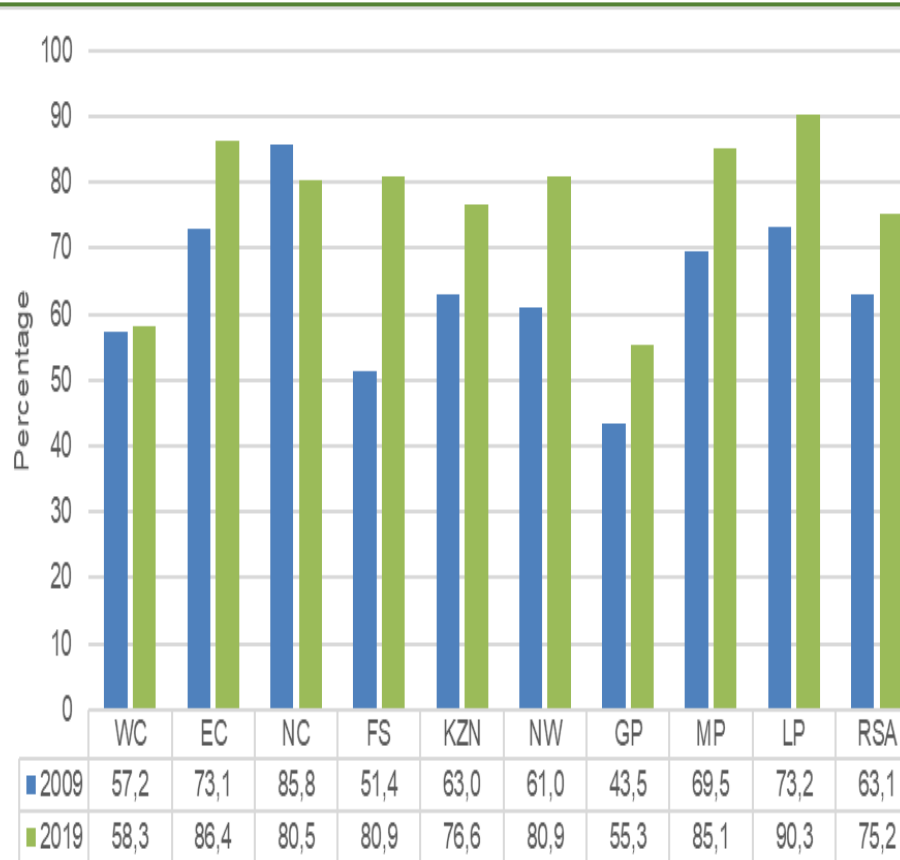
Fax-to-Mail: +27 086 718 2531

Email: [pboinfo@parliament.gov.za](mailto:pboinfo@parliament.gov.za)

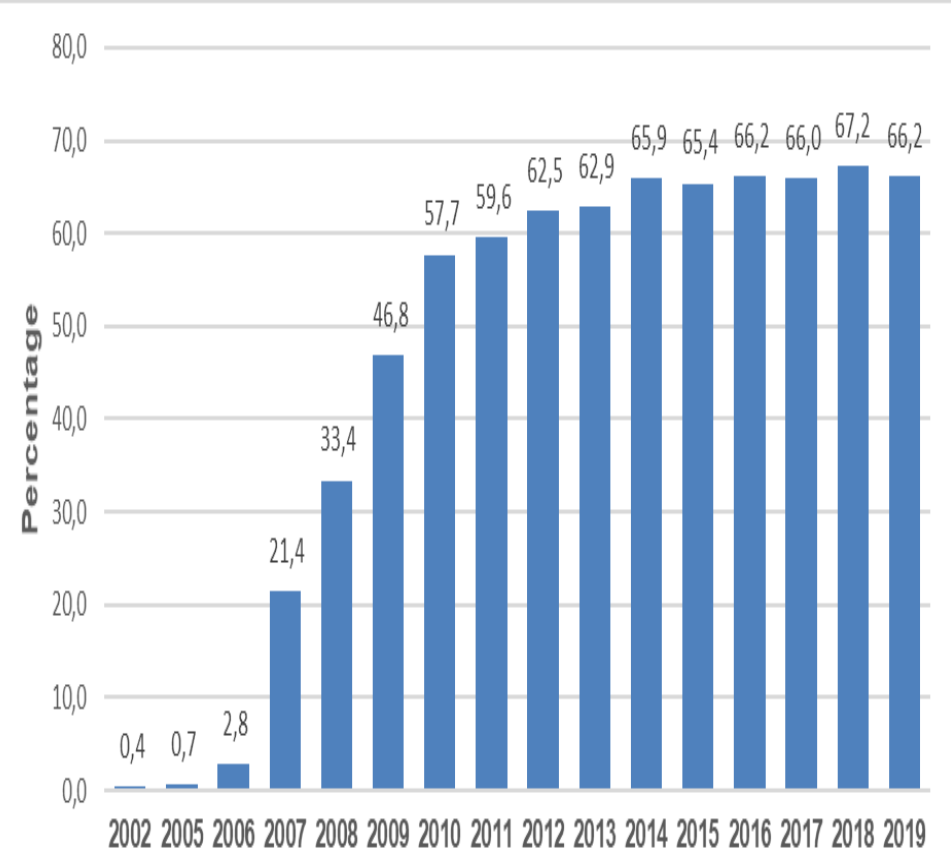
Thank you

# Trends in educational development indicators

Percentage of learners attending public schools who benefited from the school nutrition programme by province, 2009 and 2019

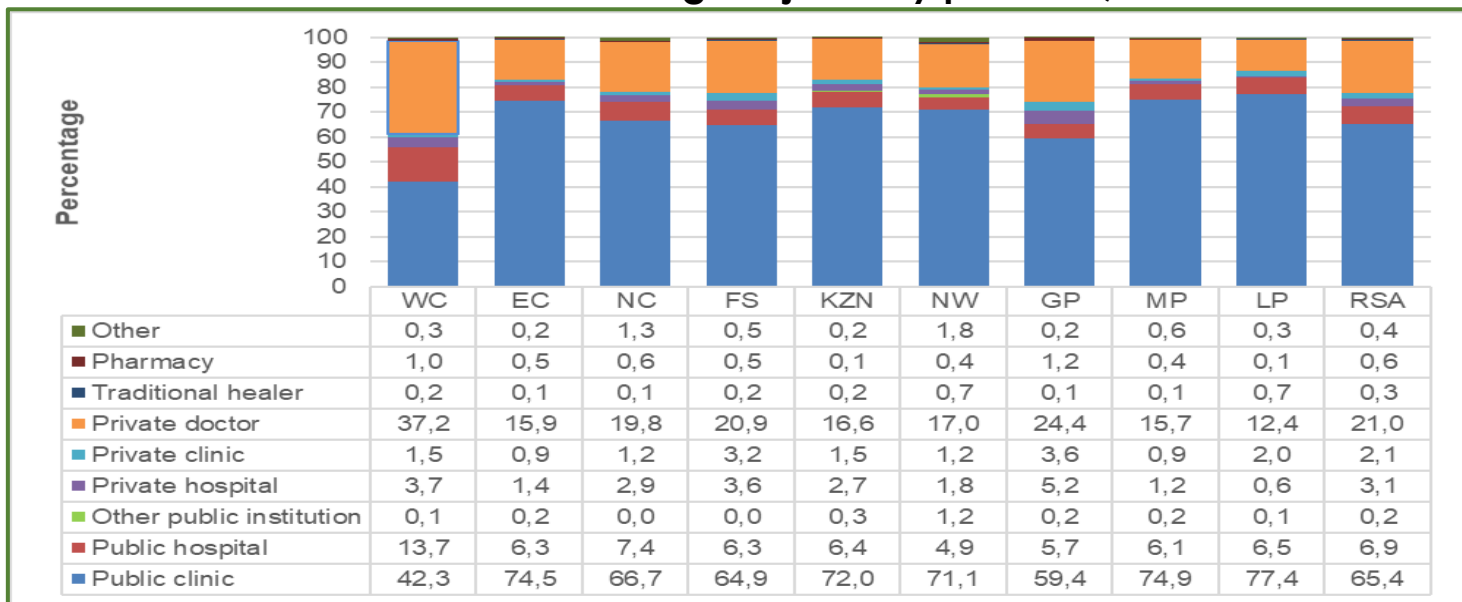


Percentage of individuals aged 5 years and older who attended schools and who do not pay tuition fees, 2002–2019

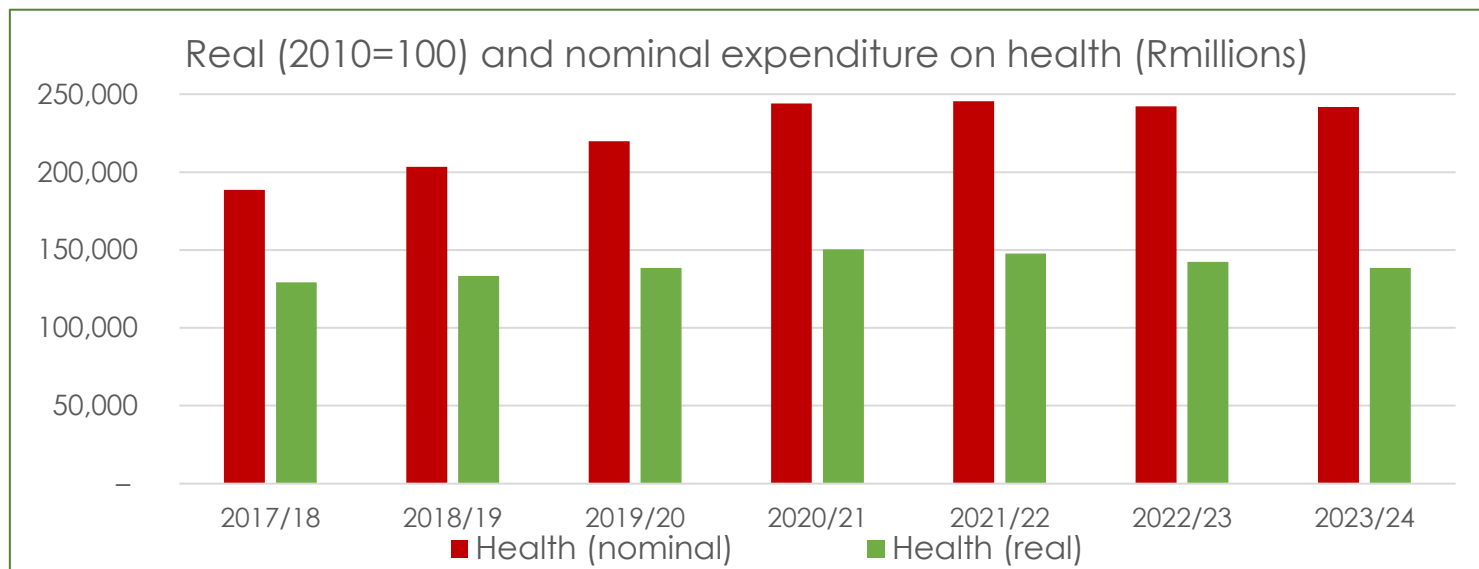


# Households and their general access to health facilities

**Percentage distribution of the type of health-care facility consulted first by the households when members fall ill or get injured by province, 2019**



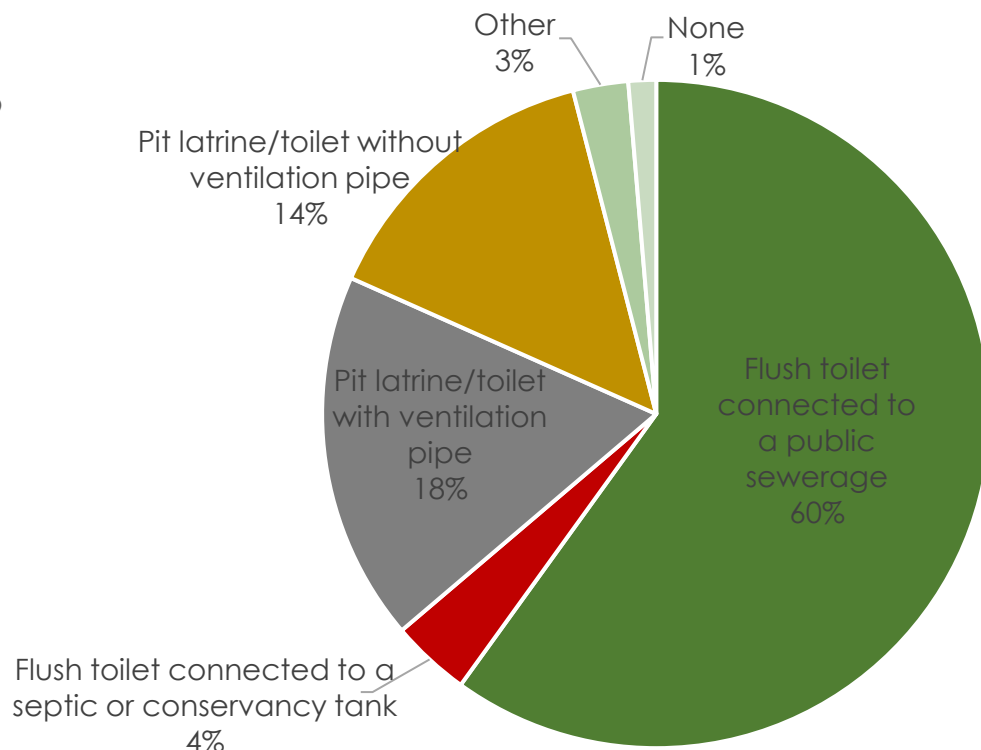
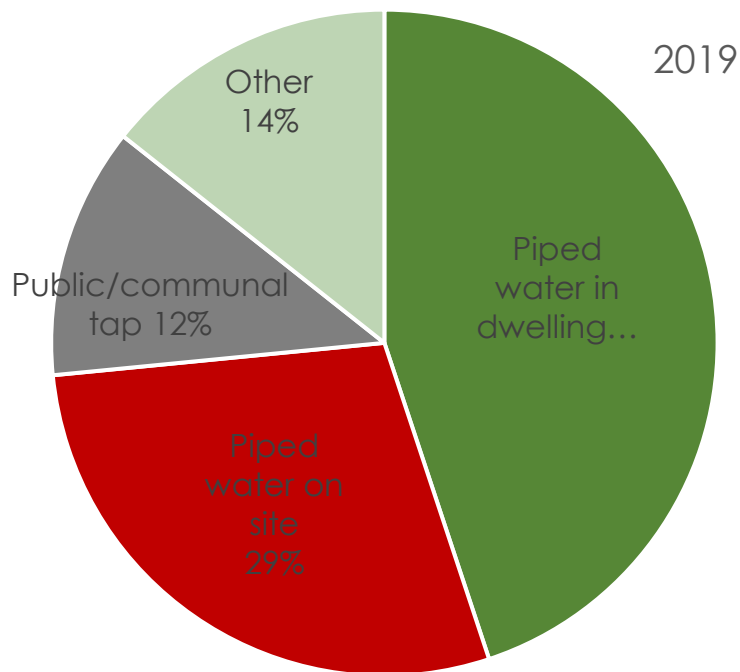
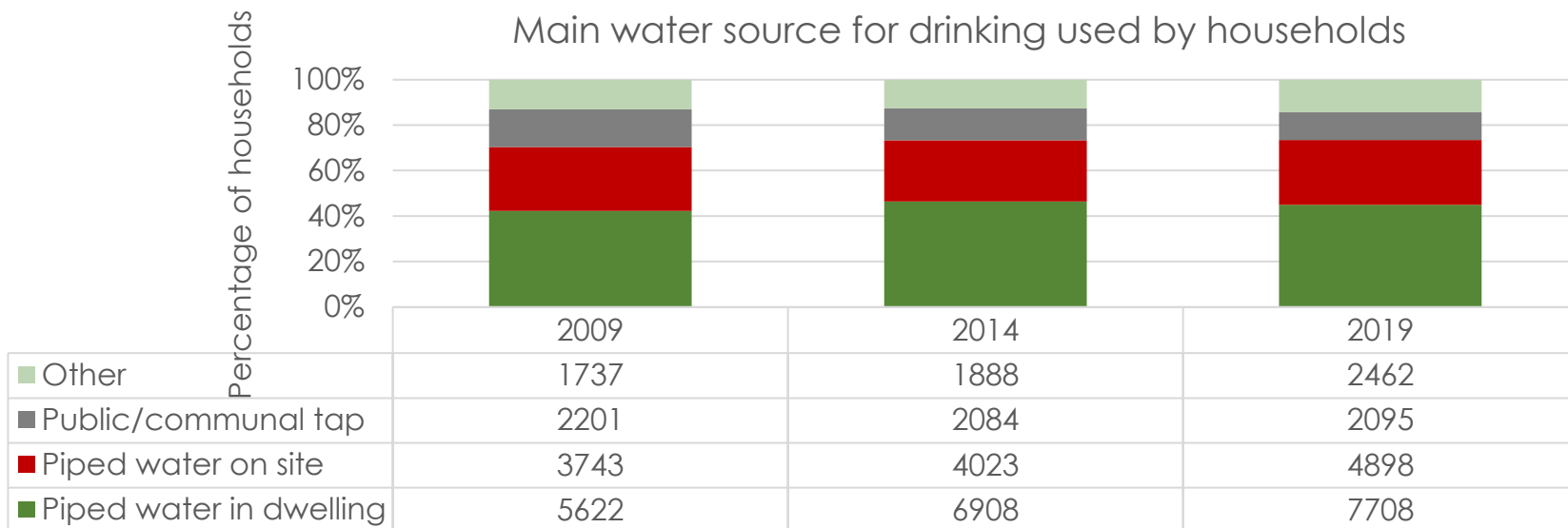
Source: General Household Survey, 2019





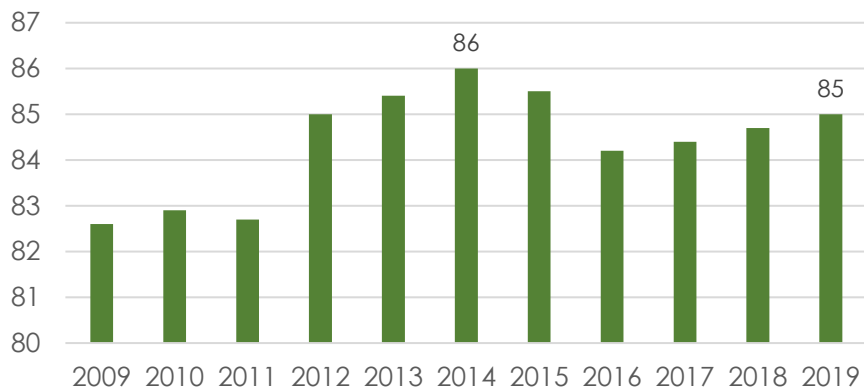
# Main water source for drinking and types of toilets

Main water source for drinking used by households

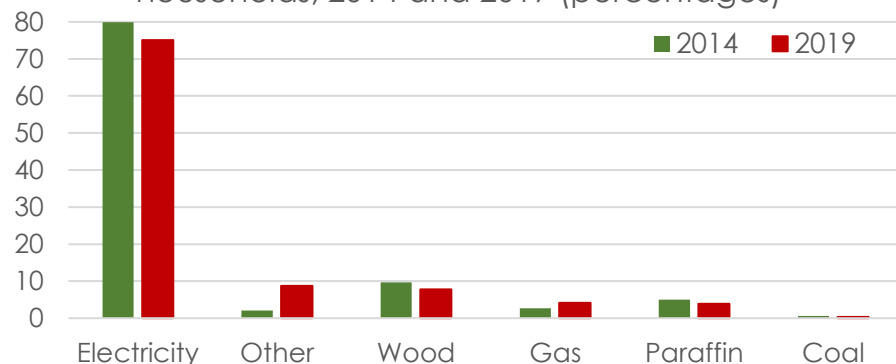


# Electricity access and use and government expenditure on electricity

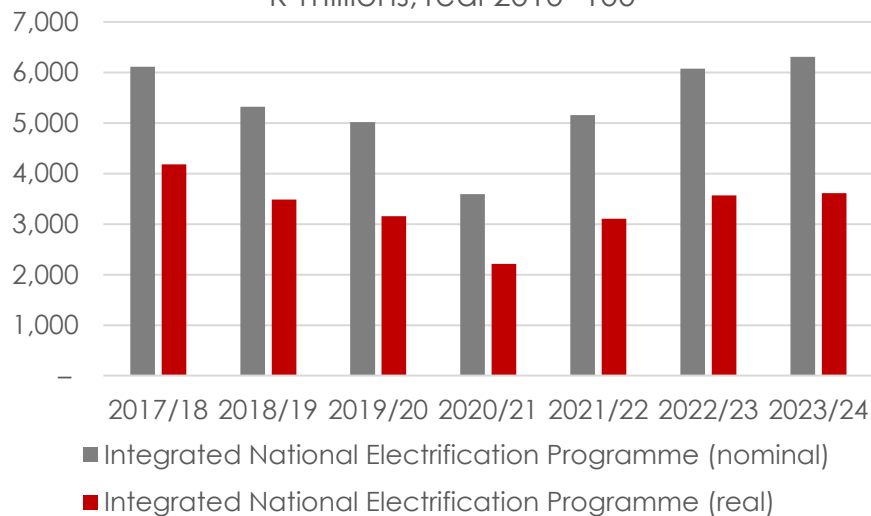
Households connected to the mains electricity supply



Main source of energy used for cooking in SA households, 2014 and 2019 (percentages)



Expenditure on the integrated national electrification programme, R'millions, real 2010=100



Transfers to provinces and municipalities and public corporations and private enterprises (Rmillion), real 2010=100

