



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA



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**PBO**

**PARLIAMENTARY  
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# Amended Division of Revenue, Adjustment Appropriations and Eskom Debt Relief Amendment Bill, 2023

14 November 2023

# Outline



- Introduction
- Division of revenue
- Situational analysis
- Adjusted estimates of national expenditure
- Eskom Debt Relief Amendment Act, 2023
- Update on other SOEs
- Additional slides

# Introduction



- This presentation is on the Division of Revenue, National Adjustments Appropriation and the Eskom Debt Relief Amendment Act, 2023
- We examine the changes to the Division of Revenue and show that the allocations to national and local government have decreased, while the provincial equitable share has been increased to fund the costs of implementing the 2023/24 wage agreement in the health and education sectors
- The National Treasury (NT) states that the reductions in conditional grants are based on underspending. As NT has admitted, spending cuts can make some programmes less effective. The PBO's underspending analysis highlights the need to address the root causes of underspending because basic public services remain vitally necessary
- The increase in the provincial equitable share might not be sufficient to cover the implementation of the public service wage agreement. Therefore, the provinces will have to reprioritise their expenditure to absorb these costs
- Provinces and municipalities are responsible for the provision of basic public services that the majority of households rely on. Fiscal consolidation means that they have less resources to provide these services
- Fiscal consolidation has meant reductions in real per capita expenditure on health, education, and other sectors critical to the basic survival of the majority who rely on public services
- Basic public services play a critical role in household social reproduction and in building resilience to disasters like the COVID-19 pandemic, natural disasters and economic downturns
- The "social wage" in the 2023 MTBPS is not protected against inflation and population growth

# Division of revenue

# Division of Revenue to the three levels of government



- National Government is mainly responsible for:
  - Providing leadership
  - Maintaining order
  - Providing public services
  - Providing national security
  - Providing economic security
  - Providing economic assistance
- Provinces are responsible for:
  - Basic education
  - Health services
  - Roads
  - Housing
  - Social development
  - Agriculture
- Municipalities provide basic services
  - Water
  - Sanitation
  - Electricity reticulation
  - Roads
  - Community services

# Amendments to the Division of Revenue Framework



Spheres of Government, R'000	2023/24 Main Allocation	Adjustment	2023/24 Adjusted Allocation
National <sup>1,2</sup>	1 370 506 089	(2 555 077)	1 367 951 012
Provincial	567 527 713	17 558 206	585 085 919
Local	96 546 258	(1 357 517)	95 188 741
<b>TOTAL</b>	<b>2 034 580 060</b>	<b>13 645 612</b>	<b>2 048 225 672</b>

1. National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations
2. The direct charges for the provincial equitable share are netted out

Over the 2024 MTEF transfers to provinces and municipalities will change significantly relative to the 2023 Budget

- Reductions are focused on grants and programmes where there has been underspending in recent years
- Provinces and municipalities will be forced to reprioritize resources to avoid negative effects on critical services

# Amendments to the division of revenue framework



	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2025/26	2026/27	Average
R billion (nominal)		Estimate	Revised	Amend-ments	Medium-term estimates				annual growth 2023/24 – 2026/27
<b>National departments</b>	<b>855.9</b>	<b>828.6</b>	<b>826.3</b>	<b>-0.3%</b>	<b>840.9</b>	<b>1.8%</b>	<b>846.4</b>	<b>884.2</b>	<b>2.3%</b>
<i>of which:</i>									
Provincial indirect grants	3.9	4.2	4.0	-4.3%	4.0	0.1%	4.3	4.4	3.6%
Local indirect grants	7.2	8.5	8.3	-2.2%	8.0	-3.8%	8.3	8.7	1.7%
<b>Provinces</b>	<b>694.1</b>	<b>695.1</b>	<b>706.4</b>	<b>1.6%</b>	<b>720.5</b>	<b>2.0%</b>	<b>752.4</b>	<b>784.6</b>	<b>3.6%</b>
Equitable share	570.9	567.5	585.1	3.1%	589.5	0.8%	616.4	644.3	3.3%
Conditional grants	123.3	127.5	121.3	-4.9%	131.0	8.0%	136.1	140.3	5.0%
<b>Local government</b>	<b>150.7</b>	<b>164.0</b>	<b>160.6</b>	<b>-2.0%</b>	<b>169.2</b>	<b>5.3%</b>	<b>177.3</b>	<b>182.9</b>	<b>4.4%</b>
Equitable share	83.9	96.5	95.2	-1.4%	101.2	6.3%	106.1	110.7	5.1%
General fuel levy to meti	15.3	15.40	15.43	0.2%	14.5	-6.0%	15.2	15.9	0.9%
Conditional grants	51.4	52.0	50.0	-3.9%	53.5	7.0%	56.0	56.4	4.1%

- Average annual growth over the 2024 MTEF to the national, provincial and local government spheres of government are 2.3 per cent, 3.6 per cent and 4.4 per cent
- Growth from the revised 2023/24 to the 2024/25 financial year is 1.8 per cent on a national level, 2.0 per cent on a provincial level and 5.3 per cent on a local government level
- The increase in provincial equitable share might not be sufficient to cover the implementation of the public service wage agreement

# Amendments to the 2023/24 Provincial Equitable Share



- An amount of R17.6 billion is added to the provincial equitable share to fund the costs of implementing the 2023/24 wage agreement in the health and education sectors
  - Health: R6.81 billion
  - Education: R10.76 billion
- Average annual growth over the 2024 MTEF is 3.3 per cent vs. 2.5 per cent in Budget 2023

R million	2022/23 Estimate	2023/24 Budget	2023/24 MTBPS	2023/24 Additional funds	2024/25	2025/26	2026/27	Average annual growth 2023/24-
Eastern Cape	73 593	73 292	75 605	2 313	76 680	80 125	82 768	3.1%
Free State	31 727	31 380	32 429	1 049	32 487	33 972	35 578	3.1%
Gauteng	122 060	120 752	124 465	3 713	125 652	131 405	137 629	3.4%
KwaZulu-Natal	116 697	115 948	119 722	3 775	118 932	124 127	129 745	2.7%
Limpopo	65 241	65 349	67 359	2 010	68 354	71 637	75 192	3.7%
Mpumalanga	46 754	46 674	48 051	1 377	48 596	50 825	53 237	3.5%
Northern Cape	15 219	15 150	15 573	422	15 849	16 608	17 429	3.8%
North West	40 255	40 096	41 289	1 193	42 034	44 089	46 314	3.9%
Western Cape	59 322	58 886	60 593	1 707	60 937	63 584	66 447	3.1%
<b>Total</b>	<b>570 868</b>	<b>567 528</b>	<b>585 086</b>	<b>17 558</b>	<b>589 520</b>	<b>616 371</b>	<b>644 338</b>	<b>3.3%</b>



# Conditional grants: Actual payments made by provinces as at 30 September 2023



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National departments administering conditional grants	Budget	Payments to Date	
	Division of Revenue Act, No. 5 of 2023 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>2 333 255</b>	<b>737 604</b>	<b>31.6%</b>
(a) Comprehensive Agricultural Support Programme Grant	1 626 449	505 995	31.1%
(b) Ilima/Letsema Projects Grant	620 478	207 275	33.4%
(c) Land Care Programme Grant: Poverty Relief and Infrastructure Development	86 328	24 334	28.2%
<b>Sports, Arts and Culture (Vote 37)</b>	<b>1 570 800</b>	<b>644 630</b>	<b>41.0%</b>
Community Library Services Grant	1 570 800	644 630	41.0%
<b>Basic Education (Vote 16)</b>	<b>11 456 585</b>	<b>5 789 732</b>	<b>50.5%</b>
<b>Health (Vote 18)</b>	<b>40 159 419</b>	<b>19 056 169</b>	<b>47.5%</b>
(b) Health Facility Revitalisation Grant	7 119 860	3 031 969	42.6%
(d) National Health Insurance Grant	694 675	303 674	43.7%
<b>Human Settlements (Vote 33)</b>	<b>19 246 370</b>	<b>7 313 846</b>	<b>38.0%</b>
(a) Human Settlements Development Grant	14 943 649	6 356 343	42.5%
(b) Informal Settlements Upgrading Partnership Grant: Provinces	4 302 721	957 503	22.3%
<b>Public Works and Infrastructure (Vote 13)</b>	<b>861 242</b>	<b>443 608</b>	<b>51.5%</b>
<b>Sports, Arts and Culture (Vote 37)</b>	<b>603 960</b>	<b>299 548</b>	<b>49.6%</b>
<b>Sub-Total</b>	<b>76 231 631</b>	<b>34 285 137</b>	<b>45.0%</b>
<b>Total</b>	<b>127 398 026</b>	<b>-</b>	<b>-</b>

# Amendments to the 2023/24 Provincial conditional grants



	2022/23	2023/24	Amendments	Adjusted 2023/24
R'million	Revised estimate	Medium-term estimates		
<b>Direct conditional grants</b>				
Comprehensive agricultural support programme	1 599	1 626	-125	1 501
Ilima/Letsema projects	610	620	-36	584
Land care programme grant: poverty relief and infrastructure development	85	86	-7	79
Early childhood development grant	1 193	1 242	-58	1 184
Education infrastructure	12 501	13 872	-1 600	12 272
HIV and AIDS (life skills education) grant	242	242	-28	214
Maths, science and technology grant	425	433	-50	383
National school nutrition programme	8 508	9 279		9 279
District health programmes grant	29 023	26 866	-1 000	25 866
Health facility revitalisation	6 780	7 120	-440	6 680
Human settlements development	14 256	14 944	-1 700	13 244
Informal settlements upgrading partnership	4 121	4 303	-477	3 826
Mass participation and sport development grant	604	604	-43	561
Expanded public works programme integrated grant for provinces	433	435	-31	404
Social sector expanded public works programme incentive grant for provinces	425	426	-31	395
Community library services	1 573	1 571	-68	1 503
Provincial roads maintenance	12 665	15 867	-550	15 317
<b>Total direct conditional grants</b>	<b>123 730</b>	<b>127 544</b>	<b>-6 244</b>	<b>121 300</b>
<b>Indirect transfers</b>	<b>4 612</b>	<b>4 178</b>		<b>4 178</b>
School infrastructure backlogs	2 403	2 079	-260	1 956
School infrastructure backlogs (Rollover)			137	

# Amendments to the 2023/24 Provincial conditional grants



- R260 million is reduced from the school infrastructure backlogs grant, of which:
  - R175 million forms part of the budget consolidation
  - R85 million lowers a reduction to the early childhood development grant
  - R57 million is reprioritised from the school infrastructure backlogs grant to the vote of the national Department of Basic Education
    - Of this amount R32 million will fund compensation of employees pressures
    - R25 million will fund information and communication technology upgrades

## Rollover of funds in the school infrastructure backlogs grant

- R137 million is rolled over in the school infrastructure backlogs grant, of this amount
  - R93 million is for the completion of sanitation projects
  - R26 million is for the completion of projects of the Accelerated Schools Infrastructure Delivery for backlogs in schools without water, sanitation and electricity and to replace schools constructed from inappropriate material
  - R18 million is for associated management costs to the implementing agent (in the Eastern Cape, KwaZulu-Natal and Limpopo)

# Amendments to the 2023/24 Municipal conditional grants



R million	2022/23	2023/24	Amendments	Adjusted 2023/24
	Adjusted Budget	Medium-term estimates		
<b>Equitable share and related</b>	<b>87 311</b>	<b>96 546</b>	<b>-1 400</b>	<b>95 146</b>
<b>Direct conditional grants</b>	<b>51 542</b>	<b>51 992</b>	<b>-2 005</b>	<b>49 987</b>
Municipal disaster recovery	3 319	321	1 572	1 893
Municipal infrastructure	16 842	17 545	-1 230	16 315
Integrated national electrification programme	2 120	2 212	-180	2 032
Informal settlements upgrading partnership	4 273	4 365	-306	4 059
Urban settlements development	7 352	8 149	-553	7 596
Infrastructure skills development	159	160	-9	151
Neighbourhood development partnership	1 293	1 475	-128	1 347
Programme and project preparation support	361	377	-58	319
Expanded public works programme intergrated	778	781	-32	749
Public transport network	6 013	6 794	-600	6 194
Regional bulk infrastructure	2 521	3 496	-237	3 259
Water services infrastructure	3 701	3 864	-244	3 620
<b>Total direct transfers</b>	<b>154 188</b>	<b>163 972</b>	<b>-3 405</b>	<b>160 567</b>
<b>Indirect transfers</b>	<b>8 171</b>	<b>8 481</b>		<b>8 481</b>
Integrated national electrification programme	3 588	3 821	-303	3 518
Neighbourhood development partnership	201	101	88	189
Regional bulk infrastructure	3 470	3 607	-309	3 298
Water services infrastructure	771	805	309	1 114

# Amendments to the 2023/24 Municipal conditional grants



Reprioritisation from the integrated national electrification (Eskom) grant:

- R53 million is reprioritised from the integrated national electrification (Eskom) grant to the national Department of Mineral Resources and Energy **to fund the rehabilitation of derelict and ownerless mines**

Shift of funds from the regional bulk infrastructure grant to the water services infrastructure grant

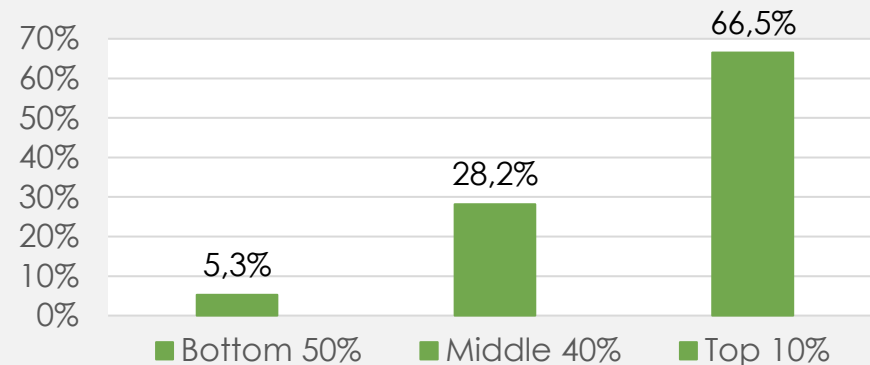
- R309 million has been shifted from the indirect component of the regional bulk infrastructure grant to the indirect component of the water services infrastructure grant
- This is to enable the Department of Water and Sanitation to manage contractual obligations, budget pressures, accruals and payables for projects in several municipalities

# Situational analysis

# Poverty and inequality

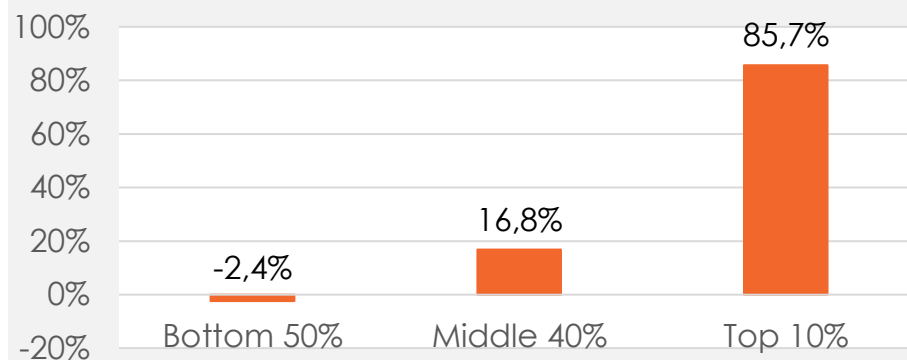
- There has been an ongoing intense cost of living crisis in South Africa since before 1994 that has had long-term, cumulative negative impacts on households
- The NDP goal for 2030 is to eliminate poverty and raise the share of national income of the bottom 40 per cent from 6 to 10 per cent
- However, in 2021, the bottom 50 per cent of the population earned only 5.3 per cent of national income
- According to Stats SA (2022), social grants were the second most important source of income (51.0%) for households after salaries (5.4%), and the main source of income for about one-fifth (24.4%) of households nationally
- Large proportions of the population are subject to debilitating poverty and unemployment and institutional support is inadequate
- In a country with obscene inequality and more than 50 per cent of the population living in poverty demand will be constrained

### South Africa's income inequality (2021)



Source: World Inequality Report 2022

### South Africa's wealth inequality (2021)

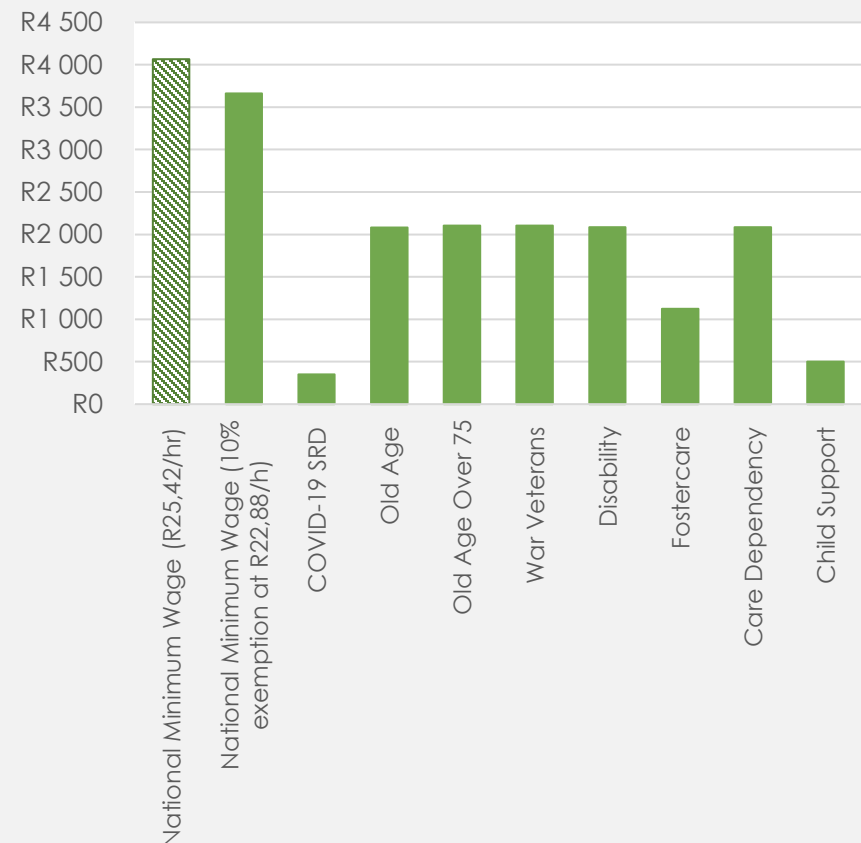


Source: World Inequality Report 2022

# The cost of living crisis

- Household budgets remain under pressure as the cost of essential items, such as fuel, food, healthcare, and education has risen.
- Headline consumer price inflation (CPI) has increased since the onset of the pandemic
- The minimum wage is less than the average Household Food Basket (R5 155.77 a month)
- If on average there is one waged worker per four individuals in a household, income per member for all household members would fall below the upper-bound poverty line of R1 558 in May 2023 prices
- Additional sources of income, such as social grants, therefore, are vital in helping households to secure their basic needs
- Amid stagnant wage growth and below-inflation social grant increases (in some years), the escalating cost of goods and services has eroded the incomes of households

Average food basket against the National Minimum Wage and grants



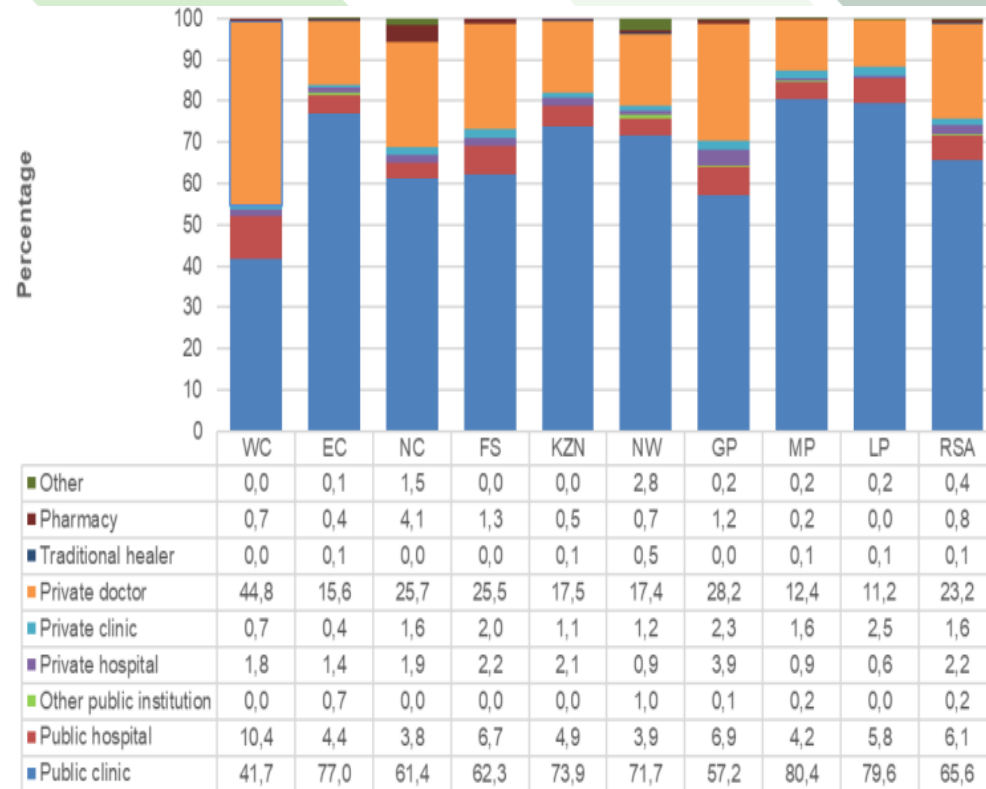
Source: PMBEJD September Index, Budget Review 2023



# The state of health

- The government spends the same amount on public healthcare for all South Africans as the private healthcare system does for only around 16 per of the population
- Private healthcare access is disproportionately enjoyed by white South Africans
- Most households (71.9%) visit a public healthcare facility first when they fall ill or have an accident
- Relatively wealthy households were more likely to be located within a 10 km radius of a healthcare facility in comparison to relatively poorer households
- Socio-economically disadvantaged households are more likely to postpone seeking healthcare due to high costs and transportation challenges

**Percentage distribution of the type of healthcare facility consulted first by households when members fall ill or get injured by province, 2021**

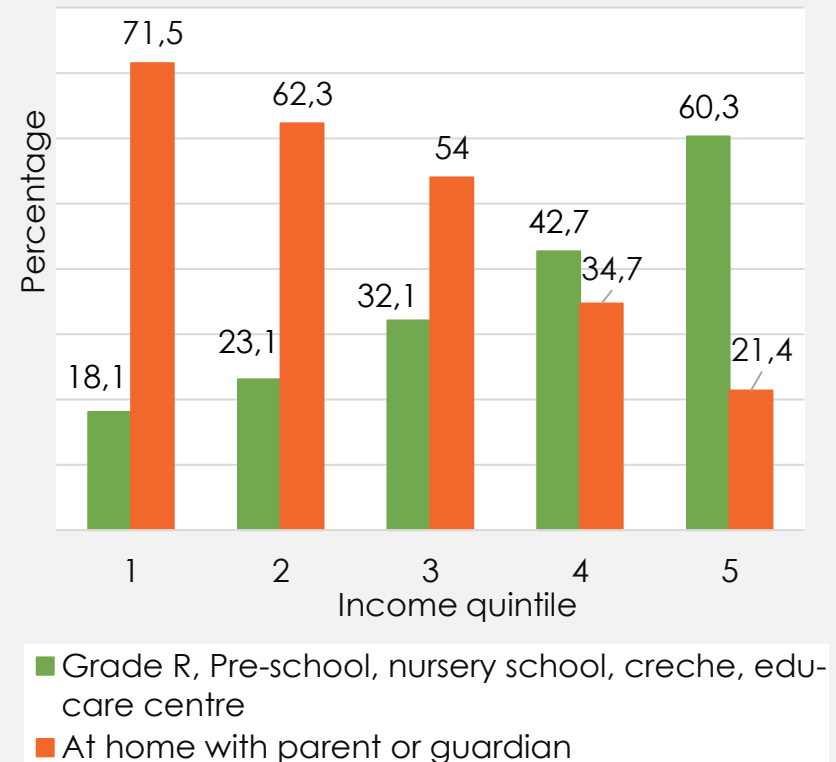


Source: Stats SA

# South Africa's education sector

- Large gains have been made in access to education
- However, according to Stats SA (2022):
  - There was a decline from 36.8 per cent in 2019 to 31.5 per cent in 2022 in children aged 0 to 4 who attended Grade R and pre-school
  - Children from poorer households are more likely to stay at home with parents or guardians than attend Early Childhood Development (ECD) centres
  - Socioeconomic status is still a determinant of access to education
  - The percentage of individuals aged 18 to 24 who are still attending secondary school was higher for households in poorer income groups than households in higher income groups
  - Youth aged 18 to 24 from the highest income households are more likely to attend university than those in lower quintile groups

Child care arrangements for children aged 0 to 4 by income quintile



Source: Stats SA 2022

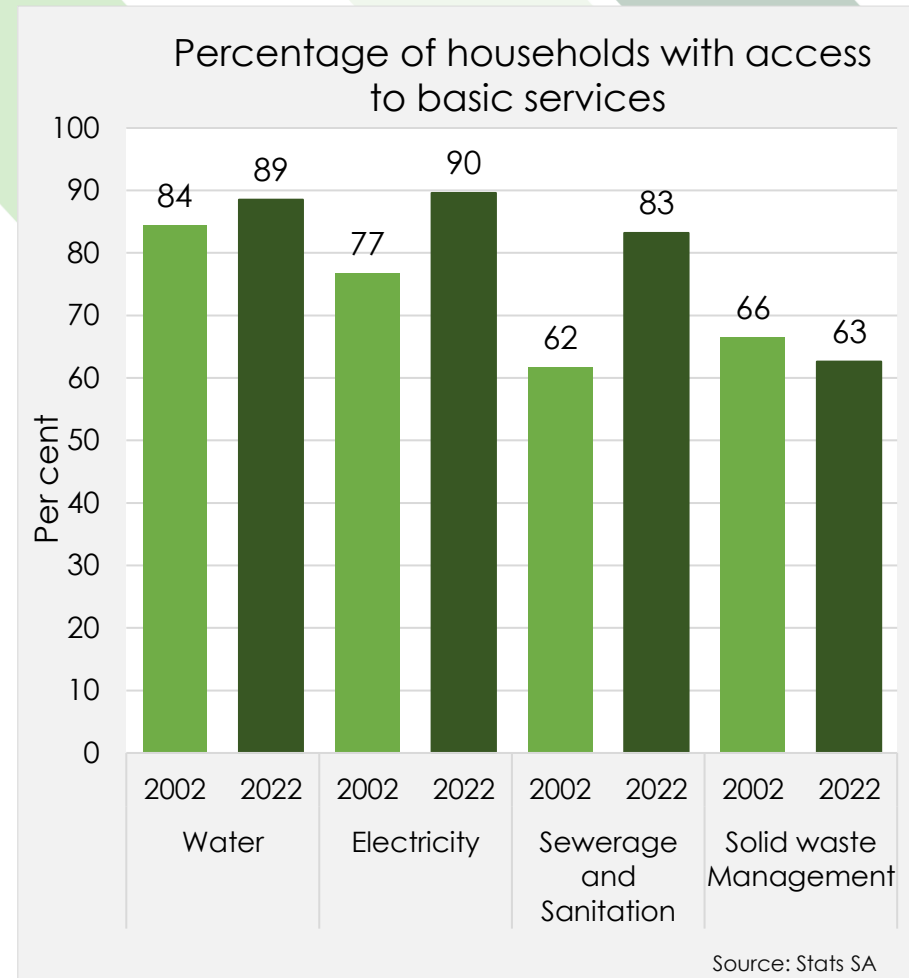
# South Africa's education sector



- Basic reading prowess has declined in South Africa
  - Oxford University Press reports on early grade reading indicate that fewer than 50 per cent of Grade 1 children learn the letters of the alphabet by the end of Grade 1
  - More than 30 per cent do not know all the letters of the alphabet by the end of Grade 2
- The International Reading Literacy Study (PIRLS) states that 81 per cent of Grade 4 learners are unable to read for meaning in any language
- Learning inequalities remain deeply entrenched in the education system/sector
- In October 2018, South Africa presented its report on the national record of making rights a reality to the United Nations Committee on Economic, Social, and Cultural Rights
  - In its concluding remarks, the Committee admitted, “It is concerned that the budget austerity measures have resulted in significant budget cuts in the health, education, and other public service sectors, and that they may further worsen inequalities in the enjoyment of the rights under the Covenant, or even reverse the gains made, particularly in the health and education sectors”
- While the country has made significant progress in advancing basic education, the budget cuts proposed by the MTBPS are a threat to further progress

# The provision of basic public services

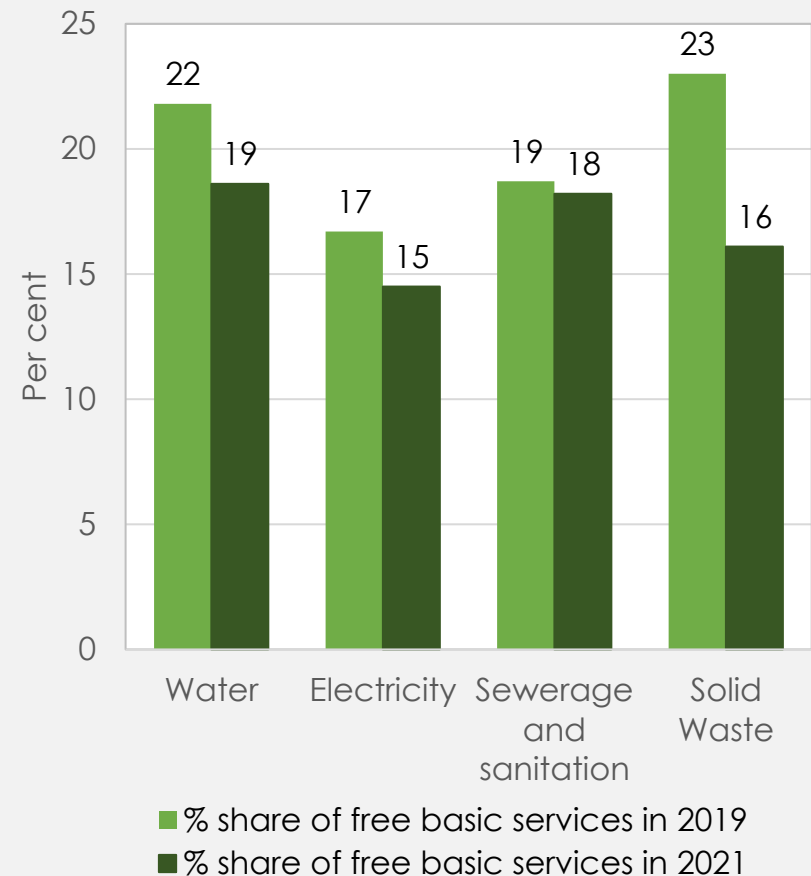
- Basic public services play a critical role in household social reproduction and in building resilience to disasters like the COVID-19 pandemic, natural disasters and economic downturns
- Municipal services should be seen as a tool to reduce poverty and inequality, raise living standards and facilitate economic opportunities
- Government has made significant progress providing access to important services. However, the quality, equity, adequacy and affordability of these services remain of great concern
- Across the board, municipal services price rises have far exceeded the inflation rate over the last 10 years
  - Rates and taxes increased by 118 per cent
  - Electricity tariffs increased by 177 per cent
  - Water tariffs increased by 213 per cent
- Research by the Public Affairs Research Institute indicates that most income-poor households are expected to allocate about one-quarter of their total income towards payment of municipal services
- Millions of households are forced to choose between feeding their children and paying for municipal services



# Only a small fraction of income-poor households receive free basic services

- Millions of households eligible for free services cannot access them due to a dysfunctional system for registration of indigent households and fiscal consolidation
- Policies to offer a level of free basic services, such as electricity, water, and sanitation to indigent households have had a small impact on affordability
- The latest Non-Financial Census of Municipalities (NFCS) shows that fewer consumer units received free basic services in 2021 than in 2019
- The free electricity and water utilities available to households are insufficient to meet their basic needs
- The funding model assumptions of the White Paper on Local Government have been critiqued:
  - Municipalities have been unable to fulfil the conflicting objectives placed on them of achieving financial viability through self-financing and to improve service delivery
  - The situation where households cannot afford ever-increasing municipal tariffs means that the financial viability of municipalities will remain under threat
- The provision of public basic services should be seen as an important investment into the economy and society as a whole (not just the low-income communities).

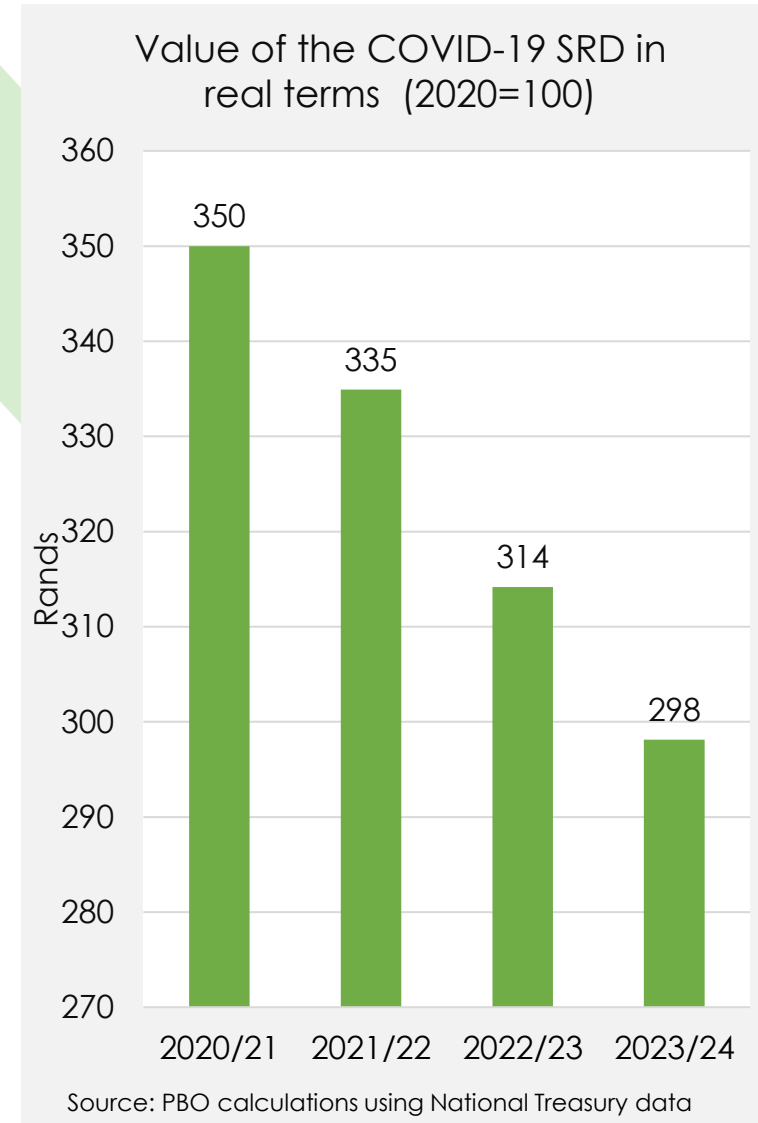
Percentage of households with access to basic services



Source: Stats SA

# The Social Relief of Distress (SRD) grant

- The COVID-19 SRD grant has not been adjusted for inflation since its introduction in 2020
- Therefore, the R350 SRD grant can buy today only what one could have bought for R286 in 2020
- Allocations for the SRD have been inadequate and budgets have been adjusted downward
  - In Budget 2022, R44 billion was allocated to serve 10.5 million people
  - The allocation in the MTBPS for 2022/23 is for only 7.97 million beneficiaries
  - As previously highlighted, over R9 billion of the estimated expenditure was unspent in 2022/23
  - Budget 2023 estimated the number of beneficiaries for 2023/24 at 8.5 million
  - The allocation in the 2023 Budget was R36 billion
- Only R33.6 billion has been allocated for the SRD in 2024/25, which is less than previous allocations
- The exclusion criteria excludes between 3.1 and 5.9 million people in the target group identified by DSD (of 10.9 million) from receiving the SRD grant



# Households and social reproduction



- Fiscal consolidation worsens socioeconomic conditions for households over time and further erodes household resilience
- Expenditure on social grants, basic services, and community and social expenditure are generally narrowly considered to be consumption expenditure by the government
- However, the provision of public basic services is critical to social reproduction
- Women and girls undertake a disproportionate amount of unpaid work on vital household duties, which is not counted in Gross Domestic Product (GDP) calculations
  - The injustice of this feature of GDP is that vital unpaid work that is essential for the health and productivity of household members and communities is treated as without value in the country's national accounts
- When there are deep structural reasons underpinning the economy's inability to provide work to a very large proportion of the working-age population (millions of people who want to work), the government's social expenditure is an important complement to the unpaid work not only for households and communities suffering with high levels of poverty but for the health and operation of the entire economy and stability of society
- Inadequate and declining government expenditure increases the burden of unpaid work pushed onto women
- South Africa has an obscene level of inequality, which means that the few who own most of the assets and capture higher levels of income gain very disproportionately from the benefits that accrue to the economy and society from this extra burden of unpaid work on less affluent women

# Understanding the 'social wage'

- The NT states in the 2013 budget Review:

*The National Development Plan (NDP) recognises that reducing the cost of living is essential for broadening economic participation and eliminating poverty. Alongside the “economic wage” earned through work, the “social wage” provided by government represents a steadily rising contribution to improved living conditions of working people and their families (p81)*

- Items that the NT counts as part of the 'social wage' in the 2023 MTBPS are community development (housing, transport, basic services and local development), employment programmes, health, education, social protection and social security funds
- They calculate that the 'social wage' as 61 per cent of government non-interest expenditure
- However, they fail to explain that the values they lump under the category 'social wage' are not only contributing to the “improved living conditions of working people and their families”
- This expenditure is on all of South Africa, rich and poor
- Unfortunately, many of these expenditure items, including transport, basic services, local development, health and education may benefit affluent South Africans more than those who actually require income supplementation to improve their living conditions because:
  - Past and current government expenditure has been providing the institutional and infrastructural platforms on which private provision of all of these areas of depend and exist
  - For example, private hospitals, medical aids (with tax benefits), private schools, gated communities and even private pensions (with tax benefits) and insurance could not exist without the extensive backbone provided by the state



# Adjusted Estimates of National Expenditure

# Amendments to the 2023/24 expenditure per Votes



Vote number and title				Apr 23 - Sep 23 % of main appropriation	Apr 23 - Sep 23 % of adjusted appropriation
R thousand	Appropriation	Total adjustments	Adjusted appropriation		
2	Parliament <sup>1</sup>	3 423 486	(214 670)	3 208 816	–
3	Cooperative Governance	121 698 251	(1 324 509)	120 373 742	40,5%
5	Home Affairs	10 863 343	1 316 611	12 179 954	52,4%
6	International Relations and Cooperation	6 694 073	136 563	6 830 636	56,0%
9	Planning, Monitoring and Evaluation	475 848	(10 365)	465 483	41,6%
10	Public Enterprises	302 912	(27 635)	275 277	41,8%
22	Correctional Services	26 026 672	544 294	26 570 966	53,3%
23	Defence	51 124 429	1 343 755	52 468 184	51,2%
26	Military Veterans	894 704	(48 419)	846 285	23,7%
28	Police	102 137 656	3 337 979	105 475 635	51,4%
30	Communications and Digital Technologies	3 512 185	(200 000)	3 312 185	44,3%
33	Human Settlements	34 942 401	(3 184 421)	31 757 980	38,9%
34	Mineral Resources and Energy	10 701 218	(430 000)	10 271 218	43,8%
38	Tourism	2 524 244	(63 699)	2 460 545	36,9%
41	Water and Sanitation	22 257 306	(881 390)	21 375 916	44,0%
<b>Total appropriation by vote</b>		<b>1 077 437 771</b>	<b>(12 396 113)</b>	<b>1 065 041 658</b>	<b>50,6%</b>

# Declared unspent funds

<b>Vote and description of expenditure</b>	<b>R thousand</b>
<b>3 Cooperative Governance</b> Local government equitable share allocation due to lower than projected bulk electricity costs	(1 357 517)
<b>8 National Treasury</b> Payments for financial assets	(502 000)
<b>32 Forestry, Fisheries and the Environment</b> Agency and outsourced services due to cancellation of contracts	(100 000)
<b>Total declared unspent funds</b>	<b>(1 959 517)</b>
<b>National government projected underspending</b>	<b>(797 300)</b>
<b>Local government repayment to the National Revenue Fund</b>	<b>(2 500 000)</b>
<b>Total</b>	<b>(5 256 817)</b>

- R1.4 billion unallocated funds in the local government equitable share to accommodate municipal tariff increases if it exceeds the 20.7 per cent increase expected. NERSA approved a municipal tariff increase of 15.1 per cent; therefore unspent
- The R502 million of the R1 billion appropriated for the recapitalisation of the Land and Agricultural Development Bank of South Africa is suspended from Treasury's budget and included as part of a direct charge against the National Revenue Fund to cater for the government-guaranteed debt obligation on behalf of the bank, in line with section 70 of the Public Finance Management Act (1999).
- R100 million is declared on agency and support/outsourced services due to the cancellation of contacts with training service providers for the expanded public works programme

# Self-financing expenditure

Vote and description of expenditure	R'000	Actual April-Sept
<b>4 Government Communication and Information System</b> Expenditure to produce Vuk'uzenzele newspaper, which is funded from revenue generated through advertising in the newspaper	800	1 120
<b>5 Home Affairs</b> Expenditure incurred by issuing official documents, which is defrayed by revenue generated from issuing the documents	1 047 000	425 302
<b>18 Health</b> Expenditure related to the COVID-19 vaccination programme, which is funded from revenue collected from costs recuperated from the COVID-19	84 000	103 271
<b>22 Correctional Services</b> Expenditure for offender gratuities, which is funded from revenue generated from the hiring out of offender labour	1 048	122 235
<b>23 Defence</b> Expenditure for defence activities, of which R717.508 million is defrayed from reimbursements from the United Nations, and R33.527 million from the sale of equipment and spares procured through the special defence account.	751 035	578 069
<b>39 Trade Industry and Competition</b> R64.022 million for unitary payment in respect of the public-private partnership for shared campus accommodation, which is funded from unitary payments received from public entities and R15 million for expenditure towards the Industrial Development Corporation: Tirisano Construction Fund for projects that form part of the annual plan under the voluntary rebuild programme settlement agreement	79 022	93 147
<b>Total</b>	<b>1 962 905</b>	<b>1 323 144</b>

# Example of virements and shifts in terms of the efficiency measures: EPWP



- EPWP is a medium- to long-term government-funded programme that promotes the use of labour-intensive methods to create work opportunities, services and assets, thus contributing towards employment, and poverty alleviation
- By March 2023, the programme had created over 14 million work opportunities since its inception in April 2004
- Provincial spending as at 30 September: 51.5 per cent

Adjustment of R112 million to EPWP in 2023/24 comprised of:

- R102.28 million due to significant and unforeseeable economic and financial events
- R9.59 million for Virements and shifts within the vote mainly from agency and support/outsourced services in Programmes 3: EPWP to goods and services, such as advertising, travel and subsistence, venues and facilities in programme 1: Administration
  - To note is that most of these items were mentioned by the National Treasury as items that need to be cut

# Effect of amendments on performance



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Indicator	Projected for 2023/24 as published in the 2023 ENE	Achieved in the first half of 2023/24 (April to September)	Changed target for 2023/24 (If permissible)
<b>VOTE 12: PUBLIC SERVICE COMMISSION</b>			
Number of reports on leadership and human resource management practices developed per year	5	0	4
Number of oversight reports on the implementation of the ethics framework per year	3	0	1
<b>VOTE 19: SOCIAL DEVELOPMENT</b>			
Percentage of non-profit organisations' registration applications processed per year within 2 months of receipt	98%	100%	0
<b>VOTE 22: CORRECTIONAL SERVICES</b>			
Percentage of overcrowding in correctional facilities in excess of approved bed space capacity per year	45%	40%	50%
<b>VOTE 29: AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT</b>			
Number of plant pest risk surveillances conducted per year <sup>2</sup>	3	3	0
Number of animal disease risk surveillances conducted per year <sup>2</sup>	3	3	0
Number of hectares allocated per year <sup>2</sup>	36 628	0	42 456 <sup>3</sup>
Number of land claims finalised per year	459	52	406
Number of subsistence and smallholder producers supported per year	120 000	7 233	100 000
Number of young people trained through the national rural youth service corps programme per year	819	7	2 849 <sup>3</sup>

# Effect of amendments on performance



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Indicator	Projected for 2023/24 as published in the 2023 ENE	Achieved in the first half of 2023/24 (April to September)	Changed target for 2023/24 (If permissible)
<b>VOTE 30: COMMUNICATIONS AND DIGITAL TECHNOLOGIES</b>			
Number of households connected as part of the national broadband plan (phase 2) per year	1 943 403	897	882 000
<b>VOTE 34: MINERAL RESOURCES AND ENERGY</b>			
Number of mining rights and permits granted or issued to historically disadvantaged South Africans per year	120	145	200
Number of derelict and ownerless mines rehabilitated per year	3	0	0
Number of additional households electrified with grid electrification per year	220 000	55 463	0
Number of additional substations upgraded per year	3	0	0
Kilometres of existing medium-voltage power lines upgraded per year	50	0	0
<b>VOTE 35: SCIENCE AND INNOVATION</b>			
Funds invested by international partners in their own organisations and initiatives targeted at cooperation with South African partners in the areas of research, innovation, science, technology and innovative human capital development as part of cooperation initiatives implemented by the department per year	R400m	0	0
Number of pipeline postgraduate students (BTech, honours and masters) awarded bursaries per year, as reflected in reports from the National Research Foundation and relevant entities	10 900	3 747	4 000 <sup>1</sup>

# Effect of amendments on performance

Indicator	Projected for 2023/24 as published in the 2023 ENE	Achieved in the first half of 2023/24 (April to September)	Changed target for 2023/24 (If permissible)
<b>VOTE 40: TRANSPORT</b>			
Lane kilometres of surfaced roads rehabilitated per year (km)	2 739	315	1 845
Lane kilometres of roads resealed per year (km)	3 712	260	3 000
Kilometres of roads re-gravelled per year (km)	5 500	850	4 000
Number of average weekday bus rapid transit passenger trips per year: A Re Yeng (Tshwane)	47 560	7 217	26 940
Number of average weekday bus rapid transit passenger trips per year: Libhongolethu (Nelson Mandela Bay)	15 050	3 900	6 000
Number of average weekday bus rapid transit passenger trips per year: Harambee (Ekurhuleni)	19 470	8 962	13 977
<b>VOTE 41: WATER AND SANITATION</b>			
Number of wastewater systems assessed for compliance with green drop regulatory requirements per year	1 004	256	
Number of mega regional bulk infrastructure project phases completed per year	1	0	
Number of large regional bulk infrastructure project phases completed per year	10	1	
Number of small regional bulk infrastructure project phases completed per year	9	2	
Number of small water services infrastructure grant projects completed per year	86	45	103

1. Only data for the first quarter was available at the time of publication.

2. Indicator revised to align with the department's 2023/24 annual performance plan.

3. Target revised to align with the department's 2023/24 annual performance plan.



# Eskom Debt Relief Amendment Act, 2023

# Eskom Debt Relief Amendment Act, 2023

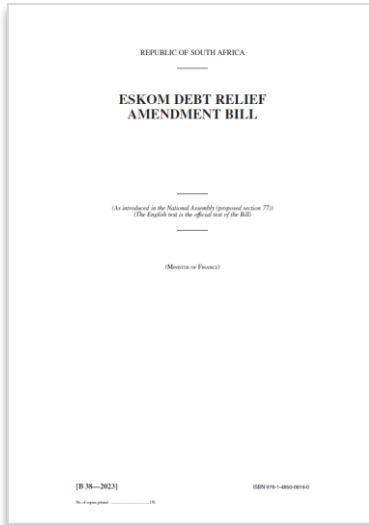
- Eskom will receive R254 billion in debt relief over the next three years
- The breakdown of the relief includes R78 billion in 2023/24, R66 billion in 2024/25 and R40 billion in 2025/26
- As of 30 September 2023, government disbursed R16 billion (21 per cent) of the R78 billion allocated amount for 2023/24

## The National Treasury now seeks to amend the Eskom Debt Relief Bill, promulgated in July 2023, by proposing the following amendments

1. Converting the R254 billion debt relief provided to Eskom from interest-free to interest-bearing to more accurately reflect the costs of the debt-relief arrangement
2. Empowering the Minister of Finance (after consultation with Eskom) with the ability to reduce the amount of debt relief going forward if Eskom fails to comply with conditions aimed at protecting public funds
3. Should Eskom not meet the conditions, the loan will NOT be converted into equity at the end of the financial year

### IMPORTANT TO NOTE

- **Interest rate determination:** The interest to be paid on the loan will be at a rate determined by the Minister
- **Consequences of non-compliance:** Should it be determined that Eskom failed to comply with the debt relief conditions, the amounts reduced by the Minister will apply to future advances to Eskom
- **Conditional reductions:** The reduced amounts may not exceed 5 per cent of the total amount for the applicable financial year
- **Conditions:** The operational conditions applicable to the debt relief will be included in Eskom's corporate plan
- **Monitoring and reporting:** A task team has been established to monitor compliance with conditions and report quarterly on whether Eskom is eligible for the conversion of the loan to equity



# Overview of generation capacity and energy reforms



## Key

New/undetermined



In progress



Approaching



Achieved



REFORM INITIATIVE	OVERVIEW	STATUS
Power Station Units	Eskom returned two units of service at Kusile (1600 MW) and is expected to return two more by the end of the year, adding another 1600 MW of capacity to the grid	●○○
Energy Availability Factor	Energy availability factor has risen from an average of 53 per cent in the first quarter of 2023 to nearly 60 per cent at the beginning of the fourth quarter	●○○
Renewable Energy	Additional capacity of over 11 000 MW from renewable sources is expected over the next three years	●○○
	By 2025, 9 projects with a total capacity of over 1000 MW will be connected to the grid under the Renewable Energy Independent Power Producer Procurement Programme	○○○
Private Sector Investments	Private-sector energy investments capable of generating over 5600 MW have been registered with the National Energy Regulator of South Africa (NERSA)	●○○
Increase in Capacity	3 projects under the Risk Mitigation Independent Power Producer Procurement Programme, with capacity totalling 150 MW, will be ready for connection to the grid in November 2023	●●○
Legislative Amendment	In August, Cabinet approved an amendment to the Electricity Regulation Act (2006) for public comment. The amendment aims to establish an independent transmission system operator	●○○
Municipal Debt Relief to Eskom	<ul style="list-style-type: none"> <li>Municipalities were invited to apply for debt relief for arrears debt to Eskom up to 31 March 2023</li> <li>The debt will be written off over three-year period, in equal annual tranches, provided the municipality complies with set conditions</li> <li>Applications Received: 67, totalling R56.8 billion, representing 97 per cent of total municipal debt owed to Eskom as of end-March 2023</li> <li>Of this 28, (~ 42 per cent) have been approved</li> </ul>	●○○

# Update on other SOEs

# Other SOEs

## Denel

- The government disbursed R1.9 billion to Denel through the Special Appropriation Act (2022) in March 2023, proportionate to the Denel's share of proceeds from the sale of its assets deemed to be non-core assets
- Denel has used of these proceeds to settle the last of its government guaranteed debt allowing the government to revoke Denel's government guarantee
- Denel has not submitted its annual financial statements since 2019/20; it is in financial distress

## The Land Bank

- The Land Bank could not cover its debt obligation in April 2020 and remains in default
- At the end of 2022/23, the National Treasury transferred R5.1 billion to the Land Bank, subject to conditions, as part of a R7 billion fiscal allocation
- The Government has wiped out its guarantee exposure to the Land Bank by settling R1.4 billion debt owed to all the Land Bank's guaranteed lenders
- The remaining portion of the R7 billion fiscal allocation will be transferred to the Land Bank in this financial year to use in its blended finance scheme during March 2024

# Other SOEs



## Transnet

- Transnet's Issued guarantee remains at R3.5 billion
- Existing debt was R130 billion at the end of March 2023
- It face serious operational challenges, which are largely due to underinvestment and inadequate maintenance over many years
- As a result, its revenue and liquidity has been declining, which has negatively affected its profitability
- Transnet has begun to implement a five-year capital investment programme estimated to cost R122.7 billion, which includes R99.5 billion for operational maintenance and R23.2 billion to expand infrastructure
- However, it faces significant funding constraints because of its existing high levels of debt and its poor profitability

## South African National Roads Agency

- SANRAL received R23 billion in the 2022 Adjustments Budget to help with rehabilitation and expansion of the toll road network
- It will ask the government for approval to revise its funding plan

# Additional slides

# Amendments to the 2023/24 Provincial conditional grants



Direct provincial conditional grants are reduced by R6.2 billion including reductions of:

- R125 million from the comprehensive agricultural support programme
- R36 million from the ilima/letsema projects grant
- R7 million from the landcare programme grant: poverty relief and infrastructure development
- R58 million from the early childhood development grant
- R1.6 billion from the education infrastructure grant
- R28 million from the HIV and AIDS (life skills education) grant
- R50 million from the maths, science and technology grant
- **R1 billion from the district health programmes grant**
- **R440 million from the health facility revitalisation grant**
- R1.7 billion from the human settlements development grant
- R477 million from the informal settlements upgrading partnership grant: provinces
- R31 million from the expanded public works programme integrated grant for provinces
- R31 million from the social sector expanded public works programme incentive grant for provinces
- R68 million from the community library services grant
- R43 million from the mass participation and sport development grant
- R550 million from the provincial roads maintenance grant



# 2021/22 Performance on Education Conditional Grants



Education Infrastructure Grant	HIV and AIDS Life Skills Education Grant	Children/Learners with Severe to Profound Intellectual Disability
<ul style="list-style-type: none"> <li>• Department has spent R11.5 billion (2% underspending) of the adjusted budget of R11.7 billion</li> <li>• Underspending was recorded in Limpopo Province. The reason for underspending:               <ul style="list-style-type: none"> <li>○ The service provider could not deliver mobile units on time due to capacity challenges following increased demand for mobile units from several education departments</li> </ul> </li> <li>• The department, however, did not set targets for the performance on the Education Infrastructure Grant</li> <li>• The absence of set targets makes it difficult to measure performance against planned outputs</li> </ul> <p><b>School Infrastructure Backlogs Grant</b></p> <ul style="list-style-type: none"> <li>• Department spent R2.3 billion (100%) of the transferred R2.3 billion by the end of the national financial year</li> <li>• Service delivery performance as follows:               <ul style="list-style-type: none"> <li>○ 21 new schools built</li> <li>○ 112 schools provided with water</li> <li>○ 1 019 schools provided with sanitation and no schools were provided with electricity</li> </ul> </li> <li>• It should be noted that the annual report numbers provided, differs from the numbers published in the 2022 DORA</li> </ul>	<ul style="list-style-type: none"> <li>• Department spent R240 million of the transferred funds amounting to R242 million               <ul style="list-style-type: none"> <li>○ 1 per cent underspending</li> </ul> </li> <li>• Under expenditure was noted in Gauteng, Limpopo and North West</li> <li>• The actual outputs of this grant are not in line with the expected outputs identified for the grant, they cannot be easily (directly) matched or compared               <ul style="list-style-type: none"> <li>○ This mismatch makes it difficult to measure performance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Department spent R225 million (93%) of the original budget of R243 million to provide education to learners with severe to profound intellectual disabilities</li> <li>• This expenditure indicates a 7 per cent underspending</li> <li>• The following contributed to the underspending:               <ul style="list-style-type: none"> <li>• Delays by PEDs in filling vacant posts</li> <li>• Delay in PEDs' supply chain management processes</li> <li>• Inadequate management of procurement plans by PEDs                   <ul style="list-style-type: none"> <li>○ However, the Eastern Cape, Free State, Limpopo, Mpumalanga and Western Cape have commitments against these funds and requested roll-overs from their respective Provincial Treasuries</li> </ul> </li> <li>• The department did not meet the expected outputs with regard to the human resources specific to:                   <ul style="list-style-type: none"> <li>○ The inclusive education through the recruitment of key staff in permanent posts,</li> <li>○ The training of transversal itinerant outreach team members, caregivers, special schoolteachers, and in-service therapists</li> </ul> </li> </ul> </li> <li>• This underperformance is directly linked to the underspending of this grant</li> </ul>

# 2021/22 Performance on Education Conditional Grants



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## Maths, Science and Technology Grant

## National School Nutrition Programme Grant

## Early Childhood Development Grant

- Department spent R401 million (97%) of the transferred funding of R412 million to increase the number of learners taking MST subjects and to improve the capacity of teachers in these subjects
- The underspending was due to a delay on service providers to deliver on time
- Despite the underspending, there was generally over performance with more schools, teachers and learners supported across all provinces
- The over performance could be due to the lower target setting in comparison with the previous year's outputs
- **Performance information from the 2023 DORA differs from the information provided in the Annual Report of the Department of Basic Education**

- Of the allocated R8.1 billion budget, 101 per cent was spent
- 2021/22 service delivery performance for this grant as follows:
  - 10.1 million learners were provided with meals in 20 497 primaries, secondary and special schools
  - 60 589 volunteer food handlers prepared meals for learners and received a stipend
  - A food safety video series was developed and released to provinces to support the effective training of implementers ranging from schools, districts and provinces
  - 1 361 primary and secondary schools received catering equipment and utensils from provinces
- The expected output was to have 21 000 schools that prepare nutritious meals for learners
- The actual output indicates that learners in 20 497 schools were provided with meals indicating an underperformance despite the overspending
- The reporting on the actual outputs is more detailed indicating the number of learners who received meals, the number of volunteer food handlers and the number of schools that received catering equipment, all of which were not detailed as expected outputs

- Of the total grant allocation of R1.6 billion, including a rollover amount of R386 million, R1.2 billion (76%) was spent by the end of the financial year.
  - In 2021/22 469 995 children benefitted from the ECD subsidy
- Early Childhood Development Grant: Infrastructure Component**
- The strategic goal of this component of the ECD grant is to increase access to quality early childhood development (ECD) services for poor children.
  - Of the R87 million that was transferred to provinces, R63 million (72%) was spent by the end of the financial year
  - A total of 181 ECD centres benefitted from the maintenance grant and 92 were rolled over into the 2022/23 financial year
- Early Childhood Development Grant: Subsidy Component**
- R1 billion (83%) of the allocated R1.2 billion of the subsidy expansion grant was spent by the end of the financial year
  - A total of 469 995 children benefitted from the subsidy

# 2021/22 Performance on Health Conditional Grants



National Tertiary Service Grant	District Health Programmes Grant	Health Facility Revitalisation Grant
<ul style="list-style-type: none"> <li>• Allocated and transferred R13.7 billion to provinces</li> <li>• R13.3 billion (97%) was spent</li> <li>• The following provinces underspent:               <ul style="list-style-type: none"> <li>○ Gauteng underspent by 7 per cent</li> <li>○ Limpopo by 4 per cent</li> <li>○ North West province by 4 per cent</li> </ul> </li> <li>• The overall underspending in Gauteng is mainly under machinery; however, the department had commitments to the value of R362.3 million, and a rollover application was submitted to the Provincial Treasury</li> <li>○ The purchasing of machinery from this grant is not reflected as an output</li> <li>• It is therefore not clear why a roll over was requested for machinery</li> <li>• Despite the under expenditure of 3 per cent, most of the targets set for the National Tertiary Services Grant were exceeded</li> <li>• <b>It is not clear why a target of 110 per cent has been set for bed utilisation</b></li> <li>○ Reaching such a target would mean overcrowding in hospitals</li> <li>• A separation of bed utilisation per facility should be provided for policy makers to determine the needs at specific facilities</li> </ul>	<p><b>HIV and AIDS component</b></p> <ul style="list-style-type: none"> <li>• Allocated and transferred R22.5 billion           <ul style="list-style-type: none"> <li>○ R21.9 billion (97%) was spent</li> </ul> </li> <li>• 3 per cent underspending with low performance</li> </ul> <p><b>TB component</b></p> <ul style="list-style-type: none"> <li>• R506 million was allocated and transferred to provinces</li> <li>• R513 million (101.4%) was spent</li> <li>• Only 2 of the 6 outputs were achieved</li> <li>• The underperformance on targets raises questions in terms of the efficiency of expenditure or alternatively the setting of targets in line with previous actual performance</li> </ul> <p><b>Community outreach services component</b></p> <ul style="list-style-type: none"> <li>• Allocated R2.4 billion</li> <li>• R2.4 billion was spent</li> </ul> <p><b>Malaria elimination component</b></p> <ul style="list-style-type: none"> <li>• Allocated R104 million</li> <li>• The health sector spent R101 million (97%)</li> </ul> <p><b>Human Papillomavirus (HPV) component</b></p> <ul style="list-style-type: none"> <li>• allocated R220 and the full amount was spent by the end of the financial year</li> </ul> <p><b>Mental Health Services component</b></p> <ul style="list-style-type: none"> <li>• <b>2023 DORA includes the Mental Health Services under the NHI Indirect Grant</b></li> </ul> <p><b>Oncology Services component</b></p> <ul style="list-style-type: none"> <li>• <b>2023 DORA includes the Oncology Services under the NHI Indirect Grant</b></li> </ul> <p><b>COVID-19 component</b></p> <ul style="list-style-type: none"> <li>• Allocated R1.5 billion in 2021/22</li> <li>• R1.2 billion (80%) was spent</li> </ul>	<ul style="list-style-type: none"> <li>• Allocated: R6.4 billion</li> <li>• Transferred: R6.4 billion</li> <li>• Spent: R6.1 billion (95%)</li> <li>• 5 per cent underspending</li> </ul> <ul style="list-style-type: none"> <li>• Service delivery performance for this grant in the 2021/22 financial year:           <ul style="list-style-type: none"> <li>• 62 facilities constructed or revitalised</li> <li>○ Over performed compared to the expected output of 40 facilities</li> <li>• 21 hospitals constructed or revitalised</li> <li>○ 100 per cent performance as 21 hospitals were targeted</li> <li>• 121 public health facilities (clinics, hospitals, nursing colleges, EMS base) maintained, repaired and/ or refurbished</li> <li>○ Over performed with one public health facility as 120 facilities were targeted</li> </ul> </li> <li>• despite the underspending the planned revitalisation, maintenance or construction have been achieved</li> </ul>

# 2021/22 Performance on Health Conditional Grants



Statutory Human Resources and HP Training & Development (Direct Grant)	National Health Insurance Indirect Grant	National Health Insurance Direct Grant
<p><b>Statutory Component</b></p> <ul style="list-style-type: none"> <li>Allocated R1.5 billion, which was transferred to provinces,</li> <li>R1.5 billion was spent by the end of the financial year</li> </ul> <p><b>Human Resources Component</b></p> <ul style="list-style-type: none"> <li>Allocated R2.7 billion which was transferred to provinces</li> <li>R2.7 billion was spent by the end of the national financial year</li> <li>The grant over performed when comparing the actual outputs achieved with the expected outputs:                             <ul style="list-style-type: none"> <li>4 825 statutory posts funded from this grant and other funding sources compared to the planned 1 388</li> <li>1 476 registrars' posts funded from this grant and other funding sources compared to the planned 1 272</li> <li>428 specialist posts funded from this grant and other funding sources compared to the planned 189</li> </ul> </li> </ul>	<p><b>Personal Services Component</b></p> <ul style="list-style-type: none"> <li>R18 million made available for this component, R18 million was spent</li> <li>No outputs achieved as the Personal Services Component was reprioritised during the adjustment period</li> </ul> <p><b>Non-Personal Services Component</b></p> <ul style="list-style-type: none"> <li>R607 million made available, R499 million was spent (82.2%)</li> <li>The under spending was because some of the invoices could not be paid and slow SCM processes</li> </ul> <p><b>Health Facility Revitalisation Component</b></p> <ul style="list-style-type: none"> <li>Allocated R803 millions of which R795 million (99%) was spent</li> <li>Underspending due to delays in Limpopo Academic Hospital, which took longer than anticipated on the Gateway review</li> <li>The percentage of PHC facilities that achieve an ideal status, remains only at 55 per cent</li> </ul>	<ul style="list-style-type: none"> <li>Allocated: R268 million</li> <li>Spent: R264 million</li> <li>1 per cent underspending</li> </ul> <ul style="list-style-type: none"> <li>According to the 2023 DORA, 233 health care professionals were contracted</li> <li>There is no reporting by DORA on the audited number of patients seen by contracted health professionals</li> <li>However, the annual report of the department indicates that 171 663 patients were seen</li> </ul>

# 2021/22 Performance on Transport Conditional Grants



## Provincial Road Maintenance Grant (PRMG)

- Allocated: R11.9 billion
- Transferred: R11.9 billion
- Spent: R10.5 billion (88%)
- 12 per cent underspending

## Public Transport Operations Grant (PTOG)

- Allocated: R7.1 billion
- Transferred: R7.1 billion
- Spent: R6.5 billion (92%)
- 8 per cent underspending

### Service delivery performance

No targets were set for outputs for these grants

Non-setting of targets makes it difficult to measure the non-financial performance of this grant

- Provinces developed and updated the road asset management plan
- 37 021 km kilometers of surfaced roads visually assessed as per the applicable technical methods for highway manual
- 57 561 km kilometers of gravel roads visually assessed as per the applicable technical methods for highway manual
- 5 289 231 m2 (effectively km) surfaced roads rehabilitated
- 4 097 490 m2 (effectively 1 171km) surfaced roads resurfaced
- 1 362 043 m2 (effectively 389 km) of blacktop patching (including pothole repairs)
- 5 366 km of gravel roads re-gravelled
- 352 104 km of gravel roads bladed
- 311 106 jobs created
- 49 300 full-time equivalents created
- 67 765 youths employed (18-35)
- 222 123 women employed
- 1 544 people living with disabilities employed

- 6 377 vehicles subsidised
- 210 701 153 kilometres subsidised
- R6.67 Subsidy per passenger
- R7.08 Subsidy per kilometre operated
- 2 933 Passengers per vehicle
- 41.1 Passengers per trip operated
- 2.0 Employees per vehicle

### Reasons for underspending

- Supply chain challenges
- Delays in the implementation of projects due to the effects of the Covid-19 regulations
- Some indicated that they have applied for rollovers through their Provincial Treasuries

- Four contracts not operational in the Gauteng Province

# 2021/22 Performance on Transport Conditional Grants



## Public Transport Network Grant (PTNG)

- Transferred: R5.2 billion
- Spent: R3.7 billion (71%)
- 29 per cent underspending

## Rural Road Asset Management Systems Grant (RRAMS)

- Transferred: R109 million
- Spent: R82 million (92%)
- 8 per cent underspending

### Service delivery performance

- Cape Town: 49 708 average weekday passenger trips, 19 hours of operations were recorded throughout the year, relaunched N2 Express services, development of a Non-Motorised Transport (NMT) Design Guidelines Manual incorporating Universal Access (UA) design and incorporated into the City of Cape Town's Standards and Guidelines for Roads and Storm water
- Ekurhuleni: 5 623 average weekday passenger trips and 19 hours of operations were recorded throughout the year. The previous reporting period showed the network was still under construction
- Rustenburg: Completed 5km of dedicated lanes for Phase 1A, 4 km of the CBD loop and 17 km for Phase 1B and procured 10 (12m) buses (IPTN fleet)
- Tshwane: 7 124 average weekday passenger trips, 15 hours of operations were recorded throughout the year
- Nelson Mandela Bay: 2 499 average weekday passenger trips and 18 hours of operations were recorded throughout the year. The previous reporting period showed that the network was still under construction

- 16 933 kilometres of paved road network assessed
- 52 735 kilometres of unpaved road network were assessed
- 35 062 structures identified by the programme in the district municipalities receiving the grant
- 164 graduates recruited into the programme

### Reasons for underspending

- The municipal sphere's financial year annually runs for three more months after the end of the national financial year therefore, the unspent funds are likely to be spent
- Mbombela and Msunduzi were transferred an in-year reallocation, respectively, on the 28th of March 2022 to finally settle their multi-year contractual commitments following their suspension from the 2020 Medium Term Expenditure Framework (MTEF) funding to date

- Delays by district municipalities to procure technical services on time, long before the expiry of the contracts
- Handing over of graduates by the outgoing service provider when the contract comes to an end to the DM and/or the newly appointed service provider

# 2021/22 Performance on Human Settlements Conditional Grants



## Human Settlement Development Grant

- Allocated: R13.8 billion
- Transferred: R13.4 billion
- Spent: R13.3 billion
- Underspending

## Informal Settlements Upgrading Partnership Grant: Provinces

- Allocated: R3.9 billion
- Transferred: R3.9 billion
- Spent: R408 million
- Underspending

### Service delivery performance

- 28 351 housing units completed
- 37 823 serviced sites completed

- 21 075 serviced sites
- 1 284 informal settlements in various stages of upgrading
- Phase 1**
  - 165 pre-feasibility studies conducted
- Phase 2**
  - 309 settlements provided with temporal/interim municipal engineering services and/or any alternative technology
- Phase 3**
  - 136 settlements provided with permanent municipal engineering services and/or any other alternative engineering services

### Reasons for underspending

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Late appointment of service providers</li> <li>• Late submission of invoices</li> <li>• Community unrest</li> <li>• Slow procurement processes</li> <li>• Non-availability of Bulk Infrastructure</li> <li>• Property invasions by unlawful occupants</li> <li>• Lack of proper beneficiary management systems/processed</li> <li>• Unavailability of project management systems</li> <li>• Late of approval of plans</li> <li>• Poor/slow performance by contractors and Cash flow management</li> <li>• Delays in the certifying/submission of claims</li> <li>• Applicants do not qualify for loans (FLISP)</li> </ul> | <ul style="list-style-type: none"> <li>• Community unrest by local business forums and community members</li> <li>• Slow procurement processes</li> <li>• Late appointment of service providers</li> <li>• Late submission of invoices</li> <li>• Non-availability of Bulk Infrastructure</li> <li>• Property invasions by unlawful occupants</li> <li>• Late of approval of plans</li> <li>• Poor/slow performance by contractors and Cash flow management</li> <li>• Rainfall delays</li> <li>• Hard rock on the projects caused some delay</li> </ul> |
|--|--|

# 2021/22 Performance on Human Settlements Conditional Grants



## Urban Settlements Development Grant

## Informal Settlements Upgrading Partnership Grant: Municipalities

- Transferred: R7.5 billion
- Spent: R7.1 billion (95%)
- 5 per cent underspending

- Transferred: R3.9 billion
- Spent: R1.8 billion (46%)
- 54 per cent underspending

### Service delivery performance

- Delivery performance is indicated in the performance evaluation reports for 2021/22

- 3 596 serviced sites
- 1 284 informal settlements in various stages of upgrading
- Phase 1**
  - 137 pre-feasibility studies conducted
- Phase 2**
  - 366 settlements provided with temporal/interim municipal engineering services and/or any alternative technology
- Phase 3**
  - 171 settlements provided with permanent municipal engineering services and/or any other alternative engineering services

### Reasons for underspending

- Delays in supply chain processes
- Late appointment and poor performance of contractors and service providers
- Non-performance of contractors leading to termination of those contracts
- Land invasion, vandalism and theft
- Work stoppages by SMME's
- Unfavourable weather conditions
- Projects currently on hold awaiting for the outcome of PPPFA final decision

- Community unrest by local business forums and community members
- Slow procurement processes
- Late submission of invoices
- Non-availability of Bulk Infrastructure
- Property invasions by unlawful occupants
- Late of approval of plans
- Poor/slow performance by contractors and Cash flow management
- Inclement weather/ Unfavourable weather conditions.
- Hard rock on the projects caused some delays
- Late appointment and poor performance of contractors and service providers
- Land invasion, vandalism and theft
- Work stoppages by SMME's
- Projects currently on hold awaiting for the outcome of PPPFA final decision



# Brief overview of the EPWP and its objectives



- EPWP is a medium- to long-term government-funded programme that promotes the use of labour-intensive methods to create work opportunities, services and assets, thus contributing towards poverty alleviation and reduction of unemployment, thereby contributing to development (DPWI)
- By March 2023, the programme had created over 14 million work opportunities since its inception in April 2004

EPWP Phases	Duration	Target Work Opportunities	Actual Work Opportunities
Phase I	2004-2009	1 million	1.6 million
Phase II	2009-2014	4.5 million	4.07 million
Phase III	2014-2019	6 million	4.5 million
Phase IV	2020-2024 (Ongoing)	5 million	Over 4 million (to date)

Source: EPWP Phase IV | Business Plan | 2019 – 2024 & DPWI

- The reason for the virements in 2023/24 are unclear

# 2023 MTEF EPWP Budget allocations



- R8.5 billion allocated over the 2023 MTEF for transfers and subsidies to public bodies, provinces, municipalities, and non-profit organisations to create work opportunities using labour-intensive methods across the three spheres of government
- R1.3 billion allocated over the medium term as incentive grants to enhance the budgets of public bodies implementing and reporting on expanded public works programme (EPWP) projects, supporting the programme's coordination function
- The department plans to provide technical support to 269 public bodies in the infrastructure, social, environment, and culture sectors, with a focus on monitoring, evaluation, and improving the programme's implementation

# Transforming EPWP into a source of permanent employment



- Develop exit strategies by focusing on training and skills development to make participants more employable and enabling them to become entrepreneurs
- Quality and sustainability by shifting focus from quantity to quality and high-impact projects, with an emphasis on sustainability for beneficiaries
- Diversified initiatives by incorporating various projects, such as road maintenance, energy, waste recycling, and cleaning of government buildings, for innovation, skills development, and environmental stewardship, as advocated by the EPWP Khawuleza Model
- Having a strong emphasis on training and enterprise development to ensure participants have exit pathways leading to future employability and self-sufficiency
- Characterising EPWP with an accelerated service delivery and meaningful interventions to improve the living conditions of the vulnerable poor
- EPWP Phase 5 is scheduled to be officially launched by the end of 2023, with implementation commencing in April 2024 (DPWI)

# The state of health



- The public healthcare system remains overstretched and underfunded
- For example: According to the South African Nursing Council, the current nurse-to-patient ratio is 1:218 patients while the ideal ratio is 1:16
- In March 2022, Health Minister Joe Phaahla revealed that there were 10 831 vacancies in state hospitals citing budget cuts as a significant challenge
- The Minister also highlighted that the doctor-to-patient ratio was 0.79 doctors per 1000 patients in 2019
- Primary Health Care (PHC) has deteriorated
  - The preliminary outcome for the number of public health facilities that qualified as 'ideal clinics' of 1 928 in 2021/22 was lower than the 2 035 clinics that achieved an ideal clinic status in 2019/20

## The Infant Mortality Rate (IMR)

- 22.1 deaths per 1 000 live births in 2019
- 24.1 deaths per 1 000 live births 2021

## The under-5 mortality rate (U5MR):

- 28.5 deaths per 1 000 live births in 2019
- 30.8 deaths per 1 000 live births in 2021

## Burden of malnutrition 1994 - 2017

- Overweight worsened to 11.5 per cent
- Wasting rate worsened to 3.4 per cent

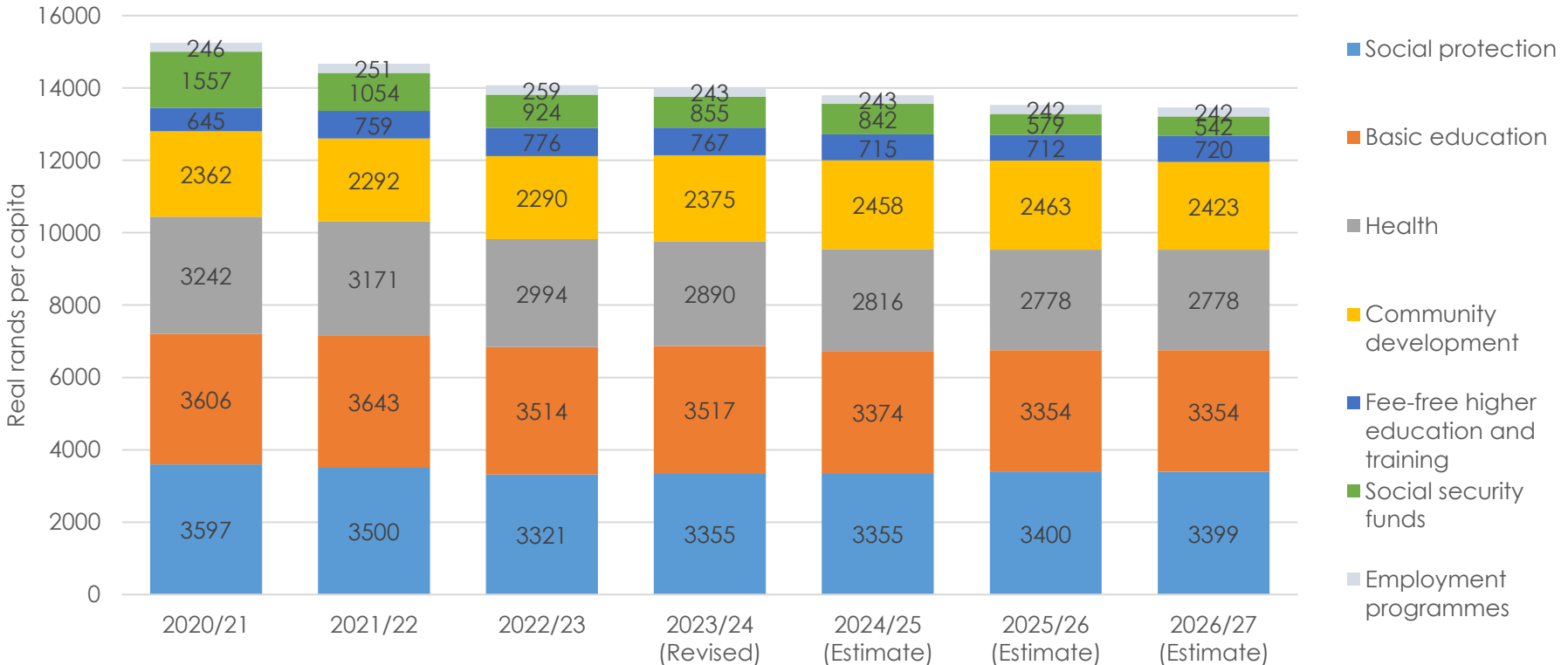
Source: Stats SA

# Real per capita spending

# Where will growth and employment come from? The 2023 MTBPS does not protect the social wage



"Social wage" in real rands per capita (2016=100) - MTEF estimates from 2024/5 to 2026/27



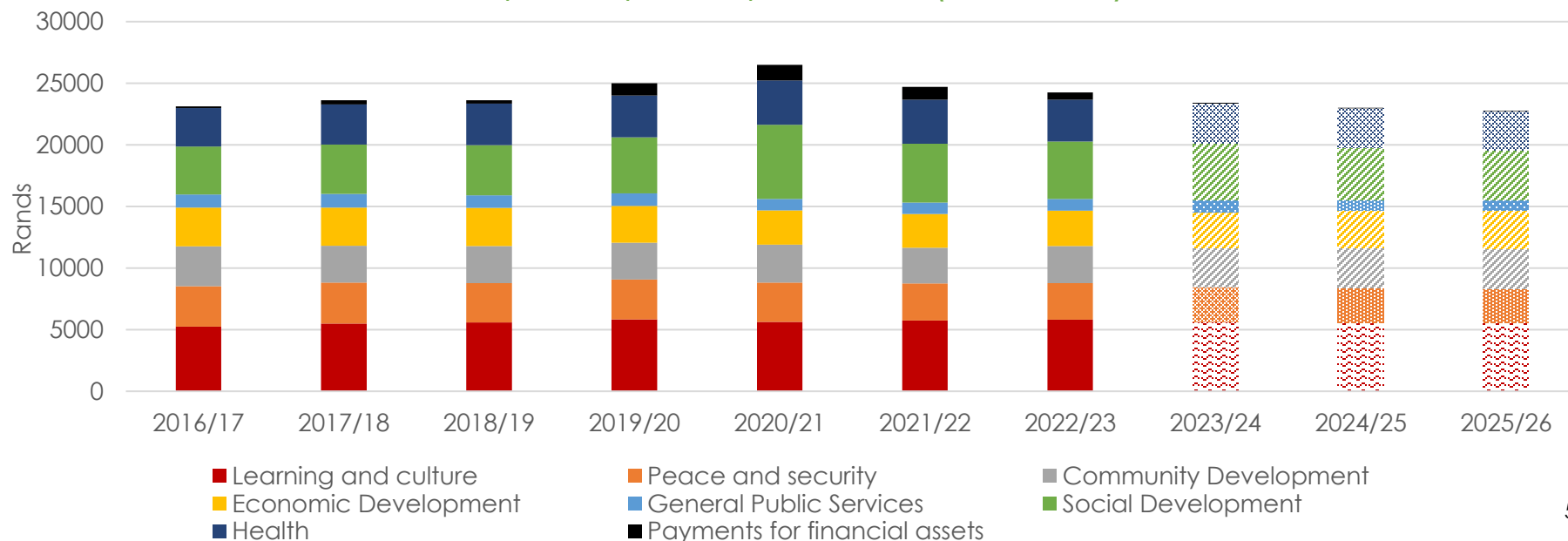
Source: PBO calculations using NT

- While the social wage is 61 per cent of expenditure it is 61 per cent of declining total expenditure
- The "social wage" in the 2023 MTBPS is not protected from inflation and population growth

# Real per capita spending per function group

- Total real per capita expenditure declines in the medium-term. In 2016/17 total real expenditure per capita was R23 116, by 2026/27 this will decline to R22 019
- In 2023/24, total real per capita spending has been adjusted to R22 850, a decline from the projected R22 964 in the 2022 MTBPS and R23 402 in Budget 2023
- Pursuing fiscal consolidation means reducing real per capita expenditure on health, education, and other sectors critical to the basic survival of the majority of people

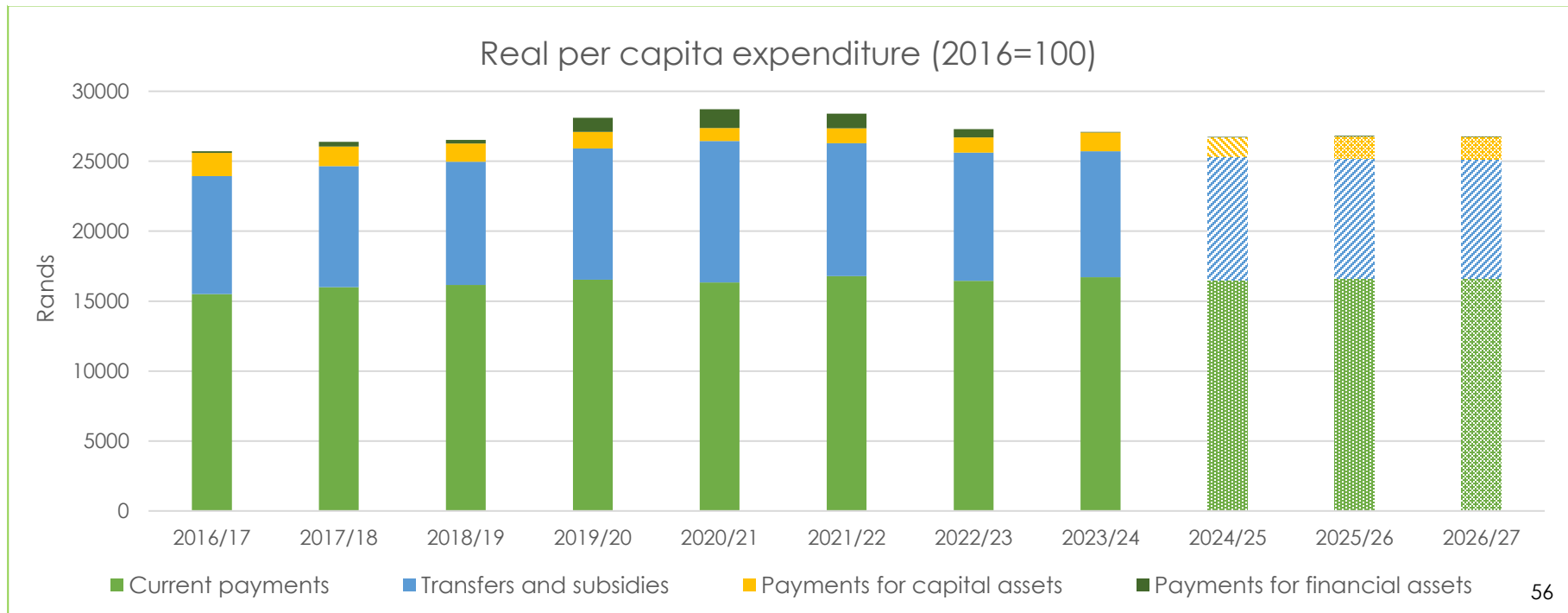
Real per capita expenditure (2016=100)



Source: PBO calculations using National Treasury and Stats SA population data

# Real per capita spending per economic classification

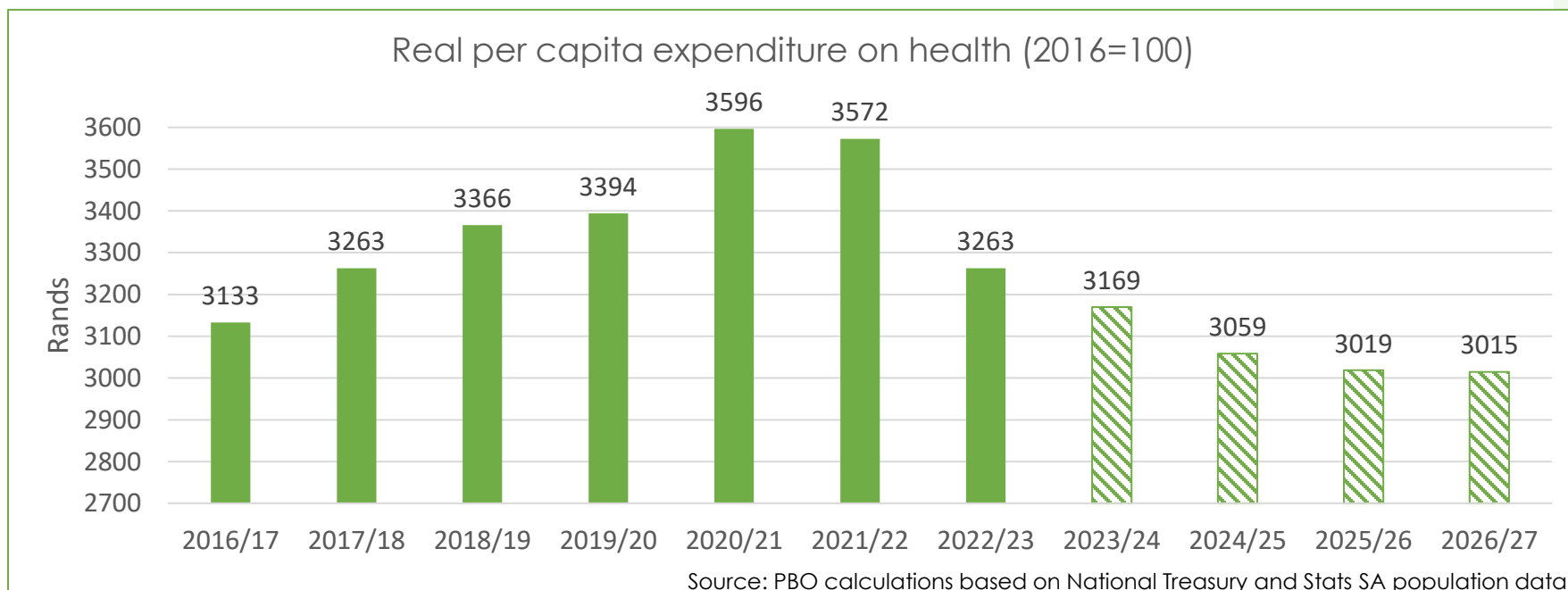
- In 2023/24, total real per capita spend is R27 097 but is set to decline over the MTEF
- Therefore, total real expenditure per capita that was R25 721 in 2016/17 is set to increase to only R26 758 by 2026/27, a decade later
- The increases in capital assets are a positive development, however, they remain inadequate to attain the level of investments required to attain the NDP goals
- Notably, transfers and subsidies to households also decline in the medium-term





# Real per capita spending on health

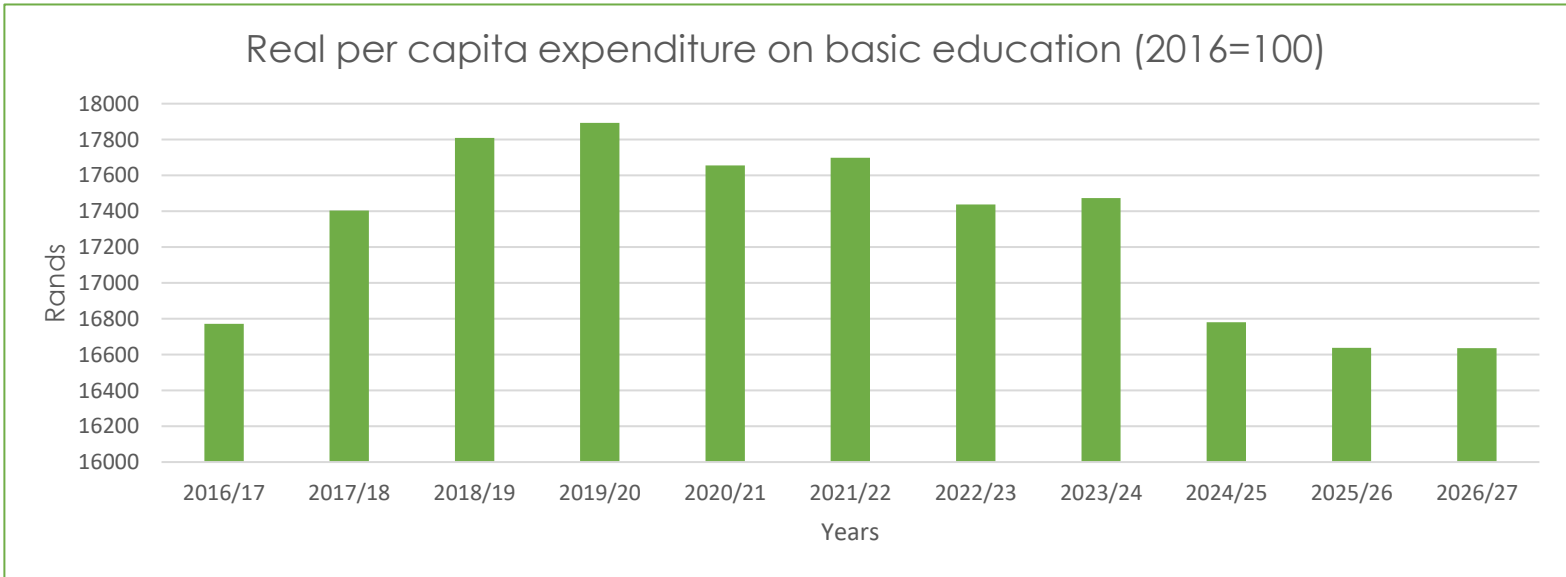
- Total real per capita expenditure on health declines in the medium term
- In real per capita terms, government will be spending less person in 2026/27 than it did in 2016/17
- In 2016/17, government spent R3 133 per person. The projected spending per person in 2026/27 is R 3 015 (a decrease from the R3169 in the 2022 MTBPS)
- Without real increases to the funding of health, the healthcare system in South Africa will overstretched, highly unequal and severely underfunded



# Real per capita spending in education



- Total real per capita expenditure on basic education declines in the medium term
- In real per capita terms, government will be spending less per student in 2025/26 than it did in 2016/17
- In 2016/17, government spent R16 772 per learner. The projected spending per learner in 2026/27 is R 16 636
- In the 2021 Budget, NT acknowledged that budget reductions would disproportionately impact no fee-paying schools. The impacts of this budget should be queried. The negative impacts on educational outcomes are also highlighted in the 2023 MTBPS



Source: PBO calculations using National Treasury and DSD data