

Parliamentary

2022 Appropriations Bill assessment 25 May 2022

Budget
Office



Outline

- Introduction
- Background
- Pressures on the budget
- Macroeconomic developments since 2022 Budget
- Policy priorities
- The 2022 Appropriations Bill
- Risks to the 2022 Appropriations
- Second Adjustments Appropriation Bill, 2021/22

Introduction

- Parliament is, in terms of the Money Bills and Related Matters Act, required to pass, with or without amendments, or reject the Appropriation Bill within four months after the start of the financial year to which it relates
- The Parliamentary Budget Office was established to support the Finance and Appropriations Committees in both Houses of Parliament with the implementation of their responsibilities in terms of the Money Bills and Related Matters Act of 2009
- This presentation focuses on the assessment of the Appropriations Bill and informs Members of Parliament on:
 - The object of the Bill
 - How departmental appropriations link with policy priorities
 - Departmental responsibilities in realising policy priorities
 - Changes to the appropriations since the 2021/22 financial year
 - Key risks in realising fiscal policy objectives over the medium term
 - The call for action on accountability on use of public finances (AGSA)
 - Second Adjustments Appropriation Bill, 2021/22

Social and economic situation: Context for 2022 Appropriations

Social needs

Economic: Growth outlook

Social needs

Social Protection and Safety and security are the two largest expenditure functions of the national sphere of government

- Statistics South Africa (Stats SA) estimated that by mid 2021 the population was at 60.14 million people
- For adults aged 15 - 49 years, an estimated 19.5 per cent (8.2 million) of the population is HIV positive
- About 28.3 per cent of the population is aged younger than 15 years (17.04 million) of which an estimated number of 13.3 million received an child support grant
- Approximately 9.2 per cent (5.51 million) is 60 years or older of which an estimated number 3.9 million received an old age grant
- An estimated 96.6 per cent (R684.4 billion) of the Department of Social Development's budget are appropriated for the payment of social grants
- The department expects to pay social grants to 18.6 million beneficiaries (excluding recipients of the special COVID-19 social relief of distress grant) in 2022/23
- A New allocations in this budget include R44 billion to extend the special COVID-19 social relief of distress grant until March 2023

Social needs

The South African Police Services and Justice system is mandated to reduce and respond to criminal activity, which continues to remain unacceptably high

- Contact crimes increased by 25 per cent, from 223 705 during the 1st semester in 2020/21 to 279 624 during the 1st semester in 2021/22. The target of a 7.48 per cent reduction has not been achieved
- Contact crimes against women, increased by 4.3 per cent from 66 203 during the 1st semester of 2020/21 to 69 063 during the 1st semester of 2021/22
- Although contact crimes against children decreased by 7.9 per cent from 17 047 during the 1st semester of 2020/21 to 15 704 during the 1st semester of 2021/22, it is still a high number and a concerted response is required from the police service and the justice system


Global macroeconomic outlook

- Since the 2022 Appropriation was proposed, outlook for the global and SA economy has deteriorated
- Ongoing disruptions caused by Covid-19 has increased global unemployment and negatively affected global output and value chains
- Negative effects of climate change events, including extreme weather, cause suffering and negatively impacts global growth and inflation
- The Russian invasion and continued war in Ukraine has exacerbated supply chain disruptions, increased global shortages and prices of food and fuel
- Strict lockdown protocols in major cities in China have negatively affected its real GDP growth and further exacerbated global supply chain disruptions
- Much of current international inflation is due to supply-side difficulties
- Household finances and poor investment levels globally still constrain demand, therefore interest rate increases are a blunt instrument
- Developed countries have increased interest rates but their real interest rates generally remain negative indicating hopes for a 'soft landing'
 - The US Fed raised interest rates in May but the real interest rate remains negative
 - The ECB has not increased interest rates, their nominal rate is -0.5 per cent

South African macroeconomic outlook

- Domestically, several constraints add additional downward pressure to key macroeconomic variables, such as inequality, unemployment, inflation and growth:
 - Continued fiscal consolidation
 - The latest resurgence in COVID-19 infections that exacerbate its ongoing impact
 - The impact of climate change and severe weather events, such as the adverse impact on health, education and economic activity of the recent devastating floods in KZN and the drought in Nelson Mandela Bay
 - Rising unemployment rates that worsen structural inequality
 - Increased incidences of load-shedding and continued poor service delivery
 - Downward pressures on household aggregate demand, which has been negatively affected by declining real aggregate disposable incomes due to weaker labour markets, public sector wage freezes, higher inflation and interest rates and minimal increases in child support and old age grants
- Some sectors of the SA economy, most notably mining, may still be benefitting from higher commodity prices (including those caused by the war in Ukraine) but global demand and price outlook remain uncertain

Growth outlook

GDP growth outlook - calender*	2022	2023	2024
National Treasury - Budget 2022	2.1%	1.6%	1.7%
South African Reserve Bank - Mar 2022	2.0%	1.9%	1.9%
South African Reserve Bank - May 2022	 1.7%	1.9%	1.9%
IMF - World Economic Outlook - Jan 2022	1.9%	1.4%	-
IMF - World Economic Outlook - April 2022	1.9%	1.4%	-

* Growth projections correspond to publication date and not forecast date

Data: National Treasury, SARB, IMF

Policy priorities

Linking the budget to policy priorities

Budgeting by function

Linking the budget to policy priorities

Pronouncements from SONA

Budget Response

Economic development

Job creation: The Presidential Employment Stimulus programmes supported over 850 000 opportunities so far

- Government to increase the value and expanding the criteria for participation in the Employment Tax Incentive
- The SAYouth.mobi platform now has more than 2.3 million young South Africans registered
- Through master plans, business, government and labour are working together to increase production and create more jobs in the sector
- The global business services sector is on track to create 500 000 new jobs over the next few years
- The gas industry holds huge potential for job creation and broader economic development

Infrastructure: Government has prioritised infrastructure projects to support economic growth and better livelihoods, especially in energy, roads and water management

- Government is introducing an innovative social infrastructure delivery mechanism to address issues that afflict the delivery of school infrastructure

Job creation:

- Over the medium-term, R76 billion is allocated for job creation programmes
- An additional R18.4 billion is made available for the Presidential Employment Initiative

Infrastructure:

- SANRAL receives an additional R9.9 billion for maintaining the non-toll road network
- R2.1 billion is allocated for raising the Clan William Dam
- The Lepelle Water Board is allocated R1.4 billion for the Olifantspoort and Ebenezer plants
- The Umgeni Water Board is allocated R813 million for the Lower uMkhomazi Water Supply Scheme

Linking the budget to policy priorities

Pronouncements from SONA

Budget Response

Economic development

SMEs: A new, redesigned loan guarantee scheme is being introduced to enable small businesses to bounce back from the pandemic and civic unrest

Business Environment: Government working to improve the business environment for companies of all sizes to reduce red tape

SOEs: It is essential to reverse the decline, and position SOEs to contribute positively to the economy

Agricultural sector: In addition to specific crops, masterplans in the sugar and poultry industries are contributing significantly to increased investment, improved production and transformation

Land Reform: Establishment of the Agriculture and Land Reform Development Agency will be finalised this year

- The Department of Public Works and Infrastructure will finalise the transfer of 14 000 hectares of state land to the Housing Development Agency

SMEs:

A new business bounce-back scheme will be launched:

- Small business loan guarantees of R15 billion will be facilitated through participating banks and development finance institutions
- A business equity-linked loan guarantee support mechanism (R20 billion), which will be facilitated through DFIs

The importance of these announcements and allocations are to ensure that it is reflected in the standard statutory documents of departments to be able to hold them accountable to spend on these interventions

2022 Appropriations Bill

Total appropriations in perspective

Appropriations by vote including direct charges

Proportions appropriated for current payments and transfers and subsidies

Appropriations: Detail of current payments by vote

Appropriations by economic classification

Appropriations for Compensation of employees

Additional funding

Total Appropriations in perspective

- The total amount to be appropriated amounts to R1 959 billion. This amount excludes the provisional allocations and infrastructure fund not assigned to votes and the contingency reserve
- The National allocation includes the total vote appropriations, which includes all the conditional grants except for the local government equitable share
- The Provincial allocation only includes the PES
- The Local allocation includes the LGES
- Other includes, amongst others, the fuel levy and the skills levy

R million	2022/23 Division of Revenue	2022/23 % of total	2022/23 Appropriations	2022/23 % of total
National	1 327 188	67.2%	969 718	49.5%
Provincial	560 757	28.4%	560 757	28.6%
Local	87 311	4.4%	87 311	4.5%
Debt service costs			301 806	15.4%
Other			40 095	2.0%
Total	1 975 257	100.0%	1 959 687	100.0%

Source: National Treasury

Appropriations by vote including direct charges

- Total appropriations by vote: R1 057.03 billion and Direct charges: R902.66 billion
- Appropriations Bill includes disaggregation per main division except for Parliament
- Compensation of Employees are specifically and exclusively appropriated
- Total increase since 2021/22: R149.08 billion

	Appropriated (including direct charges)	Current payments	Transfers and subsidies	Payments for capital assets	To be appropriated	Increase/ Decrease ¹
R thousand	2021/22	2022/23				
1 The Presidency	599 863	599 113	546	14 928	614 587	14 724
2 Parliament ²	2 615 858	2 157 676	513 031	13 245	2 683 952	68 094
3 Cooperative Governance	100 875 870	5 062 976	106 259 832	42 053	111 364 861	10 488 991
4 Government Communication	749 684	461 795	255 004	3 112	719 911	-29 773
5 Home Affairs	8 690 450	6 798 053	2 593 641	14 264	9 405 958	715 508
6 International Relations and Cooperat	6 452 372	5 446 981	799 745	353 782	6 600 508	148 136
7 National School of Government	210 189	108 522	115 721	3 826	228 069	17 880
8 National Treasury	849 230 119	304 582 508	605 346 874	38 153	911 965 823	62 735 704
9 Planning, Monitoring and Evaluation	453 950	465 695	–	5 155	470 850	16 900
10 Public Enterprises	36 291 819	290 537	19	3 876	23 928 918	-12 362 901
11 Public Service and Administration	526 192	489 142	46 933	4 197	540 272	14 080
12 Public Service Commission	282 405	287 082	611	756	288 449	6 044
13 Public Works and Infrastructure	8 343 204	1 080 362	7 446 810	20 095	8 547 267	204 063
14 Statistics South Africa	4 474 590	2 441 913	93	316 540	2 758 546	-1 716 044
15 Traditional Affairs	171 392	128 201	46 830	2 000	177 031	5 639
16 Basic Education	28 084 757	2 836 768	24 662 313	2 061 086	29 560 167	1 475 410
17 Higher Education and Training	115 596 868	11 453 552	118 657 271	23 375	130 134 198	14 537 330
18 Health	62 543 271	4 772 177	58 329 780	1 429 020	64 530 977	1 987 706

Appropriations by vote including direct charges (cont.)

R thousand	Appropriated (including direct charges)	Current payments	Transfers and subsidies	Payments for capital assets	To be appropriated	Increase/ Decrease ¹
	2021/22	2022/23				
19 Social Development	204 160 242	922 791	256 065 389	13 181	257 001 361	52 841 119
20 Women, Youth and Persons with Di:	763 539	200 963	782 209	4 082	987 254	223 715
21 Civilian Secretariat for the Police Ser	148 961	147 088	129	5 094	152 311	3 350
22 Correctional Services	25 218 129	24 746 993	721 557	640 170	26 108 720	890 591
23 Defence	46 268 680	43 765 838	4 668 387	655 864	49 090 089	2 821 409
24 Independent Police Investigative Dire	348 349	350 227	826	6 174	357 227	8 878
25 Justice and Constitutional Developm	21 546 285	18 330 607	3 269 814	820 030	22 420 451	874 166
26 Military Veterans	654 367	436 932	209 206	20 238	666 376	12 009
27 Office of the Chief Justice	2 330 257	2 140 512	135 823	112 044	2 388 379	58 122
28 Police	96 355 531	95 873 612	1 259 399	3 562 304	100 695 315	4 339 784
29 Agriculture, Land Reform and Rural I	16 920 399	7 886 844	9 147 149	253 705	17 287 698	367 299
30 Communications and Digital Techno	3 692 881	743 279	1 960 420	13 483	2 717 182	-975 699
31 Employment and Labour	3 505 713	2 147 808	1 736 957	71 254	3 956 019	450 306
32 Forestry, Fisheries and the Environr	8 716 848	6 646 566	1 996 099	305 249	8 947 914	231 066
33 Human Settlements	31 657 958	945 049	32 072 583	7 084	33 024 716	1 366 758
34 Mineral Resources and Energy	9 180 764	2 068 376	8 263 833	13 462	10 345 671	1 164 907
35 Science and Innovation	8 933 315	577 594	8 552 691	3 015	9 133 300	199 985
36 Small Business Development	2 538 288	253 054	2 305 319	4 736	2 563 109	24 821
37 Sport, Arts and Culture	5 693 941	1 008 690	5 080 208	206 230	6 295 128	601 187
38 Tourism	2 429 627	921 130	1 565 615	4 835	2 491 580	61 953
39 Trade, Industry and Competition	9 736 573	1 923 917	8 911 612	23 774	10 859 303	1 122 730
40 Transport	66 703 368	1 462 716	67 669 422	5 791	69 137 929	2 434 561
41 Water and Sanitation	16 910 080	3 607 301	10 528 115	4 404 253	18 539 669	1 629 589
Total	1 810 606 948	566 570 940	1 351 977 816	15 505 515	1 959 687 045	149 080 097

Source: National Treasury

Proportions appropriated for current payments and transfers and subsidies

- Compensation of employees: 17.3 per cent excluding direct charges
- Goods and services: 7.7 per cent excluding direct charges
- Transfers and subsidies: 69 per cent of total appropriations including direct charges and Conditional Grants

Department	Current payments			Total
	COE: Percentage of total	G&S Percentage of total	Transfers: Percentage of total	
1 The Presidency	62.1%	35.3%	0.1%	614 587
2 Parliament	53.3%	27.1%	19.1%	2 683 952
3 Cooperative Governance	0.3%	4.2%	95.4%	111 364 861
4 Government Communication and Information System	39.2%	25.0%	35.4%	719 911
5 Home Affairs	41.3%	31.0%	27.6%	9 405 958
6 International Relations and Cooperation	43.3%	37.2%	12.1%	6 600 508
7 National School of Government	26.2%	21.4%	50.7%	228 069
8 National Treasury	0.1%	0.2%	66.4%	911 965 823
9 Planning, Monitoring and Evaluation	66.7%	32.2%	0.0%	470 850
10 Public Enterprises	0.7%	0.5%	0.0%	23 928 918
11 Public Service and Administration	54.4%	36.1%	8.7%	540 272
12 Public Service Commission	75.1%	24.4%	0.2%	288 449
13 Public Works and Infrastructure	6.8%	5.8%	87.1%	8 547 267
14 Statistics South Africa	59.0%	29.5%	0.0%	2 758 546
15 Traditional Affairs	48.9%	23.5%	26.5%	177 031
16 Basic Education	1.9%	7.6%	83.4%	29 560 167
17 Higher Education and Training	8.3%	0.5%	91.2%	130 134 198
18 Health	1.2%	6.2%	90.4%	64 530 977

Appropriations: Detail of current payments by vote (cont.)

Department	Current payments			Total
	COE: Percentage of total	G&S Percentage of total	Transfers:Percentage of total	
19 Social Development	0.2%	0.2%	99.6%	257 001 361
20 Women, Youth and Persons with Disabilities	11.5%	8.9%	79.2%	987 254
21 Civilian Secretariat for the Police Service	70.4%	26.2%	0.1%	152 311
22 Correctional Services	68.5%	26.3%	2.8%	26 108 720
23 Defence	62.5%	26.7%	9.5%	49 090 089
24 Independent Police Investigative Directorate	67.1%	31.0%	0.2%	357 227
25 Justice and Constitutional Development	57.0%	24.7%	14.6%	22 420 451
26 Military Veterans	19.5%	46.1%	31.4%	666 376
27 Office of the Chief Justice	74.1%	15.6%	5.7%	2 388 379
28 Police	78.6%	16.6%	1.3%	100 695 315
29 Agriculture, Land Reform and Rural Development	23.6%	22.0%	52.9%	17 287 698
30 Communications and Digital Technologies	11.1%	16.2%	72.1%	2 717 182
31 Employment and Labour	36.2%	18.1%	43.9%	3 956 019
32 Forestry, Fisheries and the Environment	21.7%	52.1%	22.3%	8 947 914
33 Human Settlements	1.2%	1.6%	97.1%	33 024 716
34 Mineral Resources and Energy	10.0%	10.0%	79.9%	10 345 671
35 Science and Innovation	4.0%	2.3%	93.6%	9 133 300
36 Small Business Development	7.4%	2.5%	89.9%	2 563 109
37 Sport, Arts and Culture	6.0%	10.0%	80.7%	6 295 128
38 Tourism	14.9%	22.1%	62.8%	2 491 580
39 Trade, Industry and Competition	9.6%	8.1%	82.1%	10 859 303
40 Transport	0.8%	1.3%	97.9%	69 137 929
41 Water and Sanitation	9.9%	9.6%	56.8%	18 539 669
Total	9.3%	4.2%	69.0%	1 959 687 045

Source: National Treasury

Transfers and subsidies includes transfers for specific purposes

Appropriations for Emergency/disasters:

- Vote 3: Cooperative Governance
- Vote 29: Agriculture

Vote 3: Cooperative Governance

R million	Adjusted appropriation	Medium-term expenditure estimate		
	2021/22	2022/23	2023/24	2024/25
Conditional grants to provinces				
Provincial disaster response grant	140	145	146	152
Total	140	145	146	152
Conditional grants to municipalities				
Integrated urban development grant	1 009.1	1 085.4	1 122.8	1 173.2
Municipal infrastructure grant	15 592.7	16 842.0	17 594.7	18 384.9
National Disaster Management Centre				
Municipal disaster response grant	358.5	371.4	372.7	389.5
Municipal disaster recovery grant	–	26.0	320.9	–
Total	16 960.3	18 324.8	19 411.1	19 947.6

Vote 29: Agriculture, Land Reform and Rural Development

Conditional grants to provinces				
Agricultural Production, Biosecurity and Resources Management				
Land care programme grant	83	85	86	90
Food Security, Land Reform and Restitution				
Comprehensive agricultural support programme grant: Infrastructure	1 157	1 202	1 214	1 268
Comprehensive agricultural support programme grant: Extension recovery planning services	310	304	309	323
Comprehensive agricultural support programme grant: Upgrading of provincial agricultural colleges	90	93	95	99
Ilima/Letsema projects grant	597	610	620	648
Comprehensive agricultural support programme grant: Disasters: Flood damaged infrastructure	–	–	–	–
Comprehensive agricultural support programme grant: Disasters: Drought relief	–	–	–	–
Total	2 238	2 294	2 325	2 429

Transfers and subsidies includes transfers for specific purposes

Appropriations for Emergencies/disasters:

- Vote 33: Human Settlements
- Vote 40: Transport

Vote 33: Human Settlements

R million	Adjusted appropriation	Medium-term expenditure estimate		
	2021/22	2022/23	2023/24	2024/25
Conditional grants to provinces				
Integrated Human Settlements Planning and Development				
Human settlements development grant	13 403	14 256	14 944	15 118
Informal Settlements				
Provincial emergency housing grant	311	326	340	355
Informal settlements upgrading partnership grant: Provinces	3 890	4 121	4 303	4 496
Total	17 604	18 702	19 586	19 970
Conditional grants to municipalities				
Urban settlements development grant	7 404.7	7 352.3	7 676.3	8 021.1
Informal Settlements				
Municipal emergency housing grant	167.5	175.4	183.1	191.4
Informal settlements upgrading partnership grant: Municipalities	3 945.4	4 180.5	4 364.8	4 560.8
Total	11 517.7	11 708.2	12 224.2	12 773.2
Vote 40: Transport				
Conditional grants to provinces				
Provincial roads maintenance grant: Roads maintenance component	11 937	10 766	13 037	13 603
Provincial roads maintenance grant: Disaster relief component	–	490	–	–
Public Transport				
Public transport operations grant	7 121	7 090	7 403	7 735
Total	19 057	17 857	20 440	21 339
Conditional grants to municipalities				
Rural roads asset management systems grant	109.9	115.0	115.5	120.6
Public transport network grant	5 174.5	6 012.9	6 689.0	7 720.2
Total	5 284.4	6 127.9	6 804.5	7 840.8

Appropriations: Proportions allocated for Programme 1: Administration

Votes that allocated more than 25 per cent on administration

Department	Allocation Programme 1	Total	Percentage of total
1 The Presidency	528 060	614 587	86%
2 Parliament	705 534	2 683 952	26%
4 Government Communication and Information System	177 251	719 911	25%
5 Home Affairs	2 609 824	9 405 958	28%
6 International Relations and Cooperation	1 732 100	6 600 508	26%
7 National School of Government	112 348	228 069	49%
9 Planning, Monitoring and Evaluation	190 415	470 850	40%
11 Public Service and Administration	245 152	540 272	45%
12 Public Service Commission	143 163	288 449	50%
14 Statistics South Africa	752 978	2 758 546	27%
15 Traditional Affairs	58 465	177 031	33%
21 Civilian Secretariat for the Police Service	68 755	152 311	45%
24 Independent Police Investigative Directorate	104 557	357 227	29%
31 Employment and Labour	1 044 005	3 956 019	26%

Source: National Treasury, PBO calculations

Appropriations by economic classification

			Adjusted appropriation1	Revised estimate	Medium-term expenditure estimates	Increased from the revised estimates
R million	2019/20	2020/21	2021/22	2021/22	2022/23	2022/23
Current payments						
Compensation of employees	176 182	176 349	181 627	180 793	182 821	1.12%
Goods and services	72 311	65 188	89 887	87 029	81 730	-6.09%
Interest and rent on land	204 962	232 805	268 506	268 504	302 020	12.48%
Total current payments	453 455	474 342	540 020	536 326	566 571	5.64%
Transfers and subsidies to:						
Provinces	613 451	628 814	661 196	661 196	682 539	3.23%
Municipalities	123 286	137 334	137 788	135 513	150 923	11.37%
Departmental agencies and accounts	133 368	134 252	146 175	146 924	154 579	5.21%
Higher education institutions	47 568	48 644	48 354	48 354	52 982	9.57%
Foreign governments and international organisations	2 467	2 227	3 239	3 222	2 932	-8.99%
Public corporations and private enterprises	35 718	26 747	37 181	37 181	40 115	7.89%
Public corporations	31 305	23 141	33 408	33 408	36 031	7.85%
Private enterprises	4 413	3 606	3 773	3 773	4 084	8.23%
Non-profit institutions	3 206	2 729	3 412	3 426	3 436	0.30%
Households	201 311	232 300	239 354	239 365	264 472	10.49%
Total transfers and subsidies	1 160 377	1 213 048	1 276 699	1 275 181	1 351 978	6.02%
Buildings and other fixed structures	7 582	7 243	10 760	10 337	10 579	2.34%
Machinery and equipment	3 941	4 219	4 733	4 717	4 579	-2.92%
Total payments for capital assets	12 108	11 960	15 784	15 318	15 506	1.23%
Payments for financial assets	65 040	89 647	73 828	73 392	25 633	-65.07%
Total to be appropriated from the NRF	1 690 980	1 788 996	1 906 332	1 900 217	1 959 687	3.13%
Total to be appropriated from the NRF plus provisional allocations	1 690 980	1 788 996	1 906 332	1 900 217	1 965 257	3.42%
Total expenditure by economic classification	1 690 980	1 788 996	1 900 057	1 895 954	1 975 257	4.18%

Appropriations for compensation of employees

NT Guidelines for the costing of compensation of employees, although subject to wage agreements which may need to be additionally incorporated into the compensation ceilings over the 2022 MTEF period include:

- The cost-of-living adjustment for employees on salary levels 1 to 12 over the 2022 MTEF is:
 - 0% in 2022/23
 - 0% in 2023/24
 - CPI in 2024/25
- Medical Subsidy:
 - 8.51% in 2021/22
 - CPI + 4.2% in 2022/23
 - CPI + 3.9% in 2023/24
 - CPI + 4.0% in 2024/25
- Housing Allowance
 - R1500 in 2021/22
 - CPI in 2022/23
 - CPI in 2023/24
 - CPI in 2024/25

- Performance bonus
 - 0% in 2021/22
 - 0% over the 2022 MTEF period
- Escalation factors for SMS and MMS:
 - 0%
- Progression rates (notch):
 - 1.5%
- Departments are expected to manage their headcount within the allocated ceilings. Only critical and core service delivery posts should be prioritised within the allocated budget
- Institutions are also expected to thoroughly explore strategies available for headcount management as provided in various circulars and policy documents issued by the DPSA
- NT CPI projections:
 - 4.4%: 2021/22
 - 4.2%: 2022/23
 - 4.5%: 2023/24
 - 4.5%: 2024/25

Appropriations: compensation of employees

- Total increase from 2021/22 to 2022/23: 1.1 per cent
- Highest increase is in Small business development: 22.4 per cent, personnel numbers increase from 219 in 2021/22 to 272 in 2022/23
- COE in Higher education and training increases by 15.6 per cent, personnel numbers increase from 29 267 in 2021/22 to 29 334 in 2022/23, while only 23 931 post are funded and 213 positions additional to the establishment
- In total 2 940 positions are additional to national establishments

R million	Revised estimate	Medium-term expenditure estimates				Average personnel expenditure growth rate (%)
		2021/22	2022/23	2021/22 - 2022/23	2023/24	2024/25
5 Home Affairs	3 607.8	3 883.9	7.7%	3 781.8	3 951.6	4.5%
8 National Treasury	826.5	888.4	7.5%	890.0	902.0	1.3%
10 Public Enterprises	159.0	177.5	11.6%	180.0	188.1	4.5%
15 Traditional Affairs	82.5	86.6	4.9%	89.0	93.0	4.5%
17 Higher Education and Training	9 318.0	10 775.6	15.6%	10 962.6	11 454.9	4.5%
28 Police	78 668.3	79 137.4	0.6%	77 232.3	81 608.8	5.7%
29 Agriculture, Land Reform and Rural Development	4 112.9	4 078.8	-0.8%	3 856.5	4 029.7	4.5%
30 Communications and Digital Technologies	289.5	302.9	4.6%	291.3	304.4	4.5%
34 Mineral Resources and Energy	971.1	1 037.1	6.8%	1 037.1	1 083.7	4.5%
36 Small Business Development	155.2	190.0	22.4%	220.3	246.7	12.0%
38 Tourism	340.8	370.8	8.8%	363.5	379.8	4.5%
Total	180 792.9	182 821.2	1.1%	178 114.7	186 991.9	5.0%

Additional funding in 2022/23

- Adjustments to the main budget were made possible by an improved revenue outlook:
- Upward adjustments include compensation of employees specifically for:
 - Health
 - Education
 - Police
- Other increases include transfers to:
 - Municipalities (LGES)
 - Households
- Increases to the local government, however, does not guarantee that the needs of indigent households will be sufficiently met especially if the systemic financial and operational challenges are not addressed
- Any new spending commitments, such as additional social protection, must be fully financed by tax measures or spending cuts
- Any shortfall in revenue collection, affecting expenditure will have to be absorbed within existing baselines

Additional funding over the 2022 MTEF

Social welfare interventions and free basic services (R87 billion over the MTEF)	<ul style="list-style-type: none">• R44 billion to extend the special COVID-19 social relief of distress grant for 12 months• R28.9 billion for the local government equitable share• R14.7 billion for social grant CPI shortfall and double orphans provision
Health (R21 billion over MTEF)	<ul style="list-style-type: none">• R15.6 billion allocated to provincial health departments to support their continued response to the COVID-19 pandemic, and to bridge shortfalls in essential goods and services.• R2.3 billion to further support COVID-19 vaccination programme• R3.3 billion towards appointing medical interns and community service doctors
Education (R57 billion over MTEF)	<ul style="list-style-type: none">• R24.6 billion for provincial education departments mainly to address the shortfall in compensation budgets.• R32.6 billion for the National Student Financial Aid Scheme.
Infrastructure investments and employment (R27 billion over MTEF)	<ul style="list-style-type: none">• R18.4 billion for the presidential employment initiative• R7 billion for the rehabilitation of the national non-toll road network: SANRAL• R2.5 billion towards disaster recovery due to storms and floods
Peace and security (R7.4 billion over MTEF)	<ul style="list-style-type: none">• R7.4 billion to capacitate the SAPS (12 000 entry-level constables to be recruited and trained).
Other priorities (R26.3 billion over MTEF)	<ul style="list-style-type: none">• R20.5 billion to provide for wage bill adjustments• R5.8 billion for other spending pressures

Risks to the 2022 Appropriations

Contingent liabilities

Support for SOEs

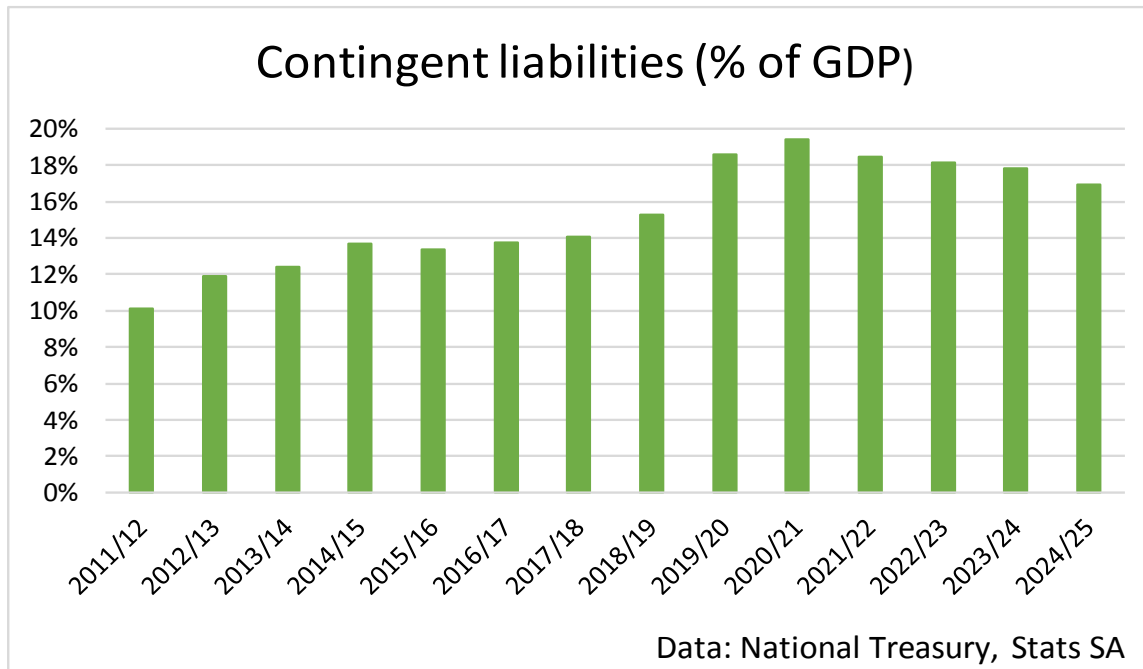
Risks: State Owned Enterprises (SOEs)

Key financial health indicators at departments – sustainability

AGSA calls for action on accountability for the use of public finances

Contingent liabilities

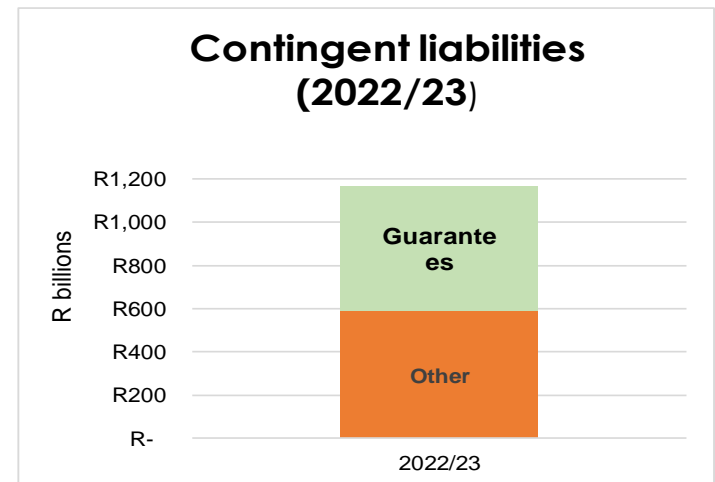
- Contingent liabilities refer to financial obligations on government that arise from specific events occurring (e.g. having to pay an SOE's creditors of government guaranteed debt if SOE can't)
- Materialising of contingent liabilities places significant pressure on public finances, diverting resources away from spending priorities and harming the sustainability of public finances
- Critical that government monitor and update contingent liabilities
- Contingent liabilities have been growing (R1.17 trillion in 2022)



Contingent liabilities (cont.)

- Contingent liabilities include
 - Guarantees to state-owned companies
 - Independent power producers
 - Public-private partnerships
 - Provisions for multilateral institutions
- Guarantees to SOEs and Road Accident Fund (90% of total)
- Improved reporting requirement for PPPs is welcome
- Imperative to improved management of SOEs to profitability and self-sufficiency
- Road Accident Fund – Road Accident Fund Benefit bill rejected by parliament

Contingent liabilities	Share of total (2022/23)
Eskom	28%
Independent power producers	13%
South African National Roads Agency	4%
Road accident fund	40%
Other guarantees	4%
Other contingent liabilities	10%



Support for SOEs

- Department of Public Enterprises receives R33.9 billion, to settle government guaranteed debt:
 - Eskom: R21.9 billion (91.3%)
 - SAA: R1.8 billion (7.4%) (Progress has been made with the partial sale of SAA to an identified strategic equity partner)
- Denel: R3 billion to meet its general obligations
- SASRIA: R22 billion to settle the high volume of claims and ensure that the insurer has sufficient capital to meet regulatory requirements

Risks: State Owned Enterprises

- The financial position of major state-owned companies remains under pressure
- To meet short-term obligations in 2020/21, most of these companies deferred their capital investment projects to preserve cash
- This deferrals resulted in a 6.2 per cent decline in their consolidated asset base
- Continuous delay and underspending on infrastructure projects hampers capital investment

Combined balance sheets of state-owned companies¹

R billion/per cent growth	2016/17	2017/18	2018/19	2019/20	2020/21
Total assets	1 224.3	1 263.2	1 276.8	1 313.4	1 232.1
	3.9%	3.2%	0.5%	2.9%	-6.2%
Total liabilities	870.3	901.1	933.0	960.7	853.4
	6.4%	3.5%	2.9%	3.0%	-11.2%
Net asset value	354.0	362.1	343.8	352.7	378.7
	-1.8%	2.3%	-5.5%	2.6%	7.4%
Return on equity (average)	0.7%	-0.8%	-8.0%	-9.8%	-14.6%

1. State-owned companies listed in schedule 2 of the PFMA

Key financial health indicators at departments – sustainability

The sustainability indicators and the high unauthorised expenditure paint a picture of departments unable to operate within their budgets, resulting in deficits, cash shortfalls and bank overdrafts.

Indicator	2020/21
Deficit (expenditure exceeded revenue)	R41.74 billion
Number of departments with deficit	32% (50)
Cash shortfall (bank overdraft less prepaid expenses/advances plus money to be surrendered to treasury)	R33.29 billion
Number of departments with cash shortfall	61% (89)
>10% of following year's budget (excluding employee cost and transfers) will fund current year's shortfall	18% (27)
Bank in overdraft	19% (30)
Estimated settlement value of claims against the state at year-end	R166.07 billion
Number of departments with unsettled claims	94% (138)
Claims settlement value >10% of following year's budget (excluding employee cost and transfers)	37% (55)

Source: AGSA

Second Adjustments Appropriation Bill: 2021/22 financial year

- Purpose of the Bill: To effect adjustments to the appropriation of money from the National Revenue Fund for expenditure approved in the 2021/22 financial year
- Adjustments to appropriations of money to the vote of Health
 - An amount of R500 million is appropriated to procure COVID-19 vaccines
- Adjustments to appropriations of money to the vote of National Treasury
 - An amount of R18.1 billion is appropriated to purchase equity from the South African Special Risks Insurance Association

Thank You

AGSA calls for action on accountability for the use of public finances

Key governance failures that could affect the implementation of the 2022 Appropriation Bill:

- Low levels of accountability among accounting officers and accounting authorities
- Lack of internal controls, in particular the implementation of preventative controls
- Control weaknesses in government's information systems results in project failures and financial loss
- Poor decision-making, neglect or inefficiencies which continues to result in high levels of fruitless and wasteful expenditure
- Lack of oversight, monitoring and assurance
- Lack of material compliance with legislation – not paying creditors on time

Objects of the 2022 Appropriation Bill and the Second Adjustments for 2021/22

- The 2022 Appropriations Bill: To appropriate money from the National Revenue Fund for the requirements of the State for the 2022/23 financial year; to prescribe conditions for the spending of funds withdrawn for the 2023/24 financial year before the commencement of the Appropriation Act for the 2023/24 financial year; and to provide for matters incidental thereto
 - It reflects a summary of the appropriations per main division of votes, of which
 - The detail is presented in the 2022 Estimates of National Expenditure (ENE)
 - To note that the detail of Parliament is excluded from this bill and the ENE
- Second Adjustments Bill, 2021/22: To effect adjustments to the appropriation of money from the National Revenue Fund for expenditure approved in the 2021/22 financial year; and to provide for matters incidental thereto for:
 - National Treasury to purchase equity in SASRIA: R18.1 billion
 - Health to purchase goods and services to address the needs of Covid-19: R500 million

Legislative mandate of the three spheres of government

- National government mainly provides: (National share and transfers to other institutions reflected in the Appropriations Bill)
 - Central Government Administration
 - Justice & Protection Services
 - Financial & Administration Services
 - Economic Services & Infrastructure Development
 - Social Services
- Provinces are responsible for: (Provincial Equitable Share)
 - Basic education
 - Health services
 - Roads
 - Housing
 - Social development
- Municipalities provide basic services such as: (Local Government Equitable Share)
 - Water
 - Sanitation
 - Electricity reticulation
 - Roads
 - Community services

Budgeting by function

FUNCTION GROUP	TECHNICAL GROUP OR FUNCTION SUB-GROUP	KEY DEPARTMENTS AND OTHER INSTITUTIONS CONTRIBUTING TO THE OUTCOMES
1. Learning and culture	Basic education	Basic Education, Provincial Education departments
	Post-school education and training	Higher Education and Training, Sector Education and Training Authorities, National Skills Fund, National Student Financial Aid Scheme, Quality Council for Trades and Occupations, Council for Higher Education, South African Qualifications Authority
	Arts, culture, sport and recreation	Sport, Arts and Culture, Provincial and Local Arts, Culture, Sport and Recreation
2. Health	Health	Health, Provincial Health departments, National Health Laboratory Service
3. Social development	Social protection	National Social Development, South African Social Security Agency, National Development Agency, Provincial Social Developments, Women, Youth and Persons with Disabilities, National Youth Development Agency, Commission for Gender Equality
	Social security funds	Road Accident Fund, Unemployment Insurance Fund, Compensation Fund development
4. Community development	Community development	Cooperative Governance (limited to conditional grant and urban development programmes), Human Settlements, Water and Sanitation (water services), Public Transport, Mineral Resources and Energy (energy functions), Provincial Human Settlements, Provincial Public Transport, Local Governments
7. General public services	Executive and legislative organs	Presidency, Government Communications and Information System, Parliament, Provincial Legislatures, Planning, Monitoring and Evaluation

Budgeting by function

FUNCTION GROUP	TECHNICAL GROUP	KEY DEPARTMENTS AND OTHER INSTITUTIONS
5. Economic development	Industrialisation and exports	Trade, Industry and Competition, Mineral Resources and Energy (mineral resources functions), Tourism, Small Business Development, Public Works and infrastructure (Programme 4) provincial economic development
	Agriculture & RD	Environment, Forestry, Fisheries and the Environment, Agriculture, Land Reform and Rural Development South African Forestry Company;
	Job creation and labour affairs	Employment and Labour, Public Works and Infrastructure (Programme 3), Expanded Public Works Programmes, Cooperative Governance, Employment Creation Facilitation Fund and National Treasury (Programme 7)
	Economic regulation and infrastructure	Mineral Resources and Energy (remaining energy functions), Transport, Environment, Forestry, Fisheries and the Environment (environmental regulation), Communications and Digital Technologies, Water and Sanitation (water services), Provincial (Roads only) and Local Governments, Transnet, Eskom, Alexkor, South African Express, Telkom SA Limited, South African Airways
	Innovation, science and technology	Science and Innovation
6. Peace and security	Defence and state security	Defence, Military Veterans, Financial Intelligence Centre, State Security, Armscor and the Castle Control Board, Denel
	Police services	Police, Independent Police Investigative Directorate, Civilian Secretariat for the Police Service
	Law courts and prisons	Justice and Constitutional Development, Correctional Services, Office of the Chief Justice, Legal Aid South Africa, Public Protector of South Africa, South African Human Rights Commission
	Defence and state security	Defence, Military Veterans, Financial Intelligence Centre, State Security, Armscor and the Castle Control Board, Denel
	Police services	Police, Independent Police Investigative Directorate, Civilian Secretariat for the Police Service

Budgeting by function

- Budget discussions take place within function groups, which comprise various institutions across the 3 spheres of government grouped according to the objectives or activities they are mandated to perform
- These function groups are: learning and culture, social development, community development, health, general public services, economic development, and peace and security
- These function groups are strategically grouped to facilitate subject-specific discussions targeting service delivery requirements and policy priorities such as the seven priorities of the 2019-2024 MTSF
- It is then expected that service delivery are also monitored in terms of these function or sub-function groups
- The initial idea with the arrangement of the function groups was to align the budget with the NDP and the 2014-2019 MTSF

Appropriations: Change in personnel numbers

	Number of posts estimated for 31 March 2022										Average personnel growth rate (%)	Average unit cost growth rate (%)	
	Number of funded posts	Number of posts additional to the establishment	Revised estimate		Medium-term expenditure estimate								
			2021/22		2022/23		2023/24		2024/25				2021/22 - 2024/25
			Number	Unit cost	Number	Unit cost	Number	Unit cost	Number	Unit cost			
5 Home Affairs	8 623	35	8 374	431	8 661	448	8 482	446	8 396	471	0.1%	3.0%	
7 National School of Government	85	-	91	657	90	664	76	775	75	825	-6.2%	7.9%	
8 National Treasury	1206	131	1045	791	1090	815	1075	828	1041	866	-0.1%	3.1%	
15 Traditional Affairs	105	6	101	820	103	843	107	831	107	869	2.1%	2.0%	
17 Higher Education and Training	23 931	213	29 267	318	29 334	367	29 336	374	29 319	391	0.1%	7.1%	
18 Health	1484	80	1410	637	1198	657	1173	648	1167	681	-6.1%	2.2%	
28 Police	191763	-	176 708	445	178 708	443	178 708	432	178 708	457	0.4%	0.9%	
29 Agriculture, Land Reform and Rural D	7 940	516	6 916	595	6 673	611	6 238	618	6 222	648	-3.5%	2.9%	
30 Communications and Digital Techno	365	32	379	765	389	779	377	773	376	809	-0.2%	1.9%	
34 Mineral Resources and Energy	1596	140	1493	650	1710	607	1666	623	1663	652	3.7%	0.1%	
36 Small Business Development	229	21	219	710	272	699	331	666	374	660	19.6%	-2.4%	
38 Tourism	494	33	487	700	508	730	499	728	498	763	0.7%	2.9%	
Total	410 132	2 940	394 496	26 794	395 744	27 211	392 241	27 318	391 688	28 581	-0.2%	2.2%	