

PRESENTATION BY NATIONAL TREASURY ON THE BUDGETS OF DEPARTMENT OF HOME AFFAIRS AND ELECTORAL COMMISSION

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Introduction

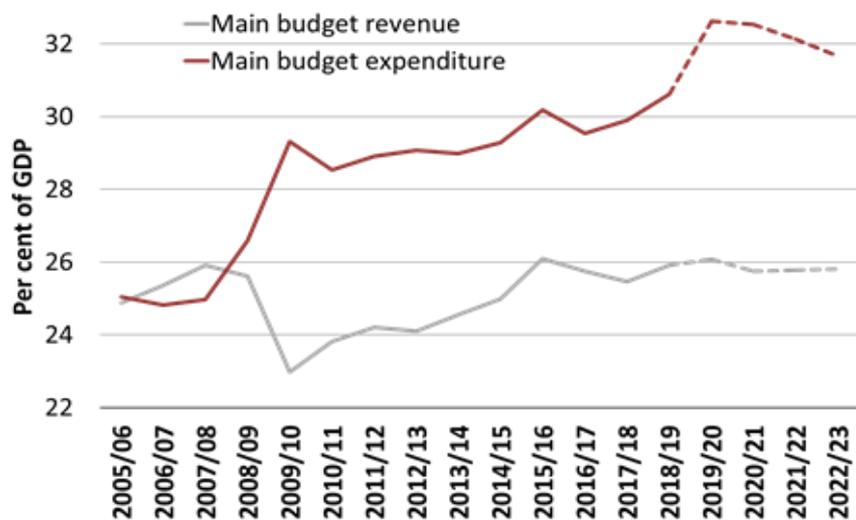
- The events of the 2008 global financial crisis did not have an immediate negative impact on government finances largely due to budget surpluses that government enjoyed at the time.
- Budget surpluses protected government finances only for a short period and from 2014 the effects of the global financial crisis started to negatively impacting the macro-economic and fiscal environment
- From then on the government faced an extremely tight fiscal and macro-economic environment and began to introduce measures to contain expenditures.
- Poor economic growth performance, rising interest rates and higher levels of inflation placed additional pressure on the government fiscal programme, which seek to stabilize the growth of debt and restore fiscal sustainability.

Introduction continued.

- The 2020 Budget proposes total consolidated spending of R1.95 trillion in 2020/21,
- The economic outlook is weak. real GDP is expected to grow at 0.9 per cent in 2020, 1.3 per cent in 2021 and 1.6 per cent in 2022.
- The public finances continue to deteriorate. Low growth has led to a R63.3 billion downward revision to estimates of tax revenue in 2019/20 relative to the 2019 Budget. Debt is not projected to stabilise over the medium term, and debt-service costs now absorb 15.2 per cent of main budget revenue.
- Halting the fiscal deterioration requires a combination of continued spending restraint, faster economic growth, and measures to contain financial demands from distressed state-owned companies.
- As a first step, the 2020 Budget makes net non-interest spending reductions of R156.1 billion in total over the next three years, compared with last year's budget projections.

Introduction continued.

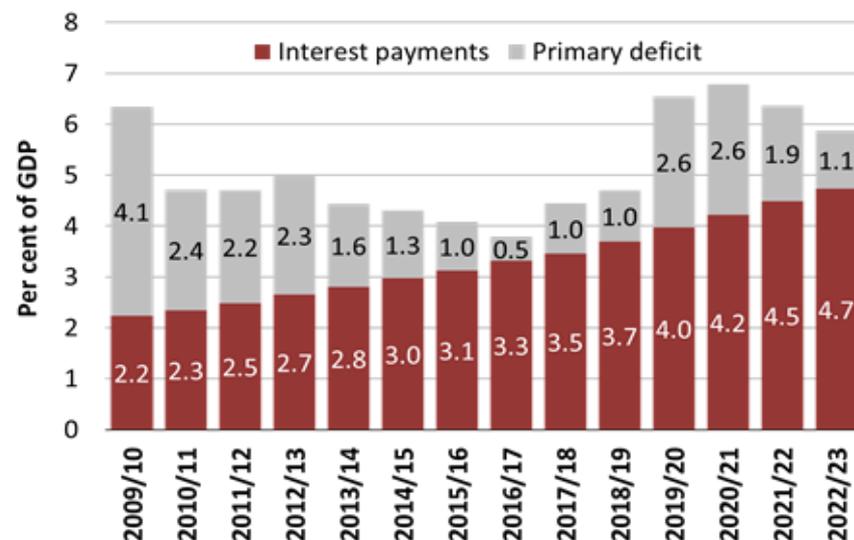
Figure 3.1 Main budget revenue and expenditure



*Figures may differ from Table 3.7 due to rounding

Source: National Treasury

Figure 3.2 Main budget deficit*



- A widening gap between revenue and expenditure, with debt-service costs making up an increasing share of the budget deficit
- The spike in the deficit in 2019/20 reflects lower economic growth, increased support to state-owned companies and a downward revision to nominal GDP

The budget Process

- The budget process starts annually after the main Budget is tabled by the Minister of finance in February.
- The process start with a bilateral with departments and entities to discuss funding pressures, new policy initiatives and possible savings and reprioritization of budgets.
- Then there is a technical group meeting where departments are clustered to discuss areas of efficiencies and how funds can be reprioritised across departments.
- This is followed by MTEC meetings to finalize possible reprioritizations and recommendations to the Ministers Committee on the Budget.
- The Ministers Committee on the Budget then make recommendations to cabinet for approval to be presented in Parliament

Parliamentary processes

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

In short:

- Parliament votes first on the Fiscal Framework, then Division of Revenue Bill and then Appropriation Bill
- Any amendment to the Appropriation Bill must be consistent with the adopted Fiscal Framework and Division of Revenue Bill as passed by Parliament.
- National Treasury issues allocation letters to departments **ONLY AFTER PARLIAMENT APPROVES THE ALLOCATIONS**

Home Affairs / IEC expenditure estimates 2020 MTEF

Home Affairs expenditure estimates

R millions	2020/21	2021/22	2022/23
Administration	2 349.1	2 384.8	2 417.0
Citizen Affairs	5 066.6	5 582.0	5 862.5
Immigration affairs	1 614.0	1 693.1	1 762.0
Total expenditure	9 029.6	9 659.9	10 041.5

Electoral Commission expenditure estimates

R millions	2020/21	2021/22	2022/23
Administration	683.7	774.9	788.7
Electoral operations	1 120.6	1 437.3	832.5
Outreach	221.8	276.7	116.1
Total expenditure	2 026.1	2 489.0	1 737.3

APEX priority for the Function relating to Home Affairs

- The Apex priority identified by the function;

Corruption and fraud

Border security and immigration, trafficking of persons, proliferation of firearms

Main priorities set by the department for the 2020 MTEC

- Border Management Authority to be established
- Repositioning of the department as a modern and secure department
- Information communication technology modernization programme
- Passenger Name Record (PNR) system as part of building a world class immigration system
- Further rollout of the smart ID card (25 million smart cards still to be rolled out)
- Public Private Partnership with the banking sector and private sector

Overview 2020 MTEF Budget process (still being considered by Parliament)

- Between 2016/17 and 2022/23 the department's annual average growth rate is 3.2 per cent.
- Between 2016/17 and 2022/23 the Electoral Commission's annual average is 6.9 per cent.
- Baseline increases are as follows for this budget process:
 - R185m over the MTEF was added to Compensation of employees
 - R606 million over the MTEF period allocated for the procurement of the Passenger Name Record system (PNR) as part of the iborder strategy,
 - R255 million in 2020/21 allocated to the Electoral Commission for procurement of the voter registration devices (VRD's).
- Baseline reductions are as follows for this budget process:
 - R329.2 million over the MTEF reduced from goods and services for the department. This was part of the cabinet approved reductions to compensate for the shortfall in the fiscal framework

Overview 2020 MTEF Budget process (still being considered by Parliament)

- R837 000 over the MTEF reduced from machinery and equipment. This was part of the cabinet approved reductions to compensate for the shortfall in the fiscal framework
- R76.7 million over the MTEF period reduced from the Electoral Commission.
- R5.8 million over the MTEF period reduced from the Represented Political Parties' Fund (RPPF).

2016 MTEF baseline increases (approved by Parliament)

Baseline increases are as follows:

- R603.7 million over MTEF was allocated for compensation of employees.
- R180 million in 2017/18 was allocated to the Electoral Commission for the procurement of voter registration devices machines.

2017 MTEF baseline increases (approved by Parliament)

Baseline increases are follows:

- R630 million in 2018/19 was allocated to the Electoral Commission for the preparation of the 2019 national general elections.
- R153.1 million over the MTEF was allocated for the Advanced Passenger Processing system (APP).
- R17 million in 2018/19 and R17 million in 2019/20 was allocated to the department to provide additional capacity required at OR Tambo International Airport.

2018 MTEF baseline increases (approved by Parliament)

Baseline increases are as follows:

- R1.6 billion over the MTEF was allocated to the Electoral Commission for the preparation of the 2019 national general elections.

2019 MTEF baseline increases and decreases (approved by Parliament)

Baseline increases are as follows:

- R84 million over the MTEF was allocated for the establishment of the Border Management Authority.
- R295 million in 2021/22 was allocated to the Electoral Commission for the preparations of the 2021 local government elections.
- R50 million in 2019/20 and R22.1 million in 2021/22 was allocated to the Electoral Commission to establish the political parties' fund unit.
- Baseline decreases are as follows:
- R13.4 million was reduced from the Electoral Commission to implement wage freeze for senior managers.

Policy priorities not funded during the 2020 MTEF budget process

- National Treasury was unable to fund the piloting of the e-voting due to fiscal constraints. This funding request will be reconsidered in the 2021 MTEC process. The Commission was not sure if they want to run the e-voting pilot during the municipal elections or at a later stage.
- The department is currently in the process of establishing a Public Private Partnership with the private sector to redevelop and modernize 6 ports of entry. The cost of the project will be R6 to R7 billion over a 23 year period.

Conclusion

- The preceding slides provided information with respect to baseline increases and reductions and National Treasury acknowledges that indeed baseline reductions have negatively impacted the operations of both the department and the commission. However, both institutions were requested to implement these reductions in such way that there is minimal impact on service delivery.
- The department is currently in the process of establishing a public private partnership to redevelop and modernize 6 land ports of entry. The cost of the project will be R6 to R7 billion over a 23 year period. The private party to be appointed in 2021 and thereafter start with the construction phase.
- A concern is the capacity constraints that the department is experiencing due to not filling critical positions that could impact on service delivery. This will receive attention in the new budget cycle.

THANK YOU