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## Fourth Quarter Provincial Conditional Grant Expenditure Report for the 2019/20 financial year

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### 1. INTRODUCTION

The purpose of this brief is to report on the preliminary expenditure outcomes of Conditional Grants for the fourth quarter of 2019/20, and will include a comparative analysis of expenditure in the fourth quarter of 2018/19.

Note, this brief specifically focuses on the expenditure of Schedule 5 Grants (i.e. allocations made to provinces for a specific purpose), as the expenditure data is reported on a quarterly basis throughout the year. However, expenditure data, for the other grants that are linked to other funding sources merged across programmes (e.g. provincial own revenue), are not published by National Treasury on a quarterly basis.

Table 1 below provides a list of Schedule 5 Grants and includes the purpose of the Grant.

**Table 1: Schedule 5 Grants**

Schedule 5 Grants	Purpose
Comprehensive Agricultural Support Programme Grant	To provide effective agricultural support services, promote and facilitate agricultural development by targeting beneficiaries of land reform, restitution and redistribution, and other black producers who have acquired land through private means, and



Schedule 5 Grants	Purpose
	are engaged in value-adding enterprises domestically and involved in export. Furthermore, revitalise Agricultural Colleges into Centres of Excellence.
Ilima/Letsema Project Grant	To assist vulnerable South African farming communities to achieve an increase in agricultural production, and invest in infrastructure that unlocks agricultural production within strategically identified grain, livestock, horticulture and aquaculture production areas.
Land Care Programme Grant	To promote sustainable use and management of natural resources by engaging community-based initiatives that support the pillars of sustainability, leading to greater productivity, food security, job creation and better well-being for all.
HIV and AIDS (Life Skills Education) Grant	To support South Africa's HIV Prevention Strategy by providing comprehensive sexuality education and access to sexual and reproductive health services to learners, and supporting the provision of employee health and wellness programmes for educators.
Learners with Profound Intellectual Disabilities Grant	To provide the necessary support, resources and equipment to identified Care Centres and schools for the provision of education to children with profound intellectual disabilities.
Maths, Science and Technology (MST) Grant	To provide support and resources to schools, teachers and learners in line with the Curriculum Assessment Policy Statements (CAPs) for the improvement of MST teaching and learning in selected public schools.
National School Nutrition Programme Grant	To provide nutritious meals to targeted schools.
HIV, TB, Malaria and Community Outreach Grant	To enable the Health Sector to develop and implement an effective response to HIV and AIDS, TB, as well as, support the effective implementation of the National Strategic Plan on Malaria Elimination 2019-2023. Furthermore, ensure the provision of quality Community Outreach Services, through Ward Based Primary Health Care Outreach Teams (WBPHCOTs).
Health Facility Revitalisation Grant	To help accelerate the construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in health including, health technology, organisational development systems and quality assurance. Furthermore, enhance the capacity to deliver health infrastructure.



<b>Schedule 5 Grants</b>	<b>Purpose</b>
Human Papillomavirus Vaccine (HPV) Grant	To enable the Health Sector to prevent cervical cancer by making HPV vaccinations available for grade four schoolgirls' at all public and special schools.
Human Resources Capacitation Grant	To expand healthcare service benefits through the strategic purchasing of services from healthcare providers.
Human Settlements Development Grant	To provide funding for the progressive realisation of access to adequate housing, through the creation of sustainable and integrated human settlements, and to provide funding for the upgrading of informal settlements.
Title Deeds Grant	To provide funding for the eradication of the pre-2014 Title Deeds registration backlog.
Expanded Public Works Programme (EPWP) Integrated Grant for Provinces	To incentivise provincial departments to expand work creation efforts using labour intensive delivery methods.
Social Sector Expanded Public Works Programme (EPWP) Incentive Grant for Provinces	To incentivise provincial sector departments to increase job creation by strengthening and expanding social sector programmes that have employment potential.
Early Childhood Development (ECD) Grant	To increase the number of poor children accessing subsidised ECD services and provide support to ECD providers to meet basic health and safety requirements for the registration of ECD facilities. To pilot the construction of low cost ECD centres.
Community Library Services Grant	To transform urban and rural community, (primarily targeting previously disadvantaged communities), library infrastructure, facilities and services through a recapitalised programme at provincial level in support of Local Government and national initiatives.
Mass Participation and Sport Development Grant	To facilitate sport and active recreation participation and empowerment in partnership with relevant stakeholders.

Source: National Treasury (2019b) -Division of Revenue Bill [B5 of 2019]

## 2. FOURTH QUARTER GRANT EXPENDITURE FOR 2019/20

The total available funding (i.e. including national and provincial revenue adjustments) for conditional grants amounted to R63.3 billion of which R61.6 billion or 97.3 per cent was spent by the end of the 2019/20 financial year. Grant expenditure improved by 6.4



per cent in 2019/20 when compared to the previous financial year-end expenditure outcome of R57.9 billion (see Table 2 below).

**Table 2: Grant Expenditure as at 31 March 2020**

Schedule 5 Grants (R'thousand)	Total Available	Actual spending as at 31 Mar 2020	% spent as at 31 Mar 2020	Actual spending as at 31 Mar 2019	Year-on-year growth rate (%)
<b><u>Agriculture, Land Reform and Rural Development</u></b>	<b>2 362 974</b>	<b>2 086 825</b>	<b>88,3%</b>	<b>2 672 096</b>	<b>-21,9%</b>
Comprehensive Agricultural Support Programme Grant	1 692 654	1 491 023	88,1%	1 892 561	-21,2%
Ilima/Letsema Project Grant	575 142	503 048	87,5%	524 939	-4,2%
Land Care Programme Grant: Poverty Relief and Infrastructure Grant	95 178	92 754	97,5%	254 596	-63,6%
<b><u>Basic Education</u></b>	<b>8 145 475</b>	<b>7 931 210</b>	<b>97,4%</b>	<b>7 652 941</b>	<b>3,6%</b>
HIV and AIDS (Life Skills Education) Grant	264 827	261 315	98,7%	229 118	14,1%
Learners with Profound Intellectual Disabilities Grant	234 849	215 421	91,7%	157 134	37,1%
Maths, Science and Technology Grant	401 552	319 291	79,5%	395 619	-19,3%
National School Nutrition Programme Grant	7 244 247	7 135 183	98,5%	6 871 070	3,8%
<b><u>Health</u></b>	<b>29 593 506</b>	<b>29 385 132</b>	<b>99,3%</b>	<b>25 841 988</b>	<b>13,7%</b>
HIV, TB, Malaria and Community Outreach Grant	22 076 144	21 903 131	99,2%	19 576 041	11,9%
Health Facility Revitalisation Grant	6 441 072	6 262 600	97,2%	6 090 075	2,8%
Human Papillomavirus Vaccine Grant	170 594	161 431	94,6%	175 872	-8,2%
Human Resources Capacitation Grant	905 696	1 057 970	116,8%	n.a.	n.a.
<b><u>Human Settlements, Water and Sanitation</u></b>	<b>19 615 754</b>	<b>18 924 147</b>	<b>96,5%</b>	<b>18 489 556</b>	<b>2,4%</b>
Human Settlements Development Grant	18 948 033	18 548 103	97,9%	18 146 868	2,2%
Title Deeds Grant	667 721	376 044	56,3%	342 688	9,7%
<b><u>Public Works and Infrastructure</u></b>	<b>872 250</b>	<b>839 686</b>	<b>96,3%</b>	<b>799 656</b>	<b>5,0%</b>
Expanded Public Works Programme (EPWP) Integrated Grant for Provinces	440 856	419 399	95,1%	416 534	0,7%
Social Sector Expanded Public Works Programme (EPWP) Incentive Grant for Provinces	431 394	420 287	97,4%	383 122	9,7%
<b><u>Social Development</u></b>	<b>522 905</b>	<b>503 428</b>	<b>96,3%</b>	<b>473 103</b>	<b>6,4%</b>
Early Childhood Development Grant	522 905	503 428	96,3%	473 103	6,4%
<b><u>Sports, Arts and Culture</u></b>	<b>2 163 557</b>	<b>1 897 411</b>	<b>87,7%</b>	<b>1 958 347</b>	<b>-3,1%</b>
Community Library Services Grant	1 536 637	1 359 370	88,5%	1 439 502	-5,6%
Mass Participation and Sport Development Grant	626 920	538 041	85,8%	518 845	3,7%
<b>Total</b>	<b>63 276 421</b>	<b>61 567 839</b>	<b>97,3%</b>	<b>57 887 687</b>	<b>6,4%</b>

Source: National Treasury (2019a and 2020)

## 2.1. Year-on-year growth in Grant Expenditure

The following grants registered significant year-on-year growth in expenditure in 2019/20 and these are:

- The Learners with Profound Intellectual Disabilities Grant expenditure increased by 37.1 per cent year-on-year; followed by
- The HIV and AIDS (Life Skills) Grant expenditure increased by 14.1 per cent year-on-year;
- The HIV, TB, Malaria and Community Outreach Grant expenditure increased by 11.9 per cent year-on-year;
- The Title Deeds Grant expenditure increased by 9.7 per cent year-on-year; and



- The Social Sector Expanded Public Works Programme (EPWP) Incentive Grant for Provinces' expenditure increased by 9.7 per cent year-on-year.

## 2.2. Year-on-year decline in Grant Expenditure

Despite, the overall improvement in Grant expenditure in 2019/20, the Agricultural Grant expenditure has declined significantly year-on-year, as well as the expenditure of some other sector grants, as follows:

- The Land Care Programme Grant year-on-year expenditure declined by 63.6 per cent; followed by
- The Comprehensive Agricultural Support Programme Grant year-on-year expenditure declined by 21.2 per cent;
- The Maths, Science and Technology Grant year-on-year expenditure declined by 19.3 per cent;
- The Human Papillomavirus Vaccine Grant year-on-year expenditure declined by 8.2 per cent;
- The Community Library Services Grant year-on-year expenditure declined by 5.6 per cent; and
- The Ilima/Letsema Project Grant year-on-year expenditure declined by 4.2 per cent.

## 2.3. Expenditure outcomes for 2019/20

Grants that registered expenditure above 90 per cent by the end of the 2019/20 financial year includes:

- A 100 per cent of the available funding of R905.7 million for the Human Resources Capacitation Grant was spent by the end of 2019/20;
- The HIV, TB, Malaria and Community Outreach Grant expenditure amounted to R21.9 billion, or 99.2 per cent of the R22.1 billion for 2019/20;
- The HIV and AIDS (Life Skills) Grant expenditure amounted to R261.3 million, or 98.7 per cent of the R264.8 million for 2019/20;
- The National School Nutrition Programme Grant expenditure amounted to R7.1 billion, or 98.5 per cent of the R7.2 billion for 2019/20;
- The Land Care Programme Grant expenditure amounted to R92.8 million, or 97.5 per cent of the R95.2 million for 2019/20;
- The Social Sector EPWP Grant expenditure amounted to R420.3 million, or 97.4 per cent of the R431.4 million for 2019/20;
- The Health Facility Revitalisation Grant expenditure amounted to R6.3 billion, or 97.2 per cent of the R6.4 billion for 2019/20;



- The Early Childhood Development Grant expenditure amounted to R503.4 million, or 96.3 per cent of the R522.9 million for 2019/20;
- The EPWP Grant expenditure amounted to R419.4 million, or 95.1 per cent of the R440.9 million for 2019/20; and
- The Human Papillomavirus Vaccine Grant expenditure amounted to R161.4 million, or 94.6 per cent of the R170.6 million for 2019/20.

#### **2.4. Least expenditure at the end of the fourth quarter**

The Title Deeds Grant registered the least expenditure of all the grants at 56.3 per cent (i.e. R376 million of the total available funding of R667.7 million) for 2019/20.

The following grants spent less than 90 per cent of the total available funding for 2019/20:

- 79.5 per cent or R319.3 million was spent of the 2019/20 allocation of R401.6 million for the Maths, Science and Technology Grant;
- 85.8 per cent or R538 million was spent of the 2019/20 allocation of R626.9 million for the Mass Participation and Sport Development Grant;
- 87.5 per cent or R503 million was spent of the 2019/20 allocation of R575.1 million for the Ilima/Letsema Project Grant,
- 88.1 per cent or R1.5 billion was spent of the 2019/20 allocation of R1.7 billion for the Comprehensive Agricultural Support Programme Grant; and
- 88.5 per cent or R1.4 billion was spent of the 2019/20 allocation of R1.5 million for the Community Library Services Grant.

#### **2.5. Potential incidences of fiscal dumping**

The majority of the Schedule 5 Conditional Grants at the end of the 2019/20 financial year, registered expenditure in the upper 90 per cent band. However, a number of provinces spent a greater proportion (i.e. between 40.1 and 97.9 per cent) of their allocations in the fourth and final quarter of the financial year, which may be construed as potential incidences of fiscal dumping (see Table 3 below).

Uneven spending is mainly observable, (i.e. the variance in the percentage spent in the third quarter and fourth quarter), in the Title Deeds Grant, Human Papillomavirus Vaccine Grant and Agricultural Grants, and within the provinces of KwaZulu-Natal, Limpopo and the Western Cape.



**Table 3: Potential Incidence of Fiscal Dumping**

Province	Quarter 3		Quarter 4		Variance in % spent in Q3 and Q4
	Actual spending as at 31 Dec 2019	% spent as at 31 Dec 2019	Actual spending as at 31 Mar 2020	% spent as at 31 Mar 2020	
<b>Eastern Cape</b>					
Comprehensive Agricultural Support Programme Grant	112 416	44,0%	243 729	95,4%	51,4%
Ilima/Letsema Project Grant	32 782	49,2%	65 236	97,9%	48,7%
<b>Free State</b>					
Comprehensive Agricultural Support Programme Grant	71 119	36,6%	172 243	88,7%	52,1%
<b>Gauteng</b>					
HIV and Aids (Life Skills Education) Grant	9 108	24,0%	37 180	98,1%	74,1%
Maths, Science and Technology Grant	18 811	33,6%	51 653	92,2%	58,6%
<b>KwaZulu-Natal</b>					
Comprehensive Agricultural Support Programme Grant	107 009	40,0%	222 005	82,9%	43,0%
Learners with Profound Intellectual Disabilities Grant	22 933	61,0%	42 238	112,3%	51,3%
Maths, Science and Technology Grant	26 921	41,4%	67 199	103,4%	62,0%
Title Deeds Grant	9 603	9,5%	100 612	100,0%	90,5%
<b>Limpopo</b>					
Comprehensive Agricultural Support Programme Grant	123 799	50,2%	222 651	90,3%	40,1%
Ilima/Letsema Project Grant	17 617	25,5%	54 396	78,7%	53,2%
Expanded Public Works Programme (EPWP) Integrated Grant for Provinces	3 772	12,8%	28 000	94,9%	82,1%
<b>Mpumalanga</b>					
Comprehensive Agricultural Support Programme Grant	68 283	42,4%	161 127	100,0%	57,6%
Maths, Science and Technology Grant	20 295	50,3%	39 547	98,0%	47,7%
<b>Northern Cape</b>					
Human Papillomavirus Vaccine Grant	942	25,8%	3 584	98,4%	72,5%
Early Childhood Development Grant	5 973	42,1%	13 056	92,0%	49,9%
<b>North West</b>					
Human Papillomavirus Vaccine Grant	2 653	25,4%	10 428	100,0%	74,6%
Mass Participation and Sport Development Grant	19 760	45,1%	38 415	87,7%	42,6%
<b>Western Cape</b>					
Land Care Programme Grant: Poverty Relief and Infrastructure Grant	2 381	45,3%	5 095	97,0%	51,6%
Health Facility Revitalisation Grant	417 990	51,4%	812 235	100,0%	48,5%
Human Papillomavirus Vaccine Grant	7 911	51,4%	15 404	100,0%	48,6%
Title Deeds Grant	1 322	2,1%	64 410	100,0%	97,9%

Source: National Treasury (2020a & b)

### 3. PROVINCIAL BREAKDOWN OF CONDITIONAL GRANT EXPENDITURE

Table 4 shows which provinces spent **less than 90 per cent**, spent **between 90 per cent and 95 per cent**, and spent **more than 95 per cent** by the end of the 2019/20 financial year.

#### Table Legend

Eastern Cape (EC), Free State (FS), Gauteng (GP), KwaZulu-Natal (KZN), Limpopo (LP), Mpumalanga (MPL), Northern Cape (NC), North West (NW) and Western Cape (WC).



**Table 4: Provincial breakdown of Conditional Grant Expenditure as at 31 March 2020.**

<b>Schedule 5 Grant</b>	<b>Expenditure less than 90%</b>	<b>Expenditure between 90% and 95%</b>	<b>Expenditure of 95% and more</b>
<b>Agriculture, Land Reform and Rural Development</b>			
Comprehensive Agricultural Support Programme Grant	FS, GP, KZN, NW.	LP	EC, MPL, NC, WC.
Ilima/Letsema Project Grant	KZN, LP, NW.		EC, FS, GP, MPL, NC, WC.
Land Care Programme Grant: Poverty Relief and Infrastructure Grant	GP, NC, NW.		EC, FS, KZN, LP, MPL, W C.
<b>Basic Education</b>			
HIV and AIDS (Life Skills Education) Grant	LP	FS	EC, GP, KZN, MPL, NC, NW, WC.
Learners with Profound Intellectual Disabilities Grant	EC, FS, NC, WC.	LP, NW.	GP, KZN, MPL.
Maths, Science and Technology Grant	EC, LP, WC.	GP, NC, NW.	FS, KZN, MPL.
National School Nutrition Programme Grant		GP	EC, FS, KZN, LP, MPL, NC, NW, WC.
<b>Health</b>			
HIV, TB, Malaria and Community Outreach Grant		FS	EC, GP, KZN, LP, MPL, NC, NW, WC.
Health Facility Revitalisation Grant	FS, NW.		EC, GP, KZN, LP MPL, NC, WC.
Human Papillomavirus Vaccine Grant	EC, FS.	GP, LP.	KZN, MPL, NC, NW, WC.
Human Resources Capacitation Grant	NC		EC, FS, GP, KZN, LP, MPL, NW, WC.
<b>Human Settlements, Water and Sanitation</b>			
Human Settlements Development Grant		EC, NC.	FS, GP, KZN, LP, MPL, NW, WC.
Title Deeds Grant	EC, FS, GP, LP, NW.		KZN, MPL, NC, WC.

Source: National Treasury (2020a)





**Table 4: Provincial breakdown of Conditional Grant Expenditure as at 31 March 2020 (continued).**

Schedule 5 Grant	Expenditure less than 90%	Expenditure between 90% and 95%	Expenditure of 95% and more
<b>Public Works and Infrastructure</b>			
Expanded Public Works Programme (EPWP) Integrated Grant for Provinces	NW	KZN, LP, MPL.	EC, FS, GP, NC, WC.
Social Sector Expanded Public Works Programme (EPWP) Incentive Grant for Provinces	MPL	LP	EC, FS, GP, KZN, NC, NW, WC.
<b>Social Development</b>			
Early Childhood Development Grant		FS, GP, MPL, NC, NW.	EC, KZN, LP, WC.
<b>Sports, Arts and Culture</b>			
Community Library Services Grant	EC, KZN, LP, NW.	FS, MPL	GP, NC, WC.
Mass Participation and Sport Development Grant	FS, GP, MPL, NW.		EC, KZN, LP, NC, WC.

Source: National Treasury (2020a)

#### 4. ISSUES FOR THE CONSIDERATION OF THE COMMITTEE

The Select Committee on Appropriations may consider calling the following national administering departments to account for the poor spending performance of the following Grants:

- The national **Department of Human Settlements, Water and Sanitation** regarding the poor spending of the Title Deeds Grant allocation, as five Provinces have spent less than 50 per cent of the 2019/20 grant allocation by the end of the financial year;
- The national **Department of Basic Education** regarding the poor spending of the Maths, Science & Technology Grant allocation, as three Provinces have spent less than 75 per cent of the 2019/20 grant allocation by the end of the financial year;
- The national **Department of Agriculture, Land Reform and Rural Development** regarding the poor spending of the 2019/20 Comprehensive Agricultural Support Programme Grant allocation and the Ilima/Letsema Project Grant allocation; and
- The national **Department of Sport, Art and Culture** regarding the poor spending of the 2019/20 Community Library Services Grant allocation and the Mass Participation and Sport Development Grant.



The Committee may wish to call the following Provinces to account for the under-spending of a number of their grant allocations at the end of the third quarter:

**Note:** that for the 2019/20 financial year, the Provinces are responsible for the spending of 18 Schedule 5 Grants.

- The North West Province spent less than 90 per cent on eight grant allocations, from a total of 18 grants by the end of the 2019/20 financial year;
- Followed by the Free State Province that spent less than 90 per cent on six grant allocations by the end of the 2019/20 financial year; and
- The Eastern Cape Province and Limpopo Province both spent less than 90 per cent on five grant allocations by the end of the 2019/20 financial year, respectively.

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## 5. REFERENCES

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