

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 3966 [NW4834E]
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3966. Mr W M Madisha (Cope) to ask the Minister of Finance:

Whether the Government has a clear and binding policy on building, maintaining and preserving a given level of contingency funds, expressed as a ratio of the annual approved budget, so as to alleviate the plight of citizens and rebuild the infrastructure adequately and swiftly during a major disaster; if not, why not; if so, (a) what is the policy, (b) to what extent is the contingency fund as at 31 October 2015 compatible with the declared policy level, (c)(i) what is the lowest level to which the contingency fund can be allowed to sink and (ii) how does the present situation compare with that baseline and (d) what growth in real terms has there been annually in respect of contingency funds during the period 1 November 2009 to 1 November 2015?

NW4834E

REPLY:

Government does not have a binding policy for setting the level of disaster relief contingency funding. Disaster relief funding is mainly included on budget, in conditional grants to municipalities and provinces, and also in the baselines of certain departments, like the Departments of Social Development and Agriculture, Forestry and Fisheries. Where disaster relief grants are insufficient, government can draw down on the national contingency reserve. Historically, immediate disaster relief transfers to provincial and local governments have been less than the provision on budget.

Once a disaster occurs, government distinguishes between two levels of disaster funding: 1) immediate disaster relief and 2) long term disaster reparations relating to infrastructure.

For immediate disaster relief (food, temporary shelter and temporary access roads), government introduced two conditional grants in 2011/12 – the *Municipal Disaster Grant* and the *Provincial Disaster Grant* – which allow for the release of funds within a 100-day period from a disaster being declared. Other government grants may also be reprioritised to focus funding in response to immediate disaster needs. The *Disaster Grants* are included in the baseline of the Department of Cooperative Governance. For 2015/16, the municipal disaster grant amounts to R261.1 million and the provincial disaster grant amounts to R103.2 million. Funds from these two grants have remained underspent for the past 3 years, as the full grant amounts were not required for disaster response. In 2014/15, R197.4 million was allocated to the *Provincial Disaster Grant* of which R85.9 million was transferred to provinces. For the same period R363.6 million was allocated to the *Municipal Disaster Grant*, of which R121.4 million was transferred to municipalities.

Required medium term disaster responses are dealt with using the normal MTEF budget process. This is done through the reprioritisation of budgeted funds, mainly within existing

government infrastructure grants, or through draw downs on the national contingency reserve. The Department of Cooperative Governance administers the *Municipal Disaster Recovery Grant* for rehabilitation and reconstruction of disaster damaged municipal infrastructure.

Draw-downs from the contingency reserve are part of the in-year budget process, and need to be tabled by vote. This was done in 2013/14 for floods in the Eastern Cape and the Western Cape (R111.5 million from the contingency reserve) and in 2014/15 for infrastructure reconstruction in the Eastern Cape, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape (R157 million from the contingency reserve). The 2016 MTEF budget process is in progress, with the national contingency reserve standing at R2.5 billion in 2016/17, R9 billion in 2017/18, and R15 billion in 2018/19. Depending on the severity of the current drought, after sector budget reprioritisation, part of the contingency reserve in each year may be allocated for additional disaster relief in the 2016 Budget and / or the 2016/17 Adjustments Budget.