



2021 PROVINCIAL BUDGET EXPENDITURE REVIEW

SUPPLEMENTARY BOOK



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REPUBLIC OF SOUTH AFRICA



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2021

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To obtain copies please contact:

Communications Directorate
National Treasury
Private Bag X115
Pretoria
0001
South Africa
Tel: +27 12 395 6697
Fax: +27 12 406 9055

Technical notes

The notes set out below are intended to assist readers and analysts.

General notes on numbers

Data on the eight-year trends set out in this document are drawn from provincial government publications such as annual reports and estimates of provincial revenue and expenditure documents as tabled in March 2020.

The expenditure outcome for 2019/20 is based on pre-audited provincial expenditure data for the period 1 April 2019 to 31 March 2020. Minor changes may occur when final audited statements are fully published.

Financial years

A financial year for the provincial and national spheres starts on 1 April and ends on 31 March the following year.

Real growth rates

When comparing monetary values from one year to another, it is common to adjust figures for inflation. Real growth rates in this publication are calculated using headline CPI inflation published in the 2019 *Budget Review*.

Rounding of numbers

Appropriation of funds and reporting of expenditure is done in terms of rand thousands. The majority of the tables in the publication are in rand millions. As a result of rounding off, some minor deviations may occur.

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Overview

This supplementary book covers the 2020/21 budget and expenditure relating to the response to the COVID-19 pandemic, the allocations over the 2021 MTEF and the implications of budget cuts and fiscal consolidation for the provincial education, health, social development, roads and transport, public works, economic development, human settlements and the agriculture and rural development sectors.

At the start of the 2020 financial year, the country was facing the early stages of the pandemic and there was no certainty about what its impact would be. Although the Provincial Budget and Expenditure Review was close to completion, it was important to provide supplementary information about the probable effect of the pandemic on the provinces' budgets. Gross Domestic Growth (GDP) decreased by 6.96 per cent in 2020 compared to 0.15 per cent in 2019; this was the largest annual decrease in economic activity since 1946. In the fourth quarter of 2020, the economy grew by 1.5 per cent but this was not enough to offset the drastic decline in the first and second quarters that resulted from the stringent lockdown. Many sectors were affected, with construction contracting by 20.3 per cent. Tourism was affected due to the restrictions on travel; road and rail were impacted as goods could not be transported easily; and there were restrictions on production. However, agricultural production increased by 10.2 per cent.

The pandemic has had an adverse effect on provincial budgets, especially those for health and education. Rising case numbers and a high level of admissions have put pressure on health facilities. In the education sector, in-school learning was suspended to protect teachers and learners. For some schools and learners, virtual learning was an alternative; however, not all schools had the necessary infrastructure and tools. The effects on service delivery in a range of departments resulted in the revision of targets. Delivery of infrastructure was negatively affected by delays in on-site construction and in procurement of services.

The sections that follow elaborate on the impact of the pandemic on specific departments and on service delivery.

2020/21 Special Adjustment Budget

Table 1: Adjustments to Provincial Equitable share 2020/21 to address the implications of COVID-19

R thousand	2020/21 ES Allocations	Reprioritisation	Funds reprioritised to:			
			Health	Social Development	Education	Other sectors
Eastern Cape	69 195 253	(2 651 165)	1 744 740	(10 043)	(1 346 648)	(889 417)
Free State	28 934 076	(448 000)	667 200	45 500	25 400	(738 100)
Gauteng	108 310 116	(953 566)	4 548 900	869 637	(46 945)	(1 350 232)
KwaZulu-Natal	107 607 567	(3 941 158)	5 082 029	482 625	(64 202)	(4 148 704)
Limpopo	60 298 989	(4 266 650)	1 084 312	(316 083)	(188 106)	(1 766 982)
Mpumalanga	42 637 305	(280 152)	1 207 343	(548 860)	(147 000)	(951 672)
Northern Cape	13 749 204	(865 609)	167 799	(90 206)	20 000	(795 403)
North West	36 307 411	(1 480 403)	1 285 493	(316 785)	40 000	(1 627 369)
Western Cape	53 677 100	(3 056 447)	1 605 512	7 932	(151 312)	(348 738)
Total	520 717 021	(17 943 150)	17 393 328	123 717	(1 858 813)	(12 616 617)

Source: National Treasury Database

Responding to the COVID-19 pandemic became government's priority. On 24 June 2020, the Minister of Finance tabled a Special Adjustment Budget that took account of the COVID-19 relief package announced by the President in April 2020. The budget revised government's spending plans for 2020/21 in line with the relief package. Provinces were required to reallocate at least R20 billion to the COVID-19 response from the equitable share. Table 1 shows that the provinces reprioritised about R17.9 billion to front line departments and particularly to departments of Health and Social Development. Almost R17.3 billion was reprioritised to the provinces' health services. Funds reprioritised to deal with the pandemic came from funds unspent due to delays caused by lockdown restrictions (including travel and venue hire); postponing implementation of capital projects that could be delayed; and suspending allocations to programmes with a history of poor spending performance.

The 2021 Special Adjustment Budget for COVID-19-related expenditure

Provinces budgeted R30.3 billion for the COVID-19 response in 2020/21. As at 31 March 2021, about R26.3 billion or 86.9 per cent had been spent, an underspend of R3.9 billion.

Table 2: Summary Provincial Covid-19 Expenditure as at 31 March 2021

	Current Budget	Total Expenditure	% Spent
Rand			
Eastern Cape	3 264 832 189	2 172 904 934	66,6%
Free State	1 473 248 000	1 364 794 175	92,6%
Gauteng	8 467 159 073	8 335 980 186	98,5%
KwaZulu-Natal	7 407 745 000	5 586 894 267	75,4%
Limpopo Province	2 680 600 000	2 146 102 516	80,1%
Mpumalanga	1 949 666 811	1 706 250 240	87,5%
Northern Cape	334 965 000	468 653 757	139,9%
North West	1 635 124 211	1 509 454 318	92,3%
Western Cape	3 082 494 108	3 048 099 694	98,9%
Total Expenditure	30 295 834 392	26 339 134 086	86,9%

Source: Vulindlela as at 31 March 2021

COVID-19 spending by sector

Table 3: Provincial COVID-19 Expenditure by sector as at 31 March 2021

	Current Budget	Total Expenditure	% Spent
Rand			
Education	5 788 208 786	4 958 147 572	85,7%
Health	21 521 696 234	18 504 889 929	86,0%
Social Development	824 159 242	733 727 976	89,0%
Roads and Transport	235 796 000	355 740 000	150,9%
Public Works	501 793 927	510 801 469	101,8%
Agriculture	111 496 780	104 197 936	93,5%
Economic Development	187 964 500	182 959 801	97,3%
Human Settlements	126 400 000	116 104 975	91,9%
Others	998 318 923	872 564 428	87,4%
Total Expenditure	30 295 834 392	26 339 134 086	86,9%

Source: Vulindlela as at 31 March 2021

Education

The provincial education sector budgeted R5.8 billion for the COVID-19 response in 2020/21. As at 31 March 2021, approximately R4.9 billion or 85.7 per cent had been spent, an underspend of R830 million. The COVID-19 expenditure in Education was mainly for provision of personal protective equipment (PPE), water and sanitation to schools that were lagging behind with the necessary infrastructure.

Table 4: Education Presidential employment expenditure per province

Province R'000	Budget	Actual Expenditure				Total Expenditure	Available Budget	% Spent
		Stipend inclusive of UIF	Training	Project Management	Savings of posts			
Eastern Cape	1 190 680	751 478	-	2 139	175 556	929 173	261 507	78%
Free State	411 622	264 893	1 927	486	40 096	307 402	104 220	75%
Gauteng	1 085 722	480 688	-	-	410 715	891 403	194 319	82%
KwaZulu-Natal	1 424 238	1 018 121	-	-	81 795	1 099 916	324 322	77%
Limpopo	987 826	719 868	7 288	240	73 534	800 930	186 896	81%
Mpumalanga	490 893	3 777 068	157	2 567	46 432	426 224	64 669	87%
Northern Cape	148 893	111 749	303	448	25 780	138 280	9 997	93%
North West	445 251	335 364	-	966	95 167	431 497	13 754	97%
Western cape	814 291	316 745	3 281	919	226 946	547 891	266 400	67%
Total	6 999 416	7 775 974	12 956	7 765	1 176 021	5 572 716	1 426 084	80%

Source: Vulindlela as at 30 April 2021

In addition, R6.9 billion was provided to Education through the Presidential employment initiative, a programme that seeks to reduce the economic impact of COVID-19 by creating employment opportunities. Through this programme, funding was provided to the sector to employ young unemployed graduates as teacher assistants and general support staff between November 2020 and March 2021. These young graduates helped to ensure compliance with COVID-19 related regulations and the teacher assistants helped learners to make up for lost time due to the lockdown as well as filling in for teachers who could not come to school because of comorbidities. The programme created work opportunities for over 300 000 graduates. In both public and independent schools, it also helped to save School Governing Body funded teacher posts that were under threat as a result of the negative economic impact of the pandemic.

Health

Provincial Health departments spent R18.5 billion (86.0 per cent) against their COVID-19 budget of R21.5 billion.

Table 5: Major COVID-19 spending items as at 31 March 2021

Items in Rands	Budget	Total expenditure	as % of total COVID Exp
SALARIES & WAGES RESIDENTS	4 653 790 126	3 951 235 402	21,4%
NEW & EXISTING BUILDINGS	4 435 469 125	3 503 937 717	18,9%
INV MEDICAL SUPPLIES	2 267 717 245	2 201 440 475	11,9%
CONS SUPP:MEDICAL SUPPLIES	1 246 514 458	1 780 211 492	9,6%
LAB SER:MEDICAL LAB SERV	1 512 493 515	1 455 274 275	7,9%
ASSISTIVE DEVICE,MED&ALLIED EQU	1 429 278 528	1 286 795 384	7,0%
CONS SUPP:HOUSEHOLD SUPPLIES	921 978 497	672 713 314	3,6%
PROPERTY PAYMENTS	437 234 344	627 244 566	3,4%
COVID-19 INVENTORY	419 100 000	449 721 467	2,4%
CONS SUPP:UNIF/PROT CLTH&CLOTHES	482 628 638	442 484 391	2,4%
INV CLOTH:UNIF&PROT CLTHI	481 600 944	385 595 846	2,1%
OPERATING LEASES	41 654 173	220 499 783	1,2%
T&S DOMESTIC	123 181 819	168 306 795	0,9%
INV MEDICINE	573 495 367	138 610 330	0,7%
SOCIAL CONTRIBUTIONS RESIDENTS	163 363 898	129 805 554	0,7%
INV MATERIAL & SUPPLIES	182 501 954	103 789 248	0,6%
ADVERT:MARKETING	82 738 275	98 837 663	0,5%
MACHINERY & EQUIPMENT	147 567 638	82 196 643	0,4%
CONTRACTORS	63 440 126	66 791 532	0,4%
MOTOR VEHICLE	116 938 378	55 654 901	0,3%
A&S/O/S:MEDICAL SERVICES	52 765 824	52 190 190	0,3%
A&S/O/S:MED & CHEM WASTE REM	31 018 032	51 535 536	0,3%
NPI: HEALTH	46 466 000	50 541 688	0,3%
A&S/O/S:NUTRITION SERV	282 188 537	37 062 626	0,2%
A&S/O/S:NURSING STAFF	26 178 650	33 005 861	0,2%
A&S/O/S:MEDICAL DOCTORS	17 357 000	29 198 331	0,2%
CONS:FUEL & GAS SUPPLIES	24 059 000	25 122 643	0,1%
A&S/O/S:ADMIN&SUPPRT STAFF	13 104 285	21 777 480	0,1%
CONS:MATERIALS AND SUPPLIES	671 619 000	18 089 640	0,1%
Total COVID-19 Budget and Expenditure	21 521 696 234	18 504 889 929	100%

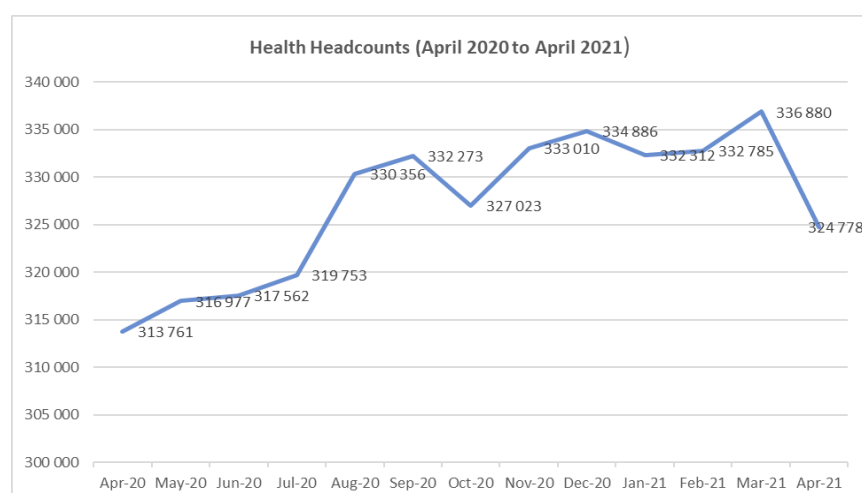
Source: Vulindlela as at 30 April 2021

Table 5 shows the major items of COVID-19 expenditure in the health sector. Of the total COVID-19 allocation for the sector, 21.4 per cent was spent on salaries and wages related to additional staffing capacity; 18.9 per cent was spent on buildings. This related to the provision of additional bed capacity including field hospitals (about six were operationalised) commissioned and set up in various provinces. The third largest item, at 11.9 per cent of the total, was inventory of medical supplies. This item included medical gas/oxygen, test kits and surgical supplies. PPE and cleaning supplies were mainly procured under consumable supplies and inventory; uniforms and protective clothing accounted for about 11.7 per cent of the total expenditure. Laboratory services, which relates to testing, accounted for 7.0 per cent of the total

health sector. Other items such as ventilators were procured under assistive devices, medical and allied equipment and accounted for 7 per cent of the total. Together, these seven items of expenditure accounted for approximately 77 per cent of the total health sector COVID-19 expenditure in 2020/21.

The sector had a net addition of 28 245 employees in 2020/21. Figure 1 shows the in-year personnel trend. Most of these appointments were temporary; hence the headcount dropped in April 2021. As the sector continues to fight the expected waves of the pandemic, employee numbers are expected to increase again in the 2021/22 financial year

Figure 1: Health Headcounts (April 2020 to April 2021)



As at 31 March 2021, about 9 879 344 total COVID-19 tests had been conducted nationally. Of these, about 4 330 543 or 44 per cent were carried out in the public sector. Total laboratory services expenditure amounted to R1.5 billion as at the end of the financial year.

Table 6: Total COVID-19 Admissions as at 31 March 2021 (Cumulative)

Summary of reported COVID-19 admissions by Province, by sector

Sector	Facilities reporting	Admissions to Date	Died to date	Discharged to date
Private	251	115 214	19 872	91 775
Public	393	136 214	31 848	95 305
Total	644	251 428	51 720	187 080

Source: <https://www.nicd.ac.za/wp-content/uploads/2021/07/NICD-COVID-19-Daily-Sentinel-Hospital-Surveillance-report-National-20210331.pdf>

Table 6 shows the number of hospital admissions and deaths as at 31 March 2021 in both public and private facilities. Public facilities (reporting facilities) had admitted about 115 214 people by the end of

the financial year. Gauteng, KwaZulu-Natal and the Western Cape had the highest number of admissions.

There were a number of allegations of corruption and abuse relating to procurement of PPE as part of the health sector's response to COVID-19. Findings from audits carried out by the Office of the Auditor General (AG) across provinces included the following:¹

- Procurement by various provinces of PPE at prices higher than National Treasury's instruction note benchmark
- Non-declaration of interest by winning bidders
- Awarding of contracts to suppliers that were not tax compliant at the date of award
- Awards made to suppliers who did not submit tender documents.

On the matter of field hospitals, the AG's findings related to unfair procurement processes and payments that exceeded contract prices in some provinces.

Social Development

Expenditure by departments of Social Development against allocated budget amounted to R733.7 million or 89 per cent, with a commitment of R9.2 million. Total spending was lower than expected. Only two provinces (KwaZulu-Natal and Northern Cape) overspent against their allocated budgets; this was due to increased demand for services to communities ranging from provision of shelter for the homeless to provision of cooked meals and food parcels for vulnerable communities.

In-year spending and adjustments

R89 million in the infrastructure component of the Early Childhood Development (ECD) grant was made available to prepare ECD sites for reopening. However, only R64.5 million was reallocated for this purpose which primarily involved providing a standard support package including basic health and hygiene products. The funds were to support the reopening of about 7 000 ECD centres across the provinces.

The infrastructure grant component was suspended because planned centre upgrades were postponed for a year. The grant allocation was repurposed to prioritise the supply of essential goods to support basic

¹ [https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Covid-19%20Special%20report/Second%20special%20report%20on%20financial%20management%20of%20government's%20Covid19%20initiatives%20-%20FINAL%20PDF%20\(interactive\).pdf](https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Covid-19%20Special%20report/Second%20special%20report%20on%20financial%20management%20of%20government's%20Covid19%20initiatives%20-%20FINAL%20PDF%20(interactive).pdf)

health and hygiene practices in ECD centres. Provision for this expenditure was added to the grant framework.

Table 7 shows the additional allocation per province during the adjustment budget for provision of food parcels to distressed communities.

**Table 7: Additional funding for food relief:
Social Development (2020/21)**

Provinces	R'000
Eastern Cape	66 279
Free State	27 853
Gauteng	104 216
KwaZulu Natal	103 506
Limpopo Province	57 848
Mpumalanga	40 943
Northern Cape	13 228
North West	34 846
Western Cape	51 281
Total	500 000

During the special adjustment budget, provincial departments of Social Development received R500 million as part of the provincial equitable share for providing food relief in response to COVID-19. These funds were approved as unforeseen and unavoidable expenditure and were added to the provincial equitable share allocation in terms of the formula.

Table 8 shows the number of food parcels distributed per province as part of social relief.

**Table 8: Number of food parcels
distributed per province**

Provinces	2020/21
Eastern Cape	3 362
Free State	11 335
Gauteng	177 227
KwaZulu Natal	85 724
Limpopo Province	119 461
Mpumalanga	17 967
Northern Cape	53 365
North West	26 542
Western Cape	52 000
Total	546 983

Many of these food parcels were distributed in the first quarter of the financial year during lockdown Levels 5 and 4. This distribution was

over and above the meals normally distributed through the Social Development departments' feeding programmes.

Roads and Transport

The provincial Roads and Transport sector budgeted R236 million for its COVID-19 response in 2020/21. As at 31 March 2021, approximately R355.7 million or 150.9 per cent had been spent, an overspend of R119.9 million. The largest expenditure, of R186.6 million, was reported in the Western Cape followed by Gauteng at R99.4 million. Gauteng's expenditure was largely for overtime payments for traffic management related to monitoring and enforcing compliance with COVID-19 protocols and regulations. The Western Cape's expenditure related largely to procurement of PPE for public transport facilities.

Except for transporting essential workers such as health workers and for pension pay-outs, buses did not operate under lockdown Level 5. Under Levels 3 and 4, public transport services were allowed to operate but with limits on loading capacity to promote social distancing and curb the spread of the virus. The effects of the lockdown restrictions included a reduced subsidy for bus operators; decreased fare revenue due to reduced passenger demand; and increased expenditure on PPE, sanitisers and disinfection of vehicles.

To provide relief and to cover fixed costs such as salaries and vehicle instalment payments, operators were paid a standing kilometre allowance of 60 per cent of the subsidy revenue in line with signed bus contracts. The *force majeure* clause allows for standing kilometre allowances to be paid at the discretion of the heads of provincial departments.

In addition, about R337 million or 5 per cent of the grant was repurposed within the Public Transport Operations grant (PTOG) in 2020/21 to sanitise buses and public transport facilities, provide PPE for public transport workers, establish hand-washing facilities and implement physical distancing measures. However, the COVID-19 allocation reported under the transport operations and administration programmes was not fully utilised.

Provinces were allowed to repurpose 5 per cent of the PTOG to sanitise buses and public transport facilities.

Bus operators were paid 60 percent of the subsidy revenue for standing kilometres to cover fixed costs.

Public Works

The Public Works sector budgeted R501.7 million for its COVID-19 response in 2020/21. As at 31 March 2021, about R510.8 million or 102 per cent had been spent, an overspend of R9 million. The overspending took place in the Western Cape and the Eastern Cape and was due to

the need to provide quarantine and isolation facilities during the second wave of the virus.

The largest spending provinces were the Western Cape at R193.5 million followed by Gauteng at R139.2 million, the Free State at R70.8 million and the Eastern Cape at R69.6 million. The Western Cape, Free State and Eastern Cape expenditure was largely related to the provision of quarantine and isolation facilities. Expenditure in Gauteng related largely to fumigation services for facilities owned by the department. Spending in other provinces except KwaZulu-Natal related to procurement of PPE for staff and for fumigation services. KwaZulu-Natal did not budget any amount and consequently did not spend on procurement of PPE or on fumigation.

Agriculture and Rural Development

The Agriculture and Rural Development sector budgeted R111.5 million for its COVID-19 response in 2020/21. As at 31 March 2021, about R104.2 million or 93 per cent had been spent, an underspend of R7.3 million. The highest expenditure, of R33.3 million, was reported by Mpumalanga and Limpopo; this was primarily for provision of PPE and to support farmers with production inputs. Overall, COVID-19 expenditure in the agriculture sector largely related to provision of PPE and cleaning services.

Economic Development

The sector set aside R188 million, or 1.7 per cent of its overall budget of R11.1 billion, to address the impact of the pandemic and its effect on small, medium and micro enterprises (SMMEs).

The sector spent 97.3 per cent of the R188 million set aside. The Free State had the largest budget and expenditure; this was mainly allocated to supporting distressed SMMEs and providing PPE. At R49 million, the Western Cape had the second largest budget and expenditure followed by North West province at R34 million. Expenditure in the Western Cape was mainly on providing COVID-19-related support to private enterprises as part of integrated economic development services.

At over 99 per cent of the total, North West province spent the largest percentage of its budget. Expenditure was mainly on quarantine sites in line with service level agreements (SLAs) between the department and its entities in support of the Department of Health through a Memorandum of Understanding (MOU). Expenditure in Limpopo was mainly for procurement of PPE for departmental officials and for support to Limpopo Wildlife resorts which lost business because of

travel restrictions and the general social and economic effects of the virus.

Gauteng had the lowest expenditure. The budget for consumables and hardware was underspent by R5.9 million due to delays in appointing service providers for cleaning materials, touch-access control and thermal screening systems.

In KwaZulu-Natal, the expenditure of R3.8 billion not budgeted was for procurement of PPE for officials at head office and district offices. The department also procured posters to create awareness about hand hygiene; implemented e-platforms; installed digital conferencing equipment in fourteen of its offices; and procured PPE for the Expanded Public Works Programme (EPWP). The Eastern Cape also reported low spending in percentage terms, mainly as a result of savings on procurement of PPE and on the budget for a service provider for employee wellness in relation to the virus. Mpumalanga reported low spending, although the underspend was minimal (R64 million). The low spending was due to savings on procurement of PPE for officials.

Human Settlements

The Human Settlements sector budgeted R126.4 million for its COVID-19 response in 2020/21. As at 31 March 2021, about R116.1 million or 91.9 per cent had been spent, an underspend of R10.3 million. The largest expenditure, of R79.1 million, was in Mpumalanga followed by KwaZulu-Natal with R17 million. Limpopo and the Northern Cape did not budget any amount and consequently did not spend on this item. KwaZulu-Natal largely spent on procuring PPE for staff and for residents of informal settlements; carrying out fumigation in informal settlements; and providing residents with hygiene packs. Spending in Mpumalanga was primarily infrastructure-related, including drilling of boreholes and other water intervention projects which assisted with COVID-19 measures such as handwashing.

■ Provincial 2021 MTEF allocations

Table 9: Provincial summary allocations over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	% growth rates: Estimated actual (Nominal) 2020/21- 2020/21- 2021/22 2023/24	
		Medium-term estimates				
Payments						
Education	268 066 085	261 724 138	264 180 078	271 195 361	(2,4%)	0,4%
Health	235 097 972	228 887 628	223 609 147	226 391 770	(2,6%)	(1,2%)
Social Development	23 476 033	23 340 502	23 669 163	24 077 295	(0,6%)	0,8%
Social services	526 640 090	513 952 268	511 458 388	521 664 426	(2,4%)	(0,3%)
Non-social services spending	131 019 902	134 295 657	135 342 186	137 092 035	2,5%	1,5%
Total payments	657 659 992	648 247 925	646 800 574	658 756 461	(1,4%)	0,1%
Economic classification						
Current payments	537 131 636	534 673 086	531 436 722	541 912 226	(0,5%)	0,3%
Compensation of employees	395 683 213	397 856 422	393 984 058	403 162 172	0,5%	0,6%
Goods and services	141 418 082	136 811 682	137 447 260	138 744 600	(3,3%)	(0,6%)
Interest on rent and land	30 341	4 982	5 404	5 454	(83,6%)	(43,6%)
Transfers and subsidies	86 274 501	80 040 264	83 030 236	84 377 191	(7,2%)	(0,7%)
Payments for capital assets	34 157 245	33 528 955	32 327 777	32 460 962	(1,8%)	(1,7%)
Payments for financial assets	96 611	5 620	5 839	6 081	(94,2%)	(60,2%)
<i>of which: non-comp, non-capital</i>	227 819 534	216 862 548	220 488 738	223 133 327	(4,8%)	(0,7%)
Total payments	657 659 992	648 247 925	646 800 574	658 756 461	(1,4%)	0,1%

Source: National Treasury Database

2021 MTEF allocations by sector

Education

In the Education sector, the 2021 MTEF budget total allocation amounted to R797.2 billion. With the fiscal consolidation, the budget will grow at an annual average rate of only 1.8 per cent over the medium term from R263.5 billion in 2020/21 to R271.2 billion in 2023/24. At 0.5 per cent, the Free State shows the lowest annual average growth over the medium term and Gauteng the highest, at 3.9

per cent. With such low expected growth rates, the sector will struggle to provide for the increase in learner enrolment.

Table 10: Education sector allocations by province over the 2021 MTEF

	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocations	Average Annual MTEF growth
R thousand		Medium-term estimates				
Eastern Cape	36 594 602	35 076 738	34 833 273	35 894 188	105 804 199	-0,6%
Free State	15 320 546	15 474 944	15 555 870	15 636 838	46 667 652	0,7%
Gauteng	51 215 310	53 458 053	54 618 171	57 692 145	165 768 369	4,0%
KwaZulu-Natal	56 716 603	53 184 040	53 254 018	53 850 861	160 288 919	-1,7%
Limpopo	32 942 674	32 586 347	32 721 755	33 513 005	98 821 107	0,6%
Mpumalanga	22 019 360	22 336 062	22 185 256	22 558 625	67 079 943	0,8%
Northern Cape	7 181 413	7 136 914	7 197 062	7 693 480	22 027 455	2,3%
North West	17 473 946	18 011 179	18 260 887	18 426 928	54 698 994	1,8%
Western Cape	24 017 314	24 459 862	25 553 786	25 929 291	75 942 939	2,6%
Total	263 481 768	261 724 138	264 180 078	271 195 361	797 099 577	1,0%
Current payments						
Compensation of employees	205 511 504	204 404 967	204 410 130	210 016 576	618 831 673	0,7%
Goods and services	24 145 812	25 245 395	26 386 161	27 041 280	78 672 836	3,8%
Interest and rent on land	1 471	254	278	164	696	-51,9%
Transfers and subsidies	26 841 943	21 909 369	23 313 438	23 720 268	68 943 075	-4,0%
Payment for Capital	6 894 660	10 158 880	10 064 580	10 411 341	30 634 801	14,7%
Payment for Financial Assets	86 378	5 273	5 490	5 732	16 495	-59,5%
Total Allocation	263 481 768	261 724 138	264 180 078	271 195 361	797 099 577	1,0%

Source: National Treasury Database

Education by programme

The ECD budget grows at an annual average rate of 5.9 per cent reaching R6.3 billion in 2023/24 over the medium term. This indicates that, even during the pandemic, improving access to ECD has remained a key priority for the sector. The Public Special Schools budget, which has the third highest rate of growth at an annual average of 4.2 per cent reaching R11.8 billion in 2023/24, reflects the sector's intention to increase the provision of quality education for learners with special needs.

Table 11: Education sector allocations by programme over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocations	Average Annual MTEF growth
		Medium-term estimates				
Administration	15 571 091	16 802 099	17 259 979	17 579 297	51 641 375	4,1%
Public Ordinary School Education	209 581 806	206 278 846	206 966 443	212 285 641	625 530 930	0,4%
Independent School Subsidies	1 573 910	1 642 498	1 779 045	1 806 695	5 228 238	4,7%
Public Special School Education	9 724 318	10 895 025	11 450 419	11 833 131	34 178 575	6,8%
Early Childhood Development	4 972 534	5 650 947	5 918 451	6 340 775	17 910 173	8,4%
Infrastructure Development	11 335 590	12 799 589	12 915 804	13 484 720	39 200 113	6,0%
Examination and Education Related Services	10 722 519	7 655 134	7 889 937	7 865 102	23 410 173	-9,8%
Total	263 481 768	261 724 138	264 180 078	271 195 361	797 099 577	1,0%
Current payments						
Compensation of employees	205 511 504	204 404 967	204 410 130	210 016 576	618 831 673	0,7%
Goods and services	24 145 812	25 245 395	26 386 161	27 041 280	78 672 836	3,8%
Interest and rent on land	1 471	254	278	164	696	-51,9%
Transfers and subsidies	26 841 943	21 909 369	23 313 438	23 720 268	68 943 075	-4,0%
Payment for Capital	6 894 660	10 158 880	10 064 580	10 411 341	30 634 801	14,7%
Payment for Financial Assets	86 378	5 273	5 490	5 732	16 495	-59,5%
Total Allocation	263 481 768	261 724 138	264 180 078	271 195 361	797 099 577	1,0%

Source: National Treasury Database

The Public Ordinary School Education programme budget accounts for the largest share (almost 80 per cent) of the education budget; however, it grows more slowly than other programmes, such as ECD and independent schools, at an annual average rate of 1.4 per cent from R209.6 billion in 2020/21 to R212.3 billion in 2023/24. This relatively slow growth is due to the reduction in the compensation of employees budget which is the main expenditure item in the programme; the majority of educators' salaries are paid under this programme. This reduction has been done as part of government's fiscal consolidation plan to reduce the wage bill which is crowding out operational and capital expenditure.

The Independent School Subsidies budget grows at an annual average rate of 4.9 per cent reaching R1.8 billion in 2023/24. This is the second highest rate of growth after the growth in the ECD budget and is higher than the growth in the Public Ordinary Schools budget. It may therefore appear that independent schools are prioritised over public schools. However, the Independent Schools programme is driven mainly by transfer payments; these were not affected by the reduction in the compensation budget. The higher growth rate reflects the growth in the number of independent schools which have been increasing faster than public schools.

Education by economic classification

As has already been mentioned, the compensation of employees budget was reduced as part of government's fiscal consolidation plan.

To ensure that the quality of education is not negatively affected, the sector will have to intensify its application of personnel management strategies including reducing excess teachers, substitute teachers and incapacity leave as well as early retirement of older teachers in order to appoint more and younger teachers at entry level cost. This should reduce expenditure on compensation whilst allowing for younger and newly qualified educators.

The budget for capital assets grows at an annual average rate of 1.2 per cent, reaching R10.4 billion in 2023/24 and will be used to maintain existing infrastructure and to complete projects in progress. Given the limited growth in the budget, new construction projects will be limited to urgent needs. The sector will have to prioritise COVID-19-related infrastructure needs such as providing for social distancing, water supply and sanitation.

The goods and services budget increases from R24.1 billion in 2020/21 to R24.0 billion in 2023/24 at an annual average rate of 3.5 per cent. This is slightly below the expected rate of inflation. There will therefore be a need for efficiencies to accommodate operational needs, including COVID-19-related requirements and the increasing number of learners in the system. Investment in technology critical to support learning during the pandemic is going to be a serious challenge.

The budget allocation for transfers and subsidies will continue to grow over the medium term at an annual average rate of 4.1 per cent, reaching R23.7 billion in 2023/24. This item mainly provides for transfers of operational budgets to schools. The increase will provide for per learner adjustments.

Health

The provincial health budget's allocation in 2020/21 was R231.7 billion; this declines to R228.9 billion in 2021/22 and R226.4 billion in 2023/24, an annual average rate of decline of 0.5 per cent over the MTEF period. In 2020/21, the sector received a net budget adjustment of R10.4 billion for its COVID-19 response; this provided for the purchase of PPE and for additional staff and bed capacity. In some provinces, field hospitals were put in place, mainly during the first wave. In 2021/22, R8 billion was made available to the sector for its continued response to COVID-19 through the provincial equitable share and a further R1.5 billion through a conditional grant for the vaccine rollout programme in the provinces.

Table 12: Health sector allocations by programme over the 2021 MTEF

	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
R thousand		Medium-term estimates				
Administration	8 964 087	6 584 396	5 748 819	5 651 606	17 984 821	-14,3%
District Health Services	108 941 629	109 749 968	106 350 927	107 851 104	323 951 999	-0,3%
Emergency Medical Services	8 659 464	8 590 245	8 721 333	8 937 508	26 249 086	1,1%
Provincial Hospital Services	37 781 416	38 327 661	38 447 672	38 703 008	115 478 341	0,8%
Central Hospital Services	45 763 040	45 441 945	45 203 875	45 928 697	136 574 517	0,1%
Health Sciences and Training	4 785 201	5 559 081	5 728 010	5 941 834	17 228 925	7,5%
Health Care Support Services	3 562 977	3 463 577	2 783 959	2 758 329	9 005 865	-8,2%
Health Facilities Management	13 277 665	11 170 755	10 624 552	10 619 684	32 414 991	-7,2%
Total	231 735 482	228 887 628	223 609 147	226 391 770	678 888 545	-0,8%
Current payments						
Compensation of employees	138 307 351	141 472 767	137 144 443	139 596 209	418 213 419	0,3%
Goods and services	73 855 135	70 963 766	70 315 705	70 822 337	212 101 808	-1,4%
Interest and rent on land	23 387	2 707	3 052	3 247	9 006	-48,2%
Transfers and subsidies	5 855 200	5 139 116	5 633 233	5 589 287	16 361 636	-1,5%
Payment for Capital	13 682 684	11 309 272	10 512 715	10 380 690	32 202 677	-8,8%
Payment for Financial Assets	11 724	—	—	—	—	-100,0%
Total Allocation	231 735 482	228 887 628	223 609 148	226 391 770	678 888 546	-0,8%

Source: National Treasury Database

Despite additional funding totalling R9.5 billion for the COVID-19 response and the vaccination programme, the sector's budget was significantly affected by the baseline reductions due to fiscal consolidation over the MTEF period. In total, in the 2021 MTEF the sector's baseline is reduced by R10.8 billion in 2021/22 and R28.5 billion in 2022/23 compared with the original baselines for these two years in the 2020 MTEF. This has had an impact on the creation of the 2023/24 baseline which is less by R37.1 billion than would have been the case if the original baselines had been maintained. The significant portion of this reduction relates to compensation of employees, implemented across national and provincial departments as part of government-wide fiscal consolidation. Table 12 shows the sector's budget by programme and economic classification over the 2021 MTEF. District Health Services and Central Hospital Services account for over 60 per cent of the total health budget.

Health by economic classification

Compensation of employees accounts for 61.8 per cent of the health sector budget in 2021/22; in line with the fiscal consolidation measures, this decreases to 61.3 per cent in 2022/23. Payment for capital assets declined between 2020/21 and 2021/22 mainly due to provinces' reprioritisation to provide for additional hospital bed

capacity. The item was least affected by the fiscal consolidation baseline reduction over the MTEF period.

The goods and services budget also declines year-on-year between 2020/21 and 2022/23, largely due to the allocation for the COVID-19 response. The baseline reduces by R5.1 billion in 2022/23; this particularly affects medicines, medical supplies and laboratory services as reflected in Table 12. The budget for these three items is projected to remain stagnant over the MTEF period and therefore to decline in real terms; it does not cater for the expected rate of inflation or any increase in the public sector population.

Social Development The Social Development sector's baseline reduces by R5.3 billion over the 2021 MTEF although it is expected to increase from R22.7 billion in 2020/21 to R24.1 billion in 2023/24, or by 1.9 per cent, despite the baseline reduction. The increase relates mainly to the ECD grant which was not reduced as other conditional grants were. It is also due to the increase in the subsidy per child from R15 per day to R17 per day in 2020/21 and to R18.57 per day in 2022/23.

Table 13: Social Development sector allocations by programme over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Administration	3 408 265	3 472 345	3 557 144	3 494 708	10 524 197	0,8%
Social Welfare Services	5 352 305	5 284 863	5 290 936	5 423 273	15 999 072	0,4%
Children and Families	8 532 518	9 104 621	9 313 126	9 537 817	27 955 564	3,8%
Restorative Services	2 986 225	3 211 746	3 289 618	3 375 679	9 877 043	4,2%
Development and Research	2 454 292	2 266 927	2 218 339	2 245 818	6 731 084	-2,9%
Total	22 733 606	23 340 502	23 669 163	24 077 295	71 086 960	1,9%
Current payments						
Compensation of employees	10 287 477	10 729 203	10 751 178	10 903 133	32 383 514	2,0%
Goods and services	3 750 251	3 691 190	3 793 128	3 869 900	11 354 218	1,1%
Interest and rent on land	221	15	16	17	48	-57,5%
Transfers and subsidies	8 163 279	8 300 308	8 502 747	8 734 920	25 537 975	2,3%
Payment for Capital	530 845	619 786	622 094	569 325	1 811 205	2,4%
Payment for Financial Assets	1 533	—	—	—	—	-100,0%
Total Allocation	22 733 606	23 340 502	23 669 163	24 077 295	71 086 960	1,9%

Source: National Treasury Database

Social Development by economic classification

Sixty-five per cent of the total baseline reduction is under compensation of employees. However, this baseline increases slightly, by 2 per cent, over the MTEF. Included in the baseline is the earmarked allocation for employment of social workers to address gender-based violence and other social welfare priorities.

The goods and services baseline reductions account for 14 per cent of the total baseline reductions. Transfers and subsidies reductions

account for 13 per cent, mainly under transfers to non-profit organisations (NPOs). The baseline is expected to increase by 2.3 per cent over the MTEF; this takes into consideration the additional allocation to increase the subsidy per child from R15 per day to R17 per day in 2020/21 and to R18.57 per day in 2022/23.

Payment of capital assets shows a slight increase, of 2.4 per cent, over the MTEF. Included in this baseline is the infrastructure component of the ECD conditional grant to assist partially-registered ECD centers to become fully registered.

With the exception of Programme 5 (Development and Research) for which the baseline declines over the period, the baselines of all programmes increase slightly over the MTEF. Nevertheless, they have all been affected by the baseline reductions.

Roads and Transport

The sector is planning to spend R131.1 billion over the 2021 MTEF in the transport infrastructure, operations, and regulation programmes. Overall, the budget for the sector shows an average annual growth rate over the MTEF of 4.6 per cent. The largest percentage growth rates are in Gauteng and KwaZulu-Natal; the increases in the other seven provinces are below the average of 4.6 per cent. They have been largely affected by the wage freeze and budget baseline cuts in response to fiscal consolidation.

Table 14: Roads and Transport sector allocations by province over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Eastern Cape	3 821 781	3 998 249	3 808 064	3 835 827	11 642 140	0,1%
Free State	2 534 580	2 575 937	2 450 324	2 547 726	7 573 987	0,2%
Gauteng	5 272 470	6 397 360	6 698 883	7 068 170	20 164 413	10,3%
KwaZulu-Natal	8 525 036	11 089 143	11 045 458	11 006 510	33 141 111	8,9%
Limpopo	3 915 035	3 610 678	3 666 281	3 862 374	11 139 333	-0,5%
Mpumalanga	3 774 027	4 139 636	4 090 201	4 034 546	12 264 383	2,2%
Northern Cape	1 490 378	1 683 783	1 554 129	1 633 685	4 871 597	3,1%
North West	3 546 881	3 712 592	3 693 710	3 828 195	11 234 497	2,6%
Western Cape	5 765 654	6 506 415	6 179 004	6 379 264	19 064 683	3,4%
Total	38 645 842	43 713 793	43 186 054	44 196 297	131 096 144	4,6%
Current payments						
Compensation of employees	7 423 778	7 465 140	7 604 562	7 865 006	22 934 708	1,9%
Goods and services	14 071 039	16 056 330	15 308 789	15 496 630	46 861 749	3,3%
Interest and rent on land	146	–	–	–	–	-100,0%
Transfers and subsidies	9 223 934	9 986 038	10 350 618	10 787 454	31 124 110	5,4%
Payment for Capital	7 926 397	10 206 052	9 921 843	10 046 955	30 174 849	8,2%
Payment for Financial Assets	548	233	242	252	727	-22,8%
Total Allocation	38 645 842	43 713 793	43 186 054	44 196 297	131 096 144	4,6%

Source: National Treasury Database

Roads and Transport by economic classification

Compensation of employees

This spending category has been affected by the wage freeze and shows an average annual growth rate of only 1.9 per cent over the 2021 MTEF. In general, provincial Roads and Transport departments have only made provision for pay progression in their MTEF budgets. Except for filling some critical vacant posts (for example: North West is planning to recruit technicians and engineers in the 2021 MTEF period), the budget does not allow for filling vacant positions.

Compensation of employees in the sector largely covers pay progression over the MTEF. There is limited space for filling additional posts.

Goods and services

This item has also been affected by baseline cuts and shows a average annual growth rate of only 3.3 per cent. The budget provides for contractors, community development projects, weighbridges, scholar transport and contractual obligations (property payments and leases). KwaZulu-Natal's allocation for 2021/22 and 2022/23 includes additional funds for scholar transport. North West has allocated R300 million for scholar transport in 2021/22.

Transfers and subsidies

This item includes spending on contractual obligations related to public transport services; transfers to the South African National Taxi Council (SANTACO) in KwaZulu-Natal to support rental, water, lights and maintenance of 16 offices; and funding towards the operationalisation of the Mpumalanga Provincial Taxi Council. Transfers and subsidies reflect an annual average growth rate of 5.4 per cent; this is largely to cater for the annual increase in bus subsidies. However, Limpopo shows a declining budget for 2021/22 and has indicated that this will prevent the province from implementing adjustments to tariffs and the annual increase in bus subsidies in the financial year.

Payments for capital assets

Since the 2020/21 financial year, spending on capital assets has been affected by the COVID-19 lockdown regulations which closed construction sites and required social distancing during construction. Fiscal consolidation cuts also resulted in some projects (mainly at the initiation, concept, design, and tender stages) being deferred. Spending is expected to remain flat, at an average of R10 billion annually, through the MTEF period. This item covers spending on machinery and equipment, construction, upgrading and rehabilitation of provincial roads and bridges. Project-specific information is contained in Road

Fiscal consolidation budget cuts have resulted in projects in the planning phases being deferred.

Asset Management Plans and spending is reported in the Infrastructure Reporting Model administered by National Treasury.

Roads and Transport by programme

Table 15: Roads and Transport sector allocations by programme over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Transport Infrastructure	22 454 439	26 064 236	25 294 493	26 120 196	77 478 925	5,2%
Transport Operations	10 562 520	11 891 580	11 989 458	12 060 549	35 941 587	4,5%
Transport Regulation	5 628 883	5 757 977	5 902 103	6 015 552	17 675 632	2,2%
Total	38 645 842	43 713 793	43 186 054	44 196 297	131 096 144	4,6%
Current payments						
Compensation of employees	7 423 778	7 465 140	7 604 562	7 865 006	22 934 708	1,9%
Goods and services	14 071 039	16 056 330	15 308 789	15 496 630	46 861 749	3,3%
Interest and rent on land	146	–	–	–	–	-100,0%
Transfers and subsidies	9 223 934	9 986 038	10 350 618	10 787 454	31 124 110	5,4%
Payment for Capital	7 926 397	10 206 052	9 921 843	10 046 955	30 174 849	8,2%
Payment for Financial Assets	548	233	242	252	727	-22,8%
Total Allocation	38 645 842	43 713 793	43 186 054	44 196 297	131 096 144	4,6%

Source: National Treasury Database

Transport Operations

Spending on transport operations, which is mainly on contracted bus subsidies, is expected to increase from R10.6 billion in 2020/21 to R12.1 billion in 2023/24, an annual average rate of 4.5 per cent over the 2021 MTEF period. The sector is required to comply with COVID-19 regulations and to continue to provide PPE for public transport operators as legislated in the Public Transport Operations Grant (PTOG) framework for 2021/22.

In the Western Cape, this programme includes the minibus taxis Red Dot service to transport people to and from quarantine and isolation sites and to provide critical transport for healthcare workers. The Eastern Cape, KwaZulu-Natal, Mpumalanga and North West fund scholar transport services under this programme; in other provinces, this is budgeted for under the education sector.

Transport Infrastructure

This programme covers spending related to the construction and maintenance of provincial roads and bridges. In 2020/21, the Provincial Roads Maintenance grant (PRMG) was revised downwards by R1.8 billion from R11.6 billion to R9.8 billion as part of the nationally coordinated response to COVID-19. This reduction related mainly to construction projects that could not be implemented under the lockdown. In some instances, provinces also deferred projects that

were in the preconstruction planning phases (initiation, concept, design and tender).

Spending on the transport infrastructure programme is expected to increase from R22.5 billion in 2020/21 to R26.1 billion in 2023/24. Over the 2021 MTEF, the sector plans to spend R77.5 billion on the programme.

Transport Regulation

Provinces have budgeted to spend R17.6 billion over the 2021 MTEF on transport regulation to promote road safety through enforcement of traffic laws; road safety and awareness programmes; and registration and licensing of vehicles and drivers.

Under Level 4 and 5 lockdowns in 2020/21, drivers and learners license testing centres (DLTCs) and motor vehicle license renewal/collection agencies (post offices, municipalities) were closed across provinces. This affected applications for and renewal of licences as well as collection of motor vehicle license fees. The Minister of Transport extended the validity period of motor vehicle license discs to 31 August 2021.

Public Works

Table 16: Public Works sector allocations by province over the 2021 MTEF

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Eastern Cape	2 443 638	2 505 503	2 523 946	2 388 936	7 418 385	-0,8%
Free State	1 658 660	1 739 126	1 790 074	1 774 452	5 303 652	2,3%
Gauteng	3 197 771	3 260 931	3 243 662	3 205 610	9 710 203	0,1%
KwaZulu-Natal	1 818 710	1 695 329	1 934 255	1 744 027	5 373 611	-1,4%
Limpopo	1 264 887	1 092 776	1 373 760	1 542 448	4 008 984	6,8%
Mpumalanga	1 554 402	1 500 510	1 378 674	1 349 421	4 228 605	-4,6%
Northern Cape	421 419	453 477	470 649	480 404	1 404 530	4,5%
North West	1 512 350	1 429 304	1 475 899	1 439 225	4 344 428	-1,6%
Western Cape	2 809 480	2 758 614	2 456 527	2 511 274	7 726 415	-3,7%
Total	16 681 317	16 435 570	16 647 446	16 435 797	49 518 813	-0,5%
Current payments						
Compensation of employees	5 478 579	5 560 660	5 591 980	5 849 836	17 002 476	2,2%
Goods and services	5 513 983	5 455 920	5 286 977	5 028 047	15 770 944	-3,0%
Interest and rent on land	578	100	180	—	280	-100,0%
Transfers and subsidies	4 539 040	4 278 862	4 865 387	4 670 367	13 814 616	1,0%
Payment for Capital	1 147 629	1 140 022	902 912	887 537	2 930 471	-8,2%
Payment for Financial Assets	1 508	6	10	10	26	-81,2%
Total Allocation	16 681 317	16 435 570	16 647 446	16 435 797	49 518 813	-0,5%

Source: National Treasury Database

The budget for the Public Works sector over the 2021 MTEF is R49.5 billion. It declines by an annual average rate of 0.5 per cent over the

period. The expected rate of growth in Limpopo is 6.8 per cent, in the Northern Cape 4.5 per cent and in the Free State 2.3 per cent. The other provinces indicate a decline in their baselines over the 2021 MTEF. This decline is particularly notable under the Public Works Infrastructure programme.

Public Works by economic classification

Compensation of employees in the sector shows an average annual growth rate of 2.2 per cent over the 2021 MTEF. This minimal growth is largely due to the wage freeze. The compensation of employees budget does not allow for filling vacant positions over the MTEF. However, some provinces such as the Eastern Cape and Gauteng have made provision for filling funded critical vacancies to capacitate their Public Works departments.

The goods and services budget in the sector declines by an annual average rate of 3 per cent mainly due to the implemented budget cuts.

The transfers and subsidies budget is expected to grow slightly by 1 per cent over the 2021 MTEF. This item caters mainly for the rates and taxes allocation. Over the MTEF, Gauteng's transfers and subsidies budget increases due to the increased allocation for rates and taxes to cater for devolved properties and the increase in amounts payable in rates by municipalities. In Limpopo and KwaZulu-Natal, the rates and taxes allocation decreases over the 2021 MTEF due to a once-off allocation in 2022/21 to address budget pressure in respect of outstanding municipal property rates.

The capital asset allocation declines significantly by 8.2 per cent over the MTEF. This is partly because the special allocation for the Mpumalanga Parliamentary Village and to Mkhondo boarding school is no longer being made as these projects have been completed. Although the overall capital asset allocation declines over the MTEF, there is an increase in Limpopo due to the earmarked allocation of R80 million to purchase the provincial government building.

Agriculture

The sector is planning to spend R36 billion over the 2021 MTEF. Overall, the budget for the sector shows an average annual growth rate over the MTEF of 2.3 per cent on average. Only Programme 2: Sustainable Resource Use and Management shows a decline of 2.2 per cent on average, over the MTEF. Compensation of employees reflects a minimal growth of 2 per cent. Transfers reflects a decline of 1.6 per cent on average, largely affected by the budget baseline cuts in response to fiscal consolidation.

Table 17: Agriculture and Rural Development sector allocations by programme over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Administration	2 627 346	2 654 144	2 783 704	2 848 373	8 286 221	2,7%
Sustainable Resource Use and Management	691 899	608 830	623 879	646 800	1 879 509	-2,2%
Agricultural Producer Support and Development	4 992 014	5 002 991	5 355 581	5 361 077	15 719 648	2,4%
Veterinary Services	1 177 617	1 214 777	1 203 267	1 235 523	3 653 567	1,6%
Research and Technology Development Services	780 382	841 905	865 270	887 557	2 594 732	4,4%
Agricultural Economics Services	200 929	224 172	236 776	245 538	706 486	6,9%
Agricultural Education and Training	543 864	585 882	598 515	604 408	1 788 805	3,6%
Rural Development	462 079	490 221	472 775	470 983	1 433 979	0,6%
Total	11 476 130	11 622 922	12 139 767	12 300 259	36 062 948	2,3%
Current payments						
Compensation of employees	6 017 298	6 161 993	6 249 688	6 393 434	18 805 114	2,0%
Goods and services	3 400 174	3 622 599	3 870 488	3 883 433	11 376 520	4,5%
Interest and rent on land	638	235	215	240	690	-27,8%
Transfers and subsidies	1 223 992	1 089 695	1 137 074	1 165 195	3 391 964	-1,6%
Payment for Capital	833 465	748 401	882 302	857 958	2 488 660	1,0%
Payment for Financial Assets	563	–	–	–	–	-100,0%
Total Allocation	11 476 130	11 622 922	12 139 767	12 300 259	36 062 948	2,3%

Source: National Treasury Database

Economic Development

Over the MTEF, the baseline reductions amount to R2.9 million. Offset by an additional R626 million allocated to the sector, the net baseline reduction is R2.3 million over the period. The purpose of the additional allocation is to help to ensure optimal service delivery in the context of fiscal consolidation.

Table 18: Economic Development sector allocations by province over the 2021 MTEF

	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
R thousand		Medium-term estimates				
Eastern Cape	1 369 266	1 689 624	1 120 898	1 107 531	3 918 053	-6,8%
Free State	615 488	604 792	619 138	608 660	1 832 590	-0,4%
Gauteng	1 944 592	1 561 763	1 512 983	1 482 217	4 556 963	-8,7%
KwaZulu-Natal	3 043 451	3 341 675	3 406 593	3 434 711	10 182 979	4,1%
Limpopo	1 407 464	1 395 602	1 596 870	1 662 867	4 655 339	5,7%
Mpumalanga	1 111 032	1 354 663	1 387 248	1 288 827	4 030 738	5,1%
Northern Cape	278 600	320 408	327 111	336 506	984 025	6,5%
North West	891 967	938 096	955 866	969 970	2 863 932	2,8%
Western Cape	534 886	517 807	514 551	459 933	1 492 291	-4,9%
Total	11 196 746	11 724 430	11 441 258	11 351 222	34 516 910	0,5%
Current payments						
Compensation of employees	2 312 025	2 502 671	2 534 727	2 617 712	7 655 110	4,2%
Goods and services	1 623 548	1 798 623	2 135 793	2 030 311	5 964 727	7,7%
Interest and rent on land	1 075	994	1 042	1 186	3 222	3,3%
Transfers and subsidies	6 905 603	6 891 657	6 204 316	6 205 526	19 301 499	-3,5%
Payment for Capital	354 455	530 485	565 380	496 487	1 592 352	11,9%
Payment for Financial Assets	40	–	–	–		-100,0%
Total Allocation	11 196 746	11 724 430	11 441 258	11 351 222	34 516 910	0,5%

Source: National Treasury Database

The provinces mainly affected by the budget reduction over the MTEF are Limpopo (R761 million), KwaZulu-Natal (R392 million) and Gauteng (R346 million). The reduction in Limpopo is mainly due to a reduction in transfers to the Limpopo Economic Development Agency (LEDA) and the Liquor and Gambling Board (LGB). The purpose was to make funds available for the response to COVID-19. The phasing out of funding for Schedule 3D public entities such as LEDA also contributed to this budget reduction.

The budget cut in KwaZulu-Natal mainly relates to transfers to public enterprises and particularly to funding for the Enterprise Development Fund for the wage freeze in line with fiscal consolidation. The impact of these cuts is visible mainly in allocations to public entities such as Tourism KwaZulu-Natal (TKZN) and Trade and Investment KwaZulu-Natal (TIK). In Gauteng, the budget reduction mainly affects the personnel budget due to the wage freeze. Allocations to entities in the province, such as to the Gauteng Liquor Board (GLB), are also reduced.

Economic Development by economic classification

Compensation of employees has the largest baseline reduction. This is mainly because of the wage freeze implemented over the MTEF period

and budget cuts to provide for the provinces' responses to COVID-19. The main baseline reductions in 2021/22 are in Limpopo (R110 million) followed by the Western Cape (R82 million) and KwaZulu-Natal (R72 million).

In terms of good and services, Limpopo's reduction of R113 million is the major contributor to the overall decrease in this budget in 2021/22. This is mainly due to the COVID-19-related cuts to operational budgets for core programmes.

The main transfers and subsidies baseline reduction in 2021/22 is in Limpopo followed by KwaZulu-Natal and North West. Baseline reduction across provinces has resulted in reduced transfers to entities. This is to ensure that the public entities also implement the wage freeze in line with fiscal consolidation.

Economic Development by programme

Table 19: Economic Development sector allocations by programme over the 2021 MTEF

R thousand	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Administration	1 623 446	1 826 738	1 987 455	2 021 124	5 835 316	7,6%
Integrated Economic Development Services	2 438 032	2 347 881	2 310 934	2 080 317	6 739 132	-5,2%
Trade and Sector Development	1 846 779	2 078 870	2 067 176	2 052 916	6 198 962	3,6%
Business Regulation & Governance	551 920	567 563	562 791	567 580	1 697 934	0,9%
Economic Planning	550 178	410 334	381 198	332 376	1 123 908	-15,5%
Tourism	1 826 497	2 176 059	1 742 414	1 759 978	5 678 451	-1,2%
Environmental Affairs	2 359 894	2 316 985	2 389 290	2 536 931	9 603 100	2,4%
Total	11 196 746	11 724 430	11 441 258	11 351 222	34 516 909	0,5%
Current payments						
Compensation of employees	2 312 025	2 502 671	2 534 727	2 617 712	7 655 110	4,2%
Goods and services	1 623 548	1 798 623	2 135 793	2 030 311	5 964 727	7,7%
Interest and rent on land	1 075	994	1 042	1 186	3 222	3,3%
Transfers and subsidies	6 905 603	6 891 657	6 204 316	6 205 526	19 301 499	-3,5%
Payment for Capital	354 455	530 485	565 380	496 487	1 592 352	11,9%
Payment for Financial Assets	40	–	–	–	–	-100,0%
Total Allocation	11 196 746	11 724 430	11 441 258	11 351 222	34 516 910	0,5%

Source: National Treasury Database

The programmes mainly contributing to the positive average annual growth rate over the MTEF are Administration (7.6 per cent) and Trade and Sector Development (3.6 per cent). Economic Planning and Integrated Economic Development Services have negative growth rates.

The increase in the Administration budget is particularly notable in the Northern Cape due to the plan to fill vacant posts in the outer year. The department is currently prioritising key posts due to fiscal

consolidation. The Western Cape also contributes to the increase in Administration as a result of the allocation of R66 million in the 2021/22 financial year. This will be to fund the filling of vacant posts in the programme. The purpose is to maintain high standards of governance and drive innovative solutions in partnership with the department's Centre of E-Innovation (Ce-I). The budget increase for trade and sector development in the Northern Cape is mainly the result of an allocation of R103 million over the MTEF for implementing the Special Economic Zone (SEZ) project.

The negative growth of 15.5 per cent over the MTEF in the economic planning programme relates particularly to Gauteng where the budget is reduced from R153 million in 2021/22 to R146 million in 2023/24 in response to the need for fiscal consolidation.

The integrated economic development services budget in Gauteng is allocated to the Gauteng Enterprise Propeller (GEP). This is to ensure that there is an increase in investment in the economic development of townships, deteriorating areas and peri-urban areas; and to support SMME development in line with the Township Economy Revitalisation (TER) Strategy. However, due to the baseline reductions in this programme, GEP's allocation decreases over the MTEF from R219 million in 2021/22 to R203 million in 2023/24.

Human Settlements

The sector is planning to spend R65.1 billion over the 2021 MTEF on the housing development, housing needs, research and planning and housing asset management programmes. Overall, the budget for the sector shows an average annual growth rate of 4.4 per cent over the MTEF, with the largest rates of growth in the Free State, Gauteng, Limpopo, Northern Cape and North West. The other provinces show below the annual average increases largely because of additional funds received in the 2020/21 financial year which increased their baseline.

Table 20: Human Settlements sector allocations by province over the 2021 MTEF

	2020/21 Revised estimate	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
R thousand		Medium-term estimates				
Eastern Cape	2 258 071	2 325 148	2 394 530	2 487 341	7 207 019	3,3%
Free State	1 115 316	1 255 620	1 304 951	1 342 965	3 903 536	6,4%
Gauteng	5 377 907	5 912 132	6 113 790	6 368 108	18 394 030	5,8%
KwaZulu-Natal	3 564 155	3 597 231	3 719 124	3 860 303	11 176 658	2,7%
Limpopo	1 445 727	1 546 442	1 680 760	1 781 109	5 008 311	7,2%
Mpumalanga	1 552 638	1 557 402	1 484 885	1 539 168	4 581 455	-0,3%
Northern Cape	519 566	569 347	599 099	630 995	1 799 441	6,7%
North West	1 512 446	1 845 374	1 920 206	1 996 445	5 762 025	9,7%
Western Cape	2 426 787	2 353 171	2 411 827	2 496 308	7 261 306	0,9%
Total	19 772 613	20 961 867	21 629 172	22 502 742	65 093 781	4,4%
Current payments					0	
Compensation of employees	2 411 827	2 439 956	2 438 500	2 449 674	7 328 130	0,5%
Goods and services	1 145 433	1 066 837	1 091 749	1 151 865	3 310 451	0,2%
Interest and rent on land	709	–	–	–	–	-100,0%
Transfers and subsidies	15 177 279	17 248 145	17 985 059	18 778 513	54 011 717	7,4%
Payment for Capital	1 037 028	206 629	113 564	122 390	442 583	-50,9%
Payment for Financial Assets	337	300	300	300	900	-3,8%
Total Allocation	19 772 613	20 961 867	21 629 172	22 502 742	65 093 781	4,4%

Source: National Treasury Database

Human Settlements by economic classification

Compensation of employees

This spending category has been substantially affected by the wage freeze and increases by an annual average rate of only 0.5 per cent over the 2021 MTEF. Human Settlements departments have made provision for pay progression of 1.5 per cent in their MTEF budgets. Given the current allocations, departments may find funding their current establishment difficult and will have to reprioritise funding from other categories to offset the shortfalls.

Goods and Services

Showing an average annual growth rate of 0.2 per cent, this item has been affected by the baseline cuts resulting from fiscal consolidation. Accounting for an average of 5 per cent of the sector's total allocation, it does not make up the core of the sector's budget. Key items forming part of this budget include payment of operating leases, property payments and infrastructure planning.

The reduction in allocations to this category should not have a material effect on core service delivery and departments should be able to

reprioritise funding to ensure that mandatory items under goods and services are funded.

Transfers and Subsidies

This item, making up the bulk of the sector's allocation, grows at an annual average rate of 7.4 per cent over the MTEF; this is considerably higher than the total average rate. It is critical that it grows by at least the rate of inflation to enable the sector to maintain its level of outputs over the MTEF. Although the sector's deliverables are of a capital nature, the assets produced do not accrue to the state but to the beneficiaries; hence the bulk of the allocation is made to transfers rather than capital.

Payments for capital assets

Payment for capital assets makes up less than 1 per cent of the sector's total allocation over the MTEF. Delivery social and economic amenities it makes a minor contribution to the sector's core outputs. Thus, while the reduction in the allocation over the MTEF is quite significant at over 50 per cent, the sector will not be adversely affected because of this.

Human Settlements by programme

Table 21: Human Settlements sector allocations by programme over the 2021 MTEF

R million	2020/21 Revised estimates	2021/22	2022/23	2023/24	2021 MTEF total allocation	Average Annual MTEF growth
		Medium-term estimates				
Administration	2 046 125	1 985 318	2 096 469	2 176 289	6 258 076	2,1%
Housing Needs, Research and Planning	557 249	407 317	296 910	300 844	1 005 071	-18,6%
Housing Development	16 610 316	18 051 695	18 794 008	19 576 548	56 422 251	5,6%
Housing Asset Management	558 923	517 537	441 785	449 061	1 408 383	-7,0%
Total	19 772 613	20 961 867	21 629 172	22 502 742	65 093 781	4,4%
Current payments						
Compensation of employees	2 411 827	2 439 956	2 438 500	2 449 674	7 328 130	0,5%
Goods and services	1 145 433	1 066 837	1 091 749	1 151 865	3 310 451	0,2%
Interest and rent on land	709	–	–	–	–	-100,0%
Transfers and subsidies	15 177 279	17 248 145	17 985 059	18 778 513	54 011 717	7,4%
Payment for Capital	1 037 028	206 629	113 564	122 390	442 583	-50,9%
Payment for Financial Assets	337	300	300	300	900	-3,8%
Total Allocation	19 772 613	20 961 867	21 629 172	22 502 742	65 093 781	4,4%

Source: National Treasury Database

Housing Needs, Research and Planning

There is a substantial decrease, of around 19 per cent, in the allocation to this programme over the MTEF. The bulk of the allocation is to Limpopo and Mpumalanga, with negligible allocations to the other seven provinces. The programme, and especially its planning

component, are important; however, the reduction is unlikely to have a substantial negative impact in the short term.

Housing Development

Housing Development, the largest programme, grows at 5.6 per cent over the MTEF. Significant cuts in the 2020/21 financial year lowered the baseline. Due to fiscal consolidation, there has been a consistent reduction in allocations in recent years and a resultant mismatch between spending and planned outputs. The allocations over the MTEF are much lower than those between 2015 and 2018; the sector will therefore have to use its funds very efficiently to achieve its targets.

Housing Asset Management

This programme's allocation decreases by 7.4 per cent over the MTEF. Were it not for the reduction in the baseline in the 2020/21 financial year, the reduction over the MTEF would have been much more severe. Funds from this programme are used for the upkeep of housing units owned by provincial departments. With the decreasing allocations, departments will have fewer funds with which to maintain the properties. This should present them with the opportunity to offload properties to their current occupants or on the open market.

Conclusion

The fiscal framework presents a serious challenge for government. The budget is not growing adequately to provide for the additional needs resulting from the COVID-19 pandemic. To ensure that service delivery is not severely affected, provinces must reprioritise their budgets; strengthen their commitment to efficiency and innovation; and strictly implement rules that relate to resource management.



2021 PROVINCIAL BUDGET EXPENDITURE REVIEW

SUPPLEMENTARY BOOK



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