



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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## **MEDIA STATEMENT**

### **PUBLICATION OF THE PROVINCIAL BUDGETS AND EXPENDITURE REVIEW – 2015/16 to 2022/23 AND SUPPLEMENTARY BOOK**

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National Treasury has published the 14<sup>th</sup> edition of the Provincial Budgets and Expenditure Review (PBER), which covers eight-years from 2015/16 to 2022/23. It is both a review of the recent past and a forward-looking document that forms part of the government's commitment to budget transparency. The publication has a supplementary book that covers the effect of COVID-19 on the financial positions of provinces in the 2020/21 financial year, and the 2021 Medium Term Expenditure Framework (MTEF) allocations.

The Review is an expansive consolidation of the financial and non-financial information relating to key provincial functions. Provinces play a critical role as a service delivery arm of the government. More than 43 per cent of nationally raised government revenue is spent in the nine provincial governments of the country.

Within this context, the Review is an important resource that forms part of government's commitment to budget transparency. It provides the public, elected officials, policy analysts and public servants with information on the use of public resources within the provincial sphere of government.

The Review has four broad objectives:

- To provide a consolidated picture of the financial performance and plans of provinces;
- To assess the performance of provincial governments in providing critical social services and supporting economic growth through increased investment in strategic and economic infrastructure;
- To assess the financial management capacity of provinces and the impact of the reforms to improve efficiencies and value for money in provinces; and
- To highlight challenges and propose possible solutions and policy coordinated initiatives designed to bring about sound financial management within provinces.

The document contains twelve chapters, eight of which relate to social services and economic development sectors, namely; Education, Health, Social Development, Human Settlements, Roads and Transport, Public Works, Agriculture and Rural Development as well as Economic Development and Tourism.

#### **THE REVIEW CHAPTER SUMMARIES**

- The introductory chapter is an overview of the intergovernmental system. It reaffirms some of the strengths of the intergovernmental system and identifies areas that could be improved.



- Chapter 2 discusses trends in provincial revenues and expenditure for the eight-years covered in the Review. The trends show that provincial governments will have to manage the constrained funds to enable the state to sustain growth in expenditure on social services and investments.
- Chapters 3, 4 and 5 analyse trends in expenditure in the social sectors of education, health and social development. Government policy and spending initiatives have successfully ensured greater access to these services. The 2020 budget and expenditure review reflects major expenditure commitments and expenditure reprioritisation in line with new policy initiatives. Over the eight years under review, 76 per cent of government spending in provinces has been allocated to basic education, health and social development. However, outcomes are not improving at a proportionate rate.
- Chapter 6 examines human settlements funding and delivery. While the government has established a wide array of policies and systems to address the needs in this sector, implementation has not kept pace.
- Chapter 7 covers roads and transport. The provincial roads maintenance grant (PRMG) requires provinces to follow best practices when planning and promotes sound asset management practices through the use and regular updating of, road asset management systems. The lack of modal integration continues to hinder the efficient provision of public transport services.
- Chapter 8 reviews the role of public works. Increased investment has contributed to improved infrastructure over the years, and a considerable number of Expanded Public Works Programme (EPWP) jobs have been created. However, lack of capacity continues to affect the efficient implementation of the Government Immovable Asset Management Act (GIAMA) and the Infrastructure Delivery Management System (IDMS). This in turn delays achievement of the social and economic benefits intended to follow from the implementation of the GIAMA and the IDMS.
- Chapter 9 discusses agricultural issues. It looks at the extent to which food production can meet the demands of the expanding population; discusses how government supports farmers and emerging farmers; and examines the challenges created by recent droughts.
- Chapter 10 looks at the contribution made by Project Development and Financing Initiatives (PDFIs), investment promotion agencies and Special Economic Zones (SEZs) to implementing policies that contribute to faster economic growth and development.
- Chapter 11 gives an overview of government spending and future resource allocation geared towards building state capacity through training and development.
- Chapter 12 looks at the government support to provinces, including the sustainability of IDMS training and capacitation strategies, and reflects on how government has delivered over the period under review.

Based on the reported trends, several observations can be made:

- Although there is improvement in the number of children attending school and Grade R, attaining matric and bachelor passes and passing with 50 per cent or more in mathematics and physics, much more needs to be done to improve the quality of education.
- Limited budgets make it difficult to provide health services to a growing population with an increased disease burden. Spending pressures in the health sector include skills shortages, inflation in the cost of medicines, unpaid invoices and rising medical negligence liability.
- Economic growth during the period under review was below expected levels and far below those needed to reduce unemployment significantly. High unemployment leads to an increased demand for social welfare services such as income support and maintenance and services for children and young people.
- Constructing and maintaining roads to ensure the efficient movement of goods and services and reduce the cost of doing business remains a challenge. According to the Department of Transport (DoT), the provincial roads maintenance backlog is currently estimated at R185.9 billion.



- Provision of public infrastructure, addressing the backlog on building maintenance and creating jobs remains one of the key priorities to resuscitate the economy.
- There have been improvements in infrastructure planning and delivery. However, ongoing challenges include gaps in alignment between infrastructure planning, budgeting and implementation; lack of skills; and the capacity to plan and manage infrastructure delivery in client departments and with implementing agents.

### **SUPPLEMENTARY BOOK HIGHLIGHTS INCLUDE:**

- Provinces reprioritised about R17.9 billion to front line departments and particularly departments of Health and Social Development, of which R17.3 billion was reprioritised to the provinces' health services. Reprioritised funds towards COVID-19 response comes from; unspent funds due to the delays in implementing programmes caused by lockdown, postponing implementation of capital projects that could be delayed and suspending allocations to programmes with a history of poor spending performance.
- Provinces budgeted R30.3 billion for the COVID-19 response in 2020/21. As of 31 March 2021, about R26.3 billion or 86.9 per cent had been spent, and underspending of R3.9 billion.
- With the fiscal consolidation, the provincial budget will grow at an annual average rate of only 0.1 per cent over the medium term from R657.7 billion in 2020/21 to R658.8 billion in 2023/24.

The National Treasury hopes that the chapters and accompanying datasets within the Review will provide a useful body of knowledge and will enable informed consideration of the many and varied government programmes being carried out in the provinces.

Copies of the Review can be accessed from the National Treasury website on [www.treasury.gov.za](http://www.treasury.gov.za).

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