

Briefing
2019 Appropriations Bill



Budget
Office

Parliamentary

Bill
section
Minister
fiscal

Outline

- Introduction
- Structure of the Appropriations Bill
- Defining the concepts
- Role of Committees
- Fiscal Framework
- Division of Revenue
- Allocations per budget function group
- Selection of appropriations
- Transfers and subsidies
- Current expenditure growth from preliminary 2018/19 outcomes (selected votes)
- In Summary
- Key points to consider

Introduction

- Appropriations Bill was tabled by the Minister of Finance with the 2019 Budget
- It provides for:
 - Appropriation of money for requirements of State per vote/department
 - The proposals set out the purpose for each department and programme
 - Expenditure per programme and economic classification items
 - Economic classification
 - Amounts listed as specifically and exclusively appropriated

Defining the concepts

- Purpose: Is a statement that sets out in broad terms the main areas of delivery for which funds are allocated. It focuses on the legal mandate behind the expenditures reflected in the programme or sub-programme.
- Programme: A budget programme is a main division within a department's budget that funds a clearly defined set of objectives based on the services or functions within the department's legislative and other mandates.
- Economic classification
- *Specifically and exclusively
 - Compensation of Employees
 - Social Grants
 - All Conditional Grants
- **Parliament: Economic classification must be determined by Parliament in terms of the Financial Management of Parliament Act, 2009 as amended.

Role of the Committees

- The Appropriation Bill is referred to the Committee on Appropriations of the National Assembly and National Council of Provinces.
- The Committees on Appropriations may report on the Appropriation Bill after Parliament passed 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. Reasons for proposed amendments must be provided.
- Another committee may advise a Committee on Appropriations that:
 - a sub-division of a main division within a vote be appropriated conditionally or
 - specifically and exclusively for a purpose mentioned under a main division within a vote
- Parliament must pass, with or without amendments, or reject the Appropriation Bill within four months after the start of the financial year to which it relates.

Fiscal Framework

	2017/18	2018/19	2019/20	2020/21	2021/22
R billion/percentage of GDP			Medium-term estimates		
Revenue	1 353.5	1 455.2	1 583.8	1 696.4	1 836.6
	28.7%	28.8%	29.3%	29.2%	29.4%
Expenditure	1 543.8	1 665.4	1 826.6	1 948.9	2 089.0
% of GDP	32.7%	32.9%	33.7%	33.5%	33.4%
Non-interest expenditure	1 374.0	1 476.7	1 617.2	1 716.2	1 833.1
% of GDP	29.1%	29.2%	29.9%	29.5%	29.3%
Interest payments	136.3	153.4	169.3	187.6	206.4
% of GDP	3.3%	3.5%	3.6%	3.7%	3.7%
Budget balance	-190.3	-210.2	-242.7	-252.6	-252.4
% of GDP	-4.0%	-4.2%	-4.5%	-4.3%	-4.0%
Primary balance	-5.9	5.5	20.3	45.7	60.6
% of GDP	-0.1%	0.1%	0.4%	0.9%	1.1%

Source: National Treasury

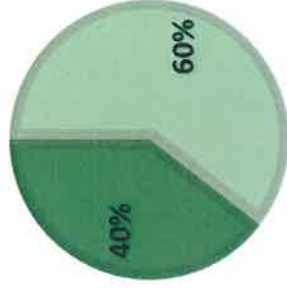
Division of Revenue

R billion	2017/18	2018/19 Revised estimate	2019/20 Medium-term estimates	2020/21 Medium-term estimates	2021/22 Medium-term estimates	Average annual MTEF
National departments	592.7	638.2	684.7	733.1	777.7	6.8%
Provinces	538.6	572.2	612.3	657.1	701.0	7.0%
Equitable share	441.3	470.3	505.6	542.9	578.6	7.2%
Conditional grants	97.2	101.9	106.7	114.2	122.4	6.3%
Local government	111.1	117.3	127.3	137.9	149.5	8.4%
Equitable share	55.6	60.5	69.0	75.7	82.2	10.7%
Conditional grants	43.7	44.3	45.1	48.2	52.2	5.6%
Provisional allocation not assigned	–	–	19.2	11.4	18.9	
Non-interest allocations	1 242.3	1 327.6	1 443.5	1 539.5	1 647.1	7.5%
Debt-service costs	162.6	182.2	202.2	224.1	247.4	10.7%
Contingency reserve	–	–	13.0	6.0	6.0	
Main budget expenditure	1 405.0	1 509.9	1 658.7	1 769.6	1 900.5	8.0%
<i>Percentage shares</i>						
<i>National departments</i>	47.7%	48.1%	48.1%	48.0%	47.8%	
<i>Provinces</i>	43.3%	43.1%	43.0%	43.0%	43.1%	
<i>Local government</i>	8.9%	8.8%	8.9%	9.0%	9.2%	

Division of Revenue

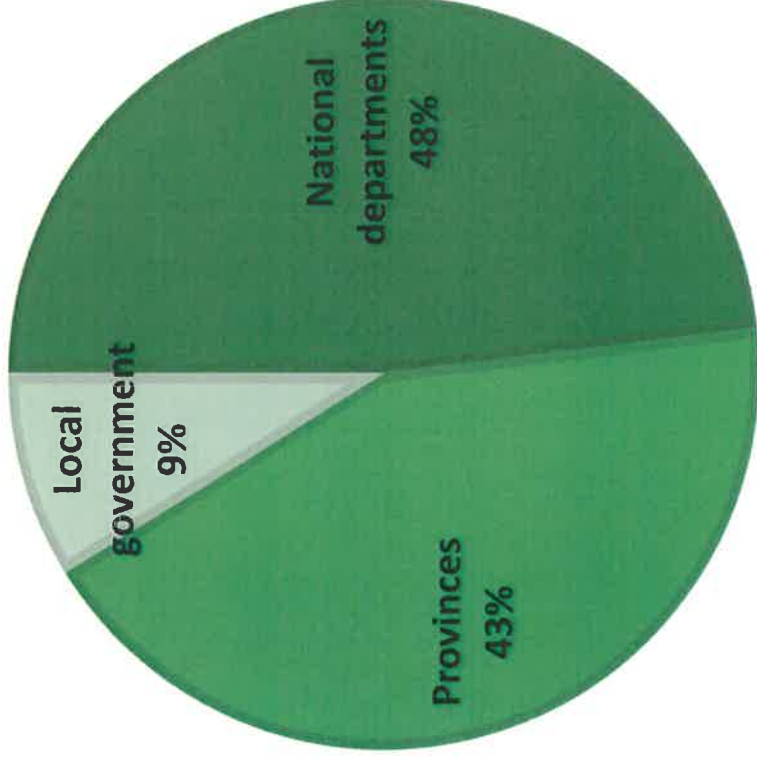
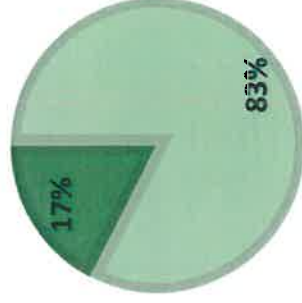
LOCAL GOVERNMENT

- Equitable share
- Conditional grants



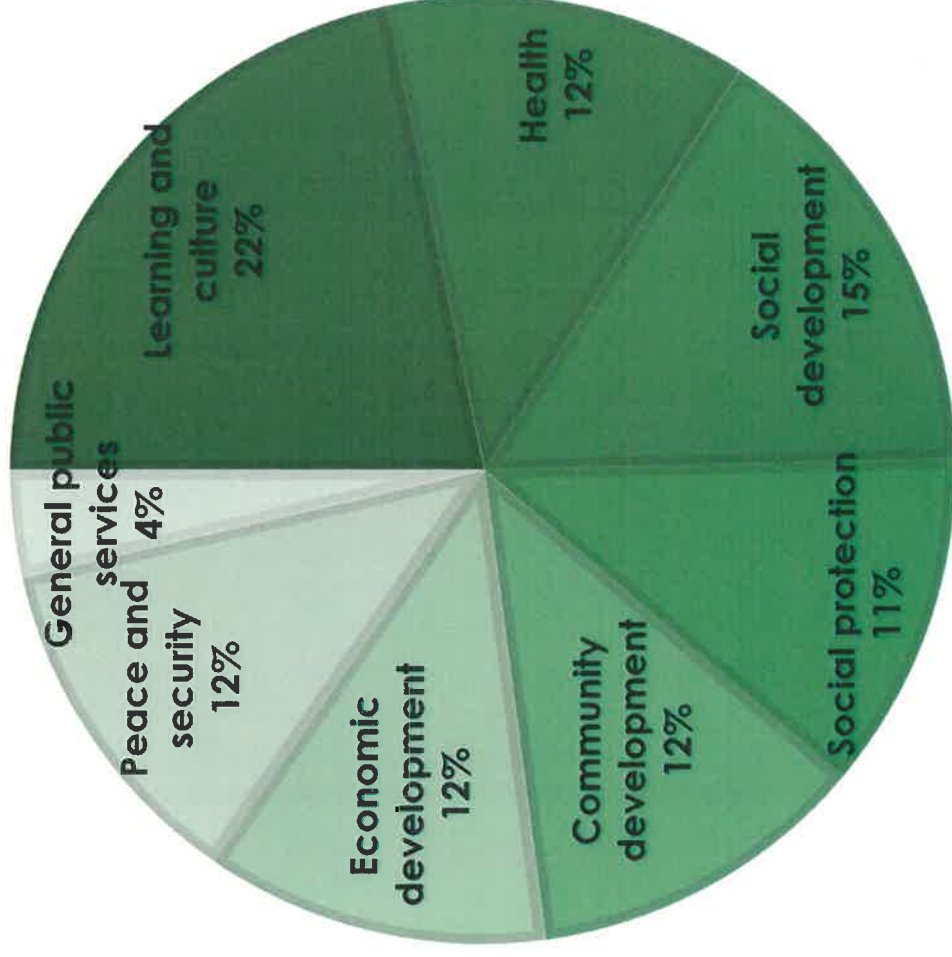
PROVINCES

- Equitable share
- Conditional grants



- National departments
- Provinces
- Local government

2019/20 allocation per budget function group



Selection of Appropriations

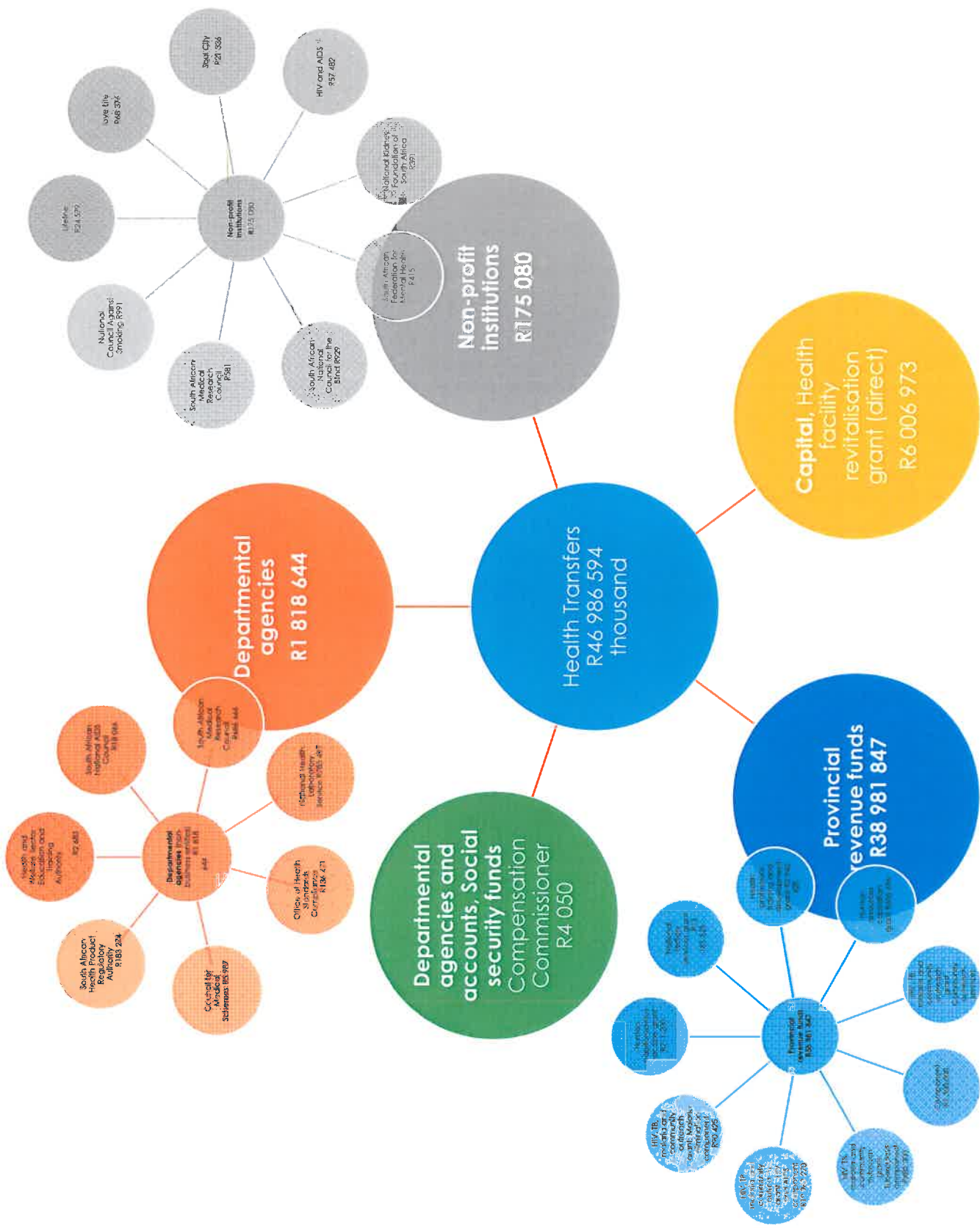
	Compensation of employees	Goods and services	Transfers and subsidies	Payments for capital assets	Grand Total 2019/20	Percentage of Grand Total 2019/20
Parliament	43.2%	33.0%	23.2%	0.6%	1 993 460	0.2%
Communications	5.6%	3.5%	90.9%	0.0%	1 576 091	0.2%
Cooperative Governance and Traditional Affairs	0.4%	4.9%	94.7%	0.0%	90 717 787	10.3%
International Relations and Cooperation	44.2%	35.0%	13.3%	6.1%	6 508 515	0.7%
National Treasury	2.8%	5.3%	76.6%	0.1%	30 771 079	3.5%
Planning, Monitoring and Evaluation	34.6%	15.9%	48.0%	1.4%	956 939	0.1%
Public Works	7.1%	5.8%	86.8%	0.3%	7 808 988	0.9%
Basic Education	2.2%	7.9%	81.9%	7.7%	24 504 531	2.8%
Higher Education and Training	10.8%	0.7%	88.5%	0.0%	89 498 183	10.1%
Health	1.7%	4.7%	91.3%	2.3%	51 460 690	5.8%
Social Development	0.3%	0.2%	99.5%	0.0%	184 791 972	20.9%
Correctional Services	71.7%	25.2%	0.6%	2.5%	25 407 638	2.9%
Police	78.2%	17.1%	1.2%	3.5%	97 595 308	11.0%
Agriculture, Forestry and Fisheries	30.7%	11.7%	55.9%	1.7%	7 664 889	0.9%
Economic Development	9.3%	4.3%	85.9%	0.5%	1 045 393	0.1%
Energy	5.2%	3.9%	90.9%	0.1%	7 440 021	0.8%
Science and Technology	4.7%	3.1%	92.2%	0.0%	8 150 969	0.9%
Transport	0.8%	1.4%	97.7%	0.0%	64 194 177	7.3%
Water and Sanitation	11.3%	9.8%	55.6%	23.4%	16 440 372	1.9%
Arts and Culture	5.9%	8.7%	80.1%	5.3%	4 617 485	0.5%
Human Settlements	1.2%	1.3%	97.4%	0.0%	33 879 166	3.8%
Total Schedule 1	19.5%	8.5%	69.8%	1.7%	882 647 776	99.8%

Transfers and Subsidies

Almost 70 per cent of the budget is appropriated to Transfers and subsidies

- Provinces and Municipalities
 - Equitable Share
 - Conditional Grants
- Departmental agencies and accounts: Provide services on behalf of government
 - NHLS
 - SA Council for Education, etc.
- Higher education institutions
- Foreign governments and international organisations
- Public corporations and private enterprises
 - Subsidies on products and production
- Non-profit institutions
- Households
 - Social Benefits
 - Social Grants
 - NSFAS

The remaining 30 per cent of the budget is appropriated towards the management of the national sphere of government, including 2 per cent for capital assets and 2 per cent for financial transactions in assets and liabilities.

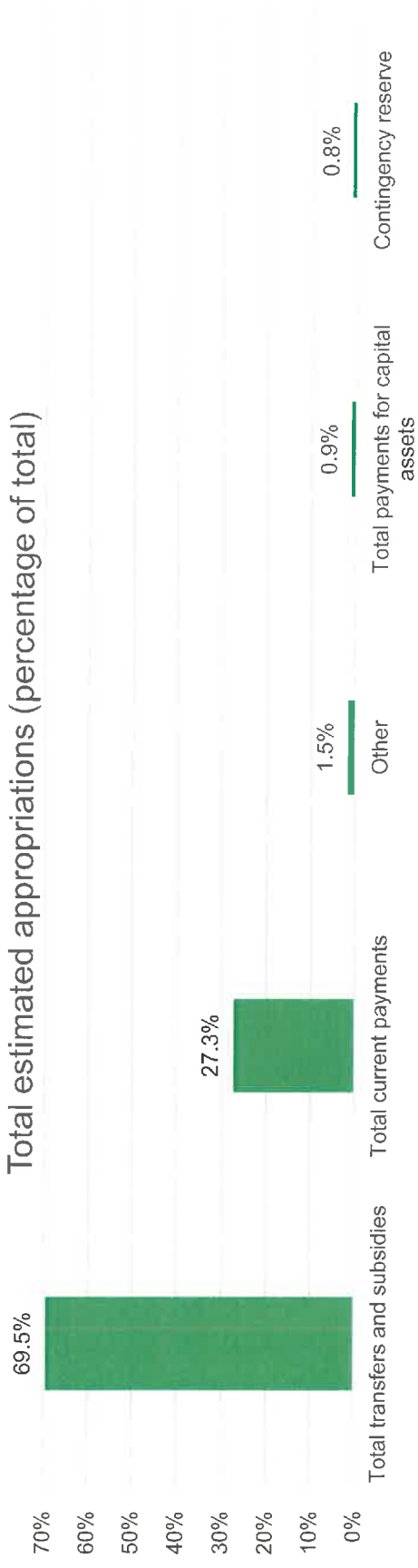


Current expenditure growth from preliminary 2018/19 outcomes

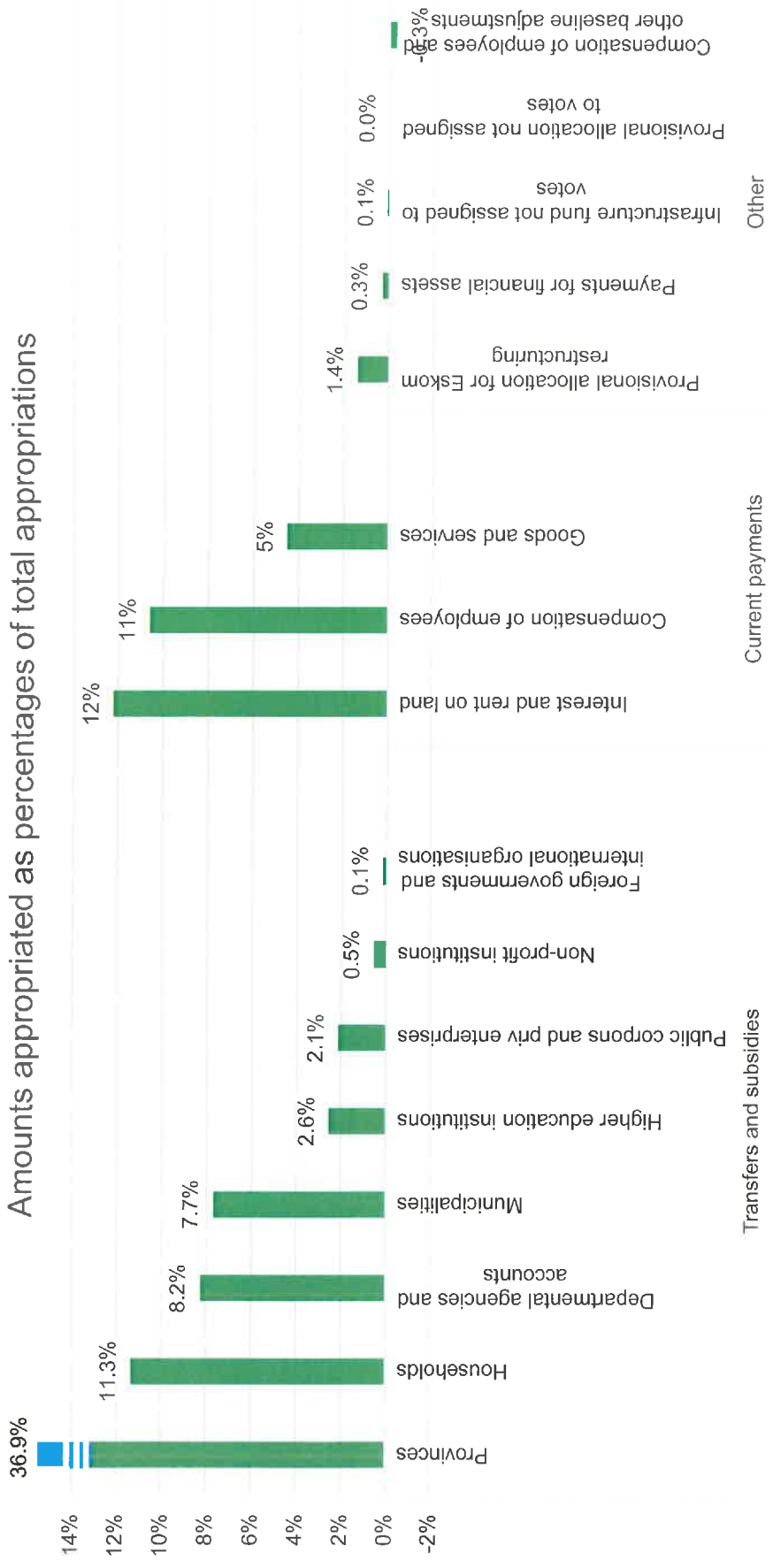
R thousand	Current payments 2018/19	Current payments 2018/19	Current payments 2018/19	Current payments 2019/20	Current payments 2019/20
1 The Presidency	491 805	445 718	-9.4%	678 401	52.2%
3 Communications	134 668	105 695	-21.5%	143 559	35.8%
4 Cooperative Governance and Traditional Affairs	4 495 342	3 581 258	-20.3%	4 792 389	33.8%
5 Home Affairs	6 915 721	6 573 798	-4.9%	6 150 925	-6.4%
7 National Treasury	2 898 466	2 021 990	-30.2%	2 506 099	23.9%
8 Planning, Monitoring and Evaluation	470 762	382 156	-18.8%	483 622	26.6%
9 Public Enterprises	268 944	215 496	-19.9%	289 705	34.4%
12 Statistics South Africa	1 964 106	2 015 005	2.6%	2 142 533	6.3%
13 Women	145 921	137 260	-5.9%	156 006	13.7%
16 Health	3 222 828	2 564 876	-20.4%	3 289 822	28.3%
17 Social Development	886 750	817 895	-7.8%	944 726	15.5%
28 Labour	1 885 315	1 700 601	-9.8%	2 065 593	21.5%
31 Small Business Development	222 384	206 571	-7.1%	237 931	15.2%
35 Transport	1 197 597	896 736	-25.1%	1 448 210	61.5%
36 Water and Sanitation	3 281 076	3 619 772	10.3%	3 462 056	-4.4%
38 Human Settlements	776 404	679 186	-12.5%	839 899	23.7%
39 Rural Development and Land Reform	3 872 512	3 780 243	-2.4%	4 760 697	25.9%
Total appropriation by vote	229 127 642	225 611 920	-1.5%	246 815 196	9.4%

IN SUMMARY

Total estimated appropriations (percentage of total)



Amounts appropriated as percentages of total appropriations



Key points for consideration

- Fourth quarter preliminary results on the 2018 adjusted budget
- How baseline reductions affect service delivery
- The complexity within the planning, budgeting and implementation of services
- The situation within SOEs
 - Eskom
 - SAA
 - SA Express
 - PRASA
 - Denel
 - SABC, etc.

THANK YOU

2018 Adjustment Appropriation Bill

During the 2018 the Committee recommended that:

- NT to ensure measures are in place to ensure Employment Creation Facilitation Fund objectives are achieved;
- Department of Transport fill critical vacant posts, and department support PRASA with its procurement challenges;
- Department of Water and Sanitation to resolve issues related to War on Leaks Program and issues related to proper alignment of the performance plan;
- Department of Public Enterprise to address challenges facing SA Express, including appointing permanent executives and to implement 2018-2020 turnaround strategy;

The committee in considering the 2019 Appropriation bill, to take into account the above votes measures to deal with concern raised by the Committee during the 2018 Adjustment Appropriation Bill

How reduction in baselines affect service delivery

- Government proposes to reduce in the baseline by R50.3 billion (R8.3 billion in 2019/20) over the MTEF in the 2019 Appropriations, this follows similar reduction in the baseline in 2018 Appropriation;
- Department of Transport, PRASA is expected to see largest reduction in the baseline for 2019 Appropriation, R4.2 billion (51 per cent). South African passenger rails system largely serves low-income households, therefore the reduction and reallocation from the system is likely to affect service delivery to the poor;
- Health, Social development (SASSA) and Human Settlement (Human settlement development grant), will collectively will see baseline reduction of R2.1 billion (25 per cent). All these votes falls within social expenditure meant to support low income households or the poor. Therefore, government to provide parliament with measures to protect service delivery for the poor in the baseline reductions;

How reduction in baseline affect service delivery

- Economic Clusters(MIGA, SEZ, Human settlement grant, Integrated National electrification programme grant), baselines are to reduced by R 1.8 billion (22 per cent). Government to ensure that the baseline reduction in Economic cluster are in support of the government plans to improve economic growth through infrastructure expenditure;
- Government indicates that reduction in baseline is targeted at Compensation of Employees:
 - Therefore, Government should submit a detail plan showing plans to reduce compensation of employees over the MTEF without affecting service delivery more so to low income households;