

2020 Appropriation Bill

Standing Committees on Appropriations

Presented by: Dr Mampho Modise: National Treasury

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

2020 Appropriation Bill

- The Money Bills Amendment Procedure and Related Matters Amendment Act, 2018 requires that after the tabling of a national budget:
 - Section 8(3) – Committees on finance must within 16 days or as soon as reasonably possible thereafter, submit a report to the National Assembly and the National Council of Provinces on the fiscal framework and revenue proposals
 - Section 9(3) – The Division of Revenue Bill (DORA) must be passed within 35 days after the adoption of the fiscal framework by Parliament, or as soon as reasonably possible thereafter
 - Section 10(7) – Parliament must pass the Appropriation Bill with or without amendments, within four months after the start of the financial year, namely 31 July 2020

2020 Appropriation Bill

- The Appropriation Bill is the legislation that provides for the appropriation of money by Parliament from the National Revenue Fund in terms of section 213 of the Constitution, 1996 and section 26 of the Public Finance Management Act (PFMA), 1999
- Spending is subject to the PFMA and the provisions of the Appropriation Bill itself
- For transfers to sub-national government, the 2020 Division of Revenue Bill also contains provisions in terms of which specific spending must take place
- The committees on appropriations may not consider amendments to the Appropriation Bill prior to the passing of the Division of Revenue Bill
- Any amendment to the Appropriation Bill must be consistent with the adopted fiscal framework and Division of Revenue Bill passed by Parliament.
- The Appropriation Bill was tabled in Parliament at the time of the Budget – 26 February 2020

2020 Appropriation Bill

- Prior to the 2020 Appropriation Bill being promulgated, departments will incur expenditure in terms of section 29 of the PFMA, which makes provision for spending before an annual budget is passed:
 - Up to end July, expenditure may not exceed 45 per cent of the 2019/20 financial year annual budget
- Promulgation of the 2020 Appropriation Act is necessary:
 - To allow for monthly expenditure above the transitional provisions contained in the PFMA
 - To ensure expenditure in accordance with the vote and programme purposes as stated in the Act

2020 Appropriation Bill

A report of the Committee on Appropriations to the House that proposes amendments to the main Appropriation Bill must, in respect of each amendment—

- Indicate the reason for such proposed amendment;
- Demonstrate how the amendment takes into account the broad strategic priorities and allocations of the relevant budget;
- Demonstrate the implications of each proposed amendment for an affected vote and the main divisions within that vote;
- Demonstrate the impact of any proposed amendment on the balance between transfer payments, capital and recurrent spending in an affected vote;
- Set out the impact of any proposed amendment on service delivery; and
- Set out the manner in which the amendment relates to prevailing departmental strategic plans, reports of the Auditor General, committee reports adopted by
- a House, reports in terms of section 32 of the Public Finance Management Act, annual reports and any other information submitted to a House or committee in terms of the standing rules or

Structure of the Bill

- The Bill is divided by vote and by main division within a vote (i.e. by programme and / or transfer and subsidy to a national department within a vote)
- A purpose is set out for each vote, programme and transfer and subsidy to a national department within a vote
- Allocations are categorised in terms of:
 - Current payments
 - Compensation of employees
 - Goods and services
 - Interest and rent on land
 - Transfers and subsidies
 - Payments for capital assets
 - Payments for financial assets
- Allocations marked with a single asterisk refer to specifically and exclusively appropriated allocations, including, but not limited to:
 - all vote and national departments compensation of employees appropriations;

Estimates of National Expenditure (ENE) publications

- The abridged ENE publication is the explanatory memorandum to the Appropriation Bill
- A set of more detailed e-publications on each vote are also available online at www.treasury.gov.za
- The ENE publications contain information on:
 - what institutions aim to achieve over the Medium Term Expenditure Framework, and why;
 - how institutions plan to spend their budget allocations in support of this; and what outputs and outcomes the spending is intended to produce;
 - how institutions have spent their budgets in previous years;
 - performance data and targets;
 - detailed expenditure trends and estimates by programme, subprogramme, significant spending item and economic classification for each department and selected entities;
 - the institution's mandate, purpose (and that of its programmes), together with programme-level objectives and descriptions of subprogrammes;
 - infrastructure spending;
 - personnel spending;
 - provincial and municipal conditional grants;
 - departmental public private partnerships;
 - donor funding; and
 - expenditure at the level of site service delivery, where applicable.

Background

The 2020 Budget proposes total consolidated spending of R1.95 trillion in 2020/21, with the largest allocations going to learning and culture (R396.4 billion), health (R229.7 billion) and social development (R309.5 billion).

The economic outlook is weak. Real GDP is expected to grow at 0.9 per cent in 2020, 1.3 per cent in 2021 and 1.6 per cent in 2022. Achieving faster economic growth requires far-reaching structural reforms.

The public finances continue to deteriorate. Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. Debt is not projected to stabilise over the medium term, and debt-service costs now absorb 15.2 per cent of main budget revenue.

Halting the fiscal deterioration requires a combination of continued spending restraint, faster economic growth, and measures to contain financial demands from distressed state-owned companies.

As a first step, the 2020 Budget makes net non-interest spending reductions of R156.1 billion in total over the next three years, compared with last year's budget projections. This includes large reductions to the public-service wage bill.

Background

Adjustments to main budget non-interest expenditure since 2019 Budget

R million	2020/21
2019 Budget non-interest expenditure	1 545 500
<i>Less: Contingency reserve</i>	<i>6 000</i>
Allocated expenditure (2019 Budget)	1 539 500
Skills development levy adjustments	-1 025
Baseline reductions and reallocations	-66 045
Programme baseline reductions	-28 238
Wage bill reductions	-37 807
Baseline allocations	59 293
Financial support for state-owned companies	44 042
Net change in adjustments announced in 2019 Budget	7 753
Programme allocations	7 499
Allocated in 2020 Budget	1 531 724
<i>Plus: Contingency reserve</i>	<i>5 000</i>
2020 Budget non-interest expenditure	1 536 724
<i>Change in non-interest expenditure since 2019 Budget</i>	<i>-8 776</i>



Background

Reallocations to baselines over the MTEF period

R million	2020/21
2020 Budget additions to baseline	7 499
Post-retirement medical assistance	804
Common Monetary Area Compensation	340
Municipal Revenue Management Improvement Programme	330
Township Entrepreneurship Fund	–
Universal Service and Access Fund: New model for broadcasting digital migration	522
Innovation Fund	200
South African Revenue Service: Infrastructure-related projects	400
Provincial conditional grants	362
Other allocations ¹	4 541

1. Details of other baseline reallocations provided in the

Estimates of National Expenditure

Background

- Baseline reductions mainly affect conditional grants and national and provincial programme spending
- As far as possible, reductions were made in underperforming or underspending programmes
- The largest reductions are made to the human settlements and public transport sectors
- Reductions in programmes imply the need to review programmes, possibly resulting in closure or downscaling and to use allocated budgets more efficiently.
- Reductions on goods and services may negatively affect maintenance of government facilities and information communications technology infrastructure, and lead to increased accruals

Largest baseline reductions over the MTEF period¹

R million	2020/21
2020 Budget baseline adjustments	-28 238
Programme specific reductions	-10 666
<i>of which:</i>	
<i>Passenger Rail Agency of South Africa</i>	-4 469
<i>New Development Bank</i>	–
<i>Social grants</i>	-1 438
<i>Public entity transfers</i>	-528
<i>Police: Reallocation to implement the integrated criminal justice strategy</i>	-824
<i>TVET college: Infrastructure and efficiency grant</i>	-688
<i>South African Social Security Agency</i>	-406
<i>South African National Roads Agency Limited</i>	–
Provincial equitable share	-2 349
Provincial conditional grants	-4 893
<i>of which:</i>	
<i>Human settlements development grant</i>	-2 331
<i>Provincial roads maintenance grant</i>	-500
<i>Health conditional grants</i>	-446
<i>Education infrastructure grant</i>	-459
Local equitable share	-1 000
Local conditional grants	-4 622
<i>of which:</i>	
<i>Public transport network grant</i>	-1 049
<i>Urban settlements development grant</i>	-1 420
<i>Municipal infrastructure grant</i>	-989
<i>Water services infrastructure grant</i>	-426
Cross-cutting reductions	-4 708

Background

Provisional allocations not assigned to votes

R million	2020/21
Public entity: South African Social Security Agency	–
South African Airways	6 502
Provision for disaster recovery efforts	500
Competition Commission	–
Broadband (SA Connect Phase 2)	–
Roads asset management for the secondary and strategic road network	–
Construction of the Tygerberg hospital	–
Construction of the Klipfontein hospital	–
Other ¹	19
Total	7 021



1. Includes provisional allocation for the Municipal Demarcation Board

Appropriation Bill budget allocations

Budget spending for 2020/21 as in the Appropriation Bill

Budget spending for 2020/21 as in the Appropriation Bill

Economic classification	Budget 2019	Budget 2020	Deviation	Share of total
Current payments	264 448 684	259 983 412	(4 465 272)	27%
of which:				
Compensation of employees	184 431 841	182 619 730	(1 812 111)	19%
Goods and services	79 867 426	77 203 156	(2 664 270)	8%
Interest and rent on land	149 417	160 526	11 109	0%
Transfer and subsidies	658 973 130	643 207 657	(15 765 473)	67%
Payment for capital assets	15 975 706	15 288 992	(686 714)	2%
Payment for financial assets	4 913 694	42 453 694	37 540 000	4%
Parliament*	2 213 682	2 180 453	(33 229)	0%
Grand Total	946 524 896	963 114 208	16 589 312	100%

** The economic classification of the vote budget to be determined by Parliament in terms of the Financial Management of Parliament Act, 2009, as amended*

Appropriation Bill budget allocations: Compensation

Compensation of employees (departments accounting for 91% of the CoE budget)

Department	Budget 2019	Budget 2020	Deviation	Share of total
Police	81 883 243	81 112 221	(771 022)	44%
Defence	31 365 882	31 177 687	(188 195)	17%
Correctional Services	19 594 290	18 732 143	(862 147)	10%
Justice and Constitutional Development	10 275 978	10 465 209	189 231	6%
Higher Education and Training	10 344 520	10 281 060	(63 460)	6%
Agriculture, Land Reform and Rural Development	4 475 749	4 444 485	(31 264)	2%
Home Affairs	3 825 890	3 892 935	67 045	2%
International Relations and Cooperation	3 090 080	3 071 540	(18 540)	2%
Environment, Forestry and Fisheries	2 068 097	2 060 098	(7 999)	1%
Water and Sanitation	1 990 193	1 988 252	(1 941)	1%
Grand Total	185 415 602	183 616 881	(1 798 721)	100%

Appropriation Bill budget allocations: Goods and services

Goods and services (departments accounting for 79% of the G&S budget)

Department	Budget 2019	Budget 2020	Deviation	Share of total
Police	17 732 917	15 763 856	(1 969 061)	20%
Defence	13 696 231	13 396 238	(299 993)	17%
Correctional Services	6 761 132	6 592 360	(168 772)	8%
Justice and Constitutional Development	5 037 358	5 159 181	121 823	7%
Environment, Forestry and Fisheries	5 071 877	4 899 074	(172 803)	6%
Cooperative Governance	4 672 449	4 560 600	(111 849)	6%
Agriculture, Land Reform and Rural Development	3 103 520	3 589 083	485 563	5%
Home Affairs	2 747 051	2 734 093	(12 958)	4%
International Relations and Cooperation	2 410 273	2 379 479	(30 794)	3%
Health	2 772 643	2 102 949	(669 694)	3%
Grand Total	80 551 755	77 891 353	-2 660 402	100%

Appropriation Bill budget allocations: Transfers and subsidies

Transfers and subsidies (departments accounting for 90% of the T&S budget)

Department	Budget 2019	Budget 2020	Deviation	Share of total
Social Development	198 454 189	196 766 757	(1 687 432)	31%
Cooperative Governance	93 249 441	91 272 773	(1 976 668)	14%
Higher Education and Training	87 630 031	86 438 288	(1 191 743)	13%
Transport	66 610 871	60 580 589	(6 030 282)	9%
Health	51 304 300	51 271 899	(32 401)	8%
Human Settlements	34 181 615	30 373 603	(3 808 012)	5%
National Treasury	24 726 625	25 260 881	534 256	4%
Basic Education	21 683 762	21 150 175	(533 587)	3%
Trade, Industry and Competition	9 683 437	9 071 370	(612 067)	1%
Water and Sanitation	9 636 251	8 974 139	(662 112)	1%
Grand Total	659 464 240	643 688 946	-15 775 294	100%

Appropriation Bill budget allocations: Transfers and subsidies

R'000	Budget 2019	Budget 2020	Deviation	Share of total
CONSTITUTIONAL INSTITUTIONS				
of which:				
The Independent Electoral Commission	2 012 749	2 218 911	206 162	61%
The Independent Communications Authority of South Africa	452 645	477 721	25 076	13%
The Public Protector of South Africa	321 430	339 108	17 678	9%
NATIONAL PUBLIC ENTITIES				
of which:				
National Student Financial Aid Scheme	32 193 595	36 424 877	4 231 282	37%
The South African National Roads Agency	21 177 224	21 751 034	573 810	22%
South African Revenue Service	9 529 031	10 510 017	980 986	11%
South African Social Security Agency	7 621 773	7 718 421	96 648	8%
National Research Foundation	3 198 790	3 388 375	189 585	3%
Legal Aid South Africa	1 958 373	2 086 096	127 723	2%
South African Tourism	1 254 161	1 304 306	50 145	1%
Agricultural Research Council	1 223 948	1 271 619	47 671	1%
Commission for Conciliation, Mediation and Arbitration	976 810	1 025 990	49 180	1%
The Social Housing Regulatory Authority	810 726	817 553	6 827	1%
NATIONAL GOVERNMENT BUSINESS ENTERPRISES				
of which:				
Passenger Rail Agency of south Africa	16 462 213	13 077 119	-3 385 094	80%
Council for Scientific and Industrial Research	1 277 509	1 431 042	153 533	9%

Appropriation Bill budget allocations: Payment for capital assets

Payments for capital assets (departments accounting for 94% of the CAPEX budget)

Department	Budget 2019	Budget 2020	Deviation	Share of total
Water and Sanitation	4 043 104	4 606 362	563 258	30%
Police	3 432 418	3 337 267	(95 151)	22%
Basic Education	1 646 875	1 509 245	(137 630)	10%
Health	1 662 785	1 235 365	(427 420)	8%
Justice and Constitutional Development	1 261 237	1 064 158	(197 079)	7%
Correctional Services	649 947	809 856	159 909	5%
Defence	822 175	773 683	(48 492)	5%
International Relations and Cooperation	412 860	376 114	(36 746)	2%
Agriculture, Land Reform and Rural Development	801 277	365 444	(435 833)	2%
Statistics South Africa	312 847	314 724	1 877	2%
Grand Total	15 989 219	15 302 808	-686 411	100%

Appropriation Bill budget allocations: Payment for financial assets

Payments for financial assets (departments accounting for 100% of the PCS budget)

	Budget 2019	Budget 2020	Deviation	Share of total
Public Enterprises	0	37 540 000	37 540 000	88%
National Treasury	4 913 694	4 913 694	0	12%
Grand Total	4 913 694	42 453 694	37 540 000	100%

Thank you

