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A SUMMARY OF THE DIVISION OF REVENUE AMENDMENT BILL

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1. INTRODUCTION

The Government is committed to towards ensuring that spending remains within the expenditure limits as targeted within its overall fiscal consolidation strategy and thus in-year adjustments to allocations are confined to:

- unforeseen and unavoidable expenditure;
- the appropriation of funds already announced during the tabling of the annual budget, but not allocated;
- the shifting of funds between and within votes where a function is transferred;
- the utilisation of savings; and
- the roll-over of unspent funds from the preceding financial year.

The additional funding made available through the Division of Revenue Amendment Bill [B19-2021] is mainly to account for the increased costs associated with the implementation of the 2021 Public-Service Wage Agreement and the implementation of the second phase of the Presidential Youth Employment Initiative.



This brief provides Members of the Select Committee on Appropriations with a summary of the main proposed additions and reductions to the equitable share of nationally raised revenue, and to conditional grant allocations.

2. CHANGES IN THE EQUITABLE DIVISION OF NATIONALLY RAISED REVENUE

The Adjusted Budget proposes additional funds to the National Government and Provincial Government's equitable share of nationally raised revenue for the 2021/22 financial year. As shown in Table 1, the National Government receives an additional R43.98 billion and the Provincial Government receives an additional R21.15 billion for 2021.

The additions to the national and provincial equitable share are mainly to account for the increased costs associated with the implementation of the 2021 Public-Service Wage Agreement and the implementation of the second phase of the Presidential Youth Employment Initiative. The Presidential Youth Employment Initiative forms part of the public employment programme to create jobs through labour-intensive projects in response to the rising unemployment associated with the impact of the Coronavirus (COVID-19) pandemic.

The increased allocation to the national sphere is also to account for the reinstatement of the special COVID-19 Social Relief of Distress Grant until March 2022, the purchasing of vaccines and support to Denel to ensure that it meets its repayment obligations.¹

No adjustments are made to the 2021/22 Local Government equitable share.

Table 1: Adjusted allocations for the National and Provincial Government sphere

Spheres of Government R'000	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
National*	1 232 566 664	43 977 021	1 276 543 685
Provincial	523 686 351	21 148 560	544 834 911
Local	77 999 135	-	77 999 135
Total	1 834 252 150	65 125 581	1 899 377 731

* National share includes conditional grants to provincial and local spheres, general fuel levy, debt service costs and the contingency reserve.

Source: National Treasury (2021a)

The additional R21.15 billion to the provincial equitable share is comprised of:²

- R14.68 billion is added to assist provinces to implement the wage agreement of the Public Service Co-ordinating Bargaining Council for the 2021/22 financial year; and

¹ FFC (2021), p. 16 and National Treasury (2021c), p. 37.

² National Treasury (2021a), pp. 19-20.



- R6.47 billion is added through the Presidential Youth Employment Initiative to address the following:

- R6 billion is added to employ Education Assistants and General School Assistants at public ordinary and public special schools.
- R350 million is added for the employment of Staff and Assistant Nurses, who will fulfil the responsibilities required in the COVID-19 vaccination programme, COVID-19 wards, High Care Units, patient observation and other duties as required; and
- R120 million is added for the contracting of Social Workers as part of a short-term response to unemployment among social work graduates.

Table 2 below shows the proposed addition to the provincial equitable share to each Province.

Table 2: Proposed Adjustments per Province

Province R'million	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
Eastern Cape	68 060	2 889	70 949
Free State	29 055	1 288	30 343
Gauteng	111 429	4 192	115 621
KwaZulu-Natal	107 126	4 465	111 591
Limpopo	60 028	2 529	62 557
Mpumalanga	42 828	1 715	44 543
Northern Cape	13 919	550	14 469
North West	36 793	1 502	38 295
Western Cape	54 448	2 019	56 467
Total	523 686	21 149	544 835

Source: National Treasury (2021a)

3. ADJUSTMENTS TO CONDITIONAL GRANTS

The Adjustment Budget proposes additions and reductions to both Provincial and Local Government Conditional Grants.

3.1. PROVINCIAL GRANT ADJUSTMENTS

Proposed additions to **direct** Provincial Conditional Grant transfers amount to R588.65 million and reductions amount to R10 million. The net effect is an additional R578.65 million to direct Provincial Conditional Grant transfers for the 2021/22 financial year.



While the net effect of the proposed adjustments to **indirect** Provincial Conditional Grant transfers,³ is a reduction of R447.65 million for 2021/22 financial year. Table 3 below shows the proposed adjustments to the Provincial Conditional Grant allocations for the 2021/22 financial year.

Table 3: Provincial Grant Allocation Adjustments

Provincial Grants (R'000)	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
Education Infrastructure Grant	11 688 936	-	11 688 936
National Tertiary Services Grant	13 707 798	-	13 707 798
Provincial Roads Maintenance Grant	11 963 559	-	11 963 559
Public Transport Operations Grant	7 120 808	-	7 120 808
Comprehensive Agricultural Support Programme Grant	1 557 560	-	1 557 560
Ilima/Letsema Projects Grant	597 126	-	597 126
Land Care Programme Grant: Poverty Relief and Infrastructure	83 337	-	83 337
HIV and AIDS (Life Skills Education) Grant	241 914	-	241 914
Learners with Profound Intellectual Disabilities Grant	242 760	-	242 760
Maths, Science and Technology Grant	412 134	-	412 134
National School Nutrition Programme Grant	8 115 269	-	8 115 269
Health Facility Revitalisation Grant	6 445 188	-10 000	6 435 188
HIV, TB, Malaria and Community Outreach Grant	27 585 452	167 424	27 752 876
Statutory Human Resources, Training and Development Grant	4 054 458	243 223	4 297 681
National Health Insurance Grant	268 677	-	268 677
Human Settlements Development Grant	13 402 961	-	13 402 961
Informal Settlements Upgrading Partnership Grant for Provinces	3 889 718	-	3 889 718
Expanded Public Works Programme (EPWP) Integrated Grant for	422 486	-	422 486
Social Sector Expanded Public Works Programme (EPWP) Incentive	41 444	-	41 444
Early Childhood Development Grant	1 056 661	178 000	1 234 661
Community Library Services Grant	1 495 836	-	1 495 836
Mass Participation and Sport Development Grant	591 049	-	591 049
School Infrastructure Backlogs Grant	2 283 564	113 000	2 396 564
National Health Insurance Indirect Grant	2 117 705	-560 647	1 557 058

Source: National Treasury (2021a)

The proposed additions are as follows:

- R167.42 million is added to the *HIV, TB, Malaria and Community Outreach Grant* to allow provinces to procure directly for the provision of mental health and oncology services.
- The additional R167 million is converted from the personal services component of the *National Health Insurance Indirect Grant*.⁴

³ National department responsible for administering the Grant used the indirect grant funding to implement the project on behalf of the province. The Grant funds are not transferred to the province itself.

⁴ National Treasury (2021a), p. 20.



- R243.22 million is added to the *Statutory Human Resources, Training and Development Grant* as part of the statutory obligation to place medical interns upon the completion of their studies.
- The additional R243 million was reprioritised from various components of the *National Health Insurance Indirect Grant*.⁵
- R178 million is added to the *Early Childhood Development Grant* to provide unemployment risk support to 70 000 early childhood development related workers impacted by the COVID-19 lockdown, to supplement their income.
- A net amount of R113 million is added to the *School Infrastructure Backlogs Grant* to complete projects that are part of the Sanitation Appropriate for Education Initiative.⁶ This initiative is aimed at replacing and removing inappropriate and unsuitable sanitation, including pit toilets at schools. The funds are specifically for schools in the provinces of the Eastern Cape, Free State, KwaZulu-Natal and Limpopo.

The proposed reductions are as follows:

- A reduction of R10 million is effected to the *Health Facility Revitalisation Grant* allocation of the Western Cape due to delays in the appointment of professional service providers for building design with regard to the Klipfontein Hospital.⁷
- A reduction of R560.65 million is effected to the *National Health Insurance Indirect Grant* and is comprised of the following:
 - R243 million reduction is effected to this Grant to fund medical interns;
 - R167 million reduction is effected to this Grant to allow provinces to procure directly for the provision of mental health and oncology services; and
 - R150 million reduction is effected to this Grant due to delays with the Limpopo Academic Hospital project.⁸

Rolled-overs and reprioritisation

- R210 million of the 2020/21 *School Infrastructure Backlogs Grant* allocation was rolled-over to complete projects under the Sanitation Appropriate for Education initiative that were not completed at the 2020/21 year-end.
- R97 million of the rolled-over funding is reprioritised and allocated to the Department of Basic Education to fund a shortfall in the provision of workbooks. There is an increased demand for language, mathematics and life skills workbooks due to changes in teaching and learning practices in public schools,

⁵ National Treasury (2021a), p. 20.

⁶ Ibid. (2021a), p. 20.

⁷ Ibid. (2021a), pp. 19-20.

⁸ Ibid. (2021a), p. 19.



whereby greater emphasis is placed on learners working on their own at home due to a rotational attendance timetable implemented by schools to allow for the required social distancing as necessitated by COVID-19 regulations.⁹

3.2. LOCAL GOVERNMENT GRANT ADJUSTMENTS

Proposed additions to the Local Government Conditional Grant transfers amount to R1.50 billion and total reductions amount to R1.34 billion for the 2021/22 financial year. The proposed adjustments therefore result in a net addition of R164 million to the Local Government Conditional Grant transfers for the 2021/22 financial year, as shown in Table 4 below.

Table 4: Local Government Grant Allocation Adjustments

Municipal Grants (R'million)	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
Infrastructure (direct transfers)	43 485	-508	42 977
Municipal Infrastructure Grant	15 593	-	15 593
Integrated Urban Development Grant	1 009	-	1 009
Urban Settlements Development Grant	7 405	-	7 405
Informal Settlements Upgrading Partnership Grant	3 945	-	3 945
Programme and Project Preparation Support Grant	341	-	341
Public Transport Network Grant	6 515	-1 340	5 175
Neighbourhood Development Partnership Grant	567	751	1 318
Integrated National Electrification Programme Grant	2 003	-	2 003
Rural Roads Asset Management Systems Grant	110	-	110
Regional Bulk Infrastructure Grant	2 156	81	2 237
Water Services Infrastructure Grant	3 620	-	3 620
Energy Efficiency and Demand-side Grant	221	-	221
			0
Infrastructure (indirect transfers)	6 920	672	7 592
Integrated National Electrification Programme Grant	2 824	-	2 824
Neighbourhood Development Partnership Grant	91	90	181
Water Services Infrastructure Grant	730	-	730
Regional Bulk Infrastructure Grant	3 275	582	3 857
Capacity Building (direct transfers)	2 334	-	2 334
Municipal Disaster Relief Grant	359	-	359
Municipal Emergency Housing Grant	168	-	168
Infrastructure Skills Development Grant	155	-	155
Local Government Financial Management Grant	552	-	552
Programme and project preparation support	341	-	341
Expanded Public Works Programme Integrated Grant for Municipalities	759	-	759
Capacity Building (indirect transfers)	135	-	135
Municipal Systems Improvement Grant	135	-	135
Total	52 874	164	53 038

Source: National Treasury (2021a)

⁹ National Treasury (2021a), p. 20.



The proposed additions are as follows:

- A net amount of R751 million is added to the **direct** *Neighbourhood Development Partnership Grant*. The funding is for Local Government to create 32 663 jobs through precinct management, community safety, place-making, greening, integrated waste management and digitalisation, with a special focus on poor and marginalised areas and economic nodes.¹⁰
- R81 million is added to the 2021/22 **direct** *Regional Bulk Infrastructure Grant* allocation of the George Local Municipality.¹¹ The funding is for the implementation of the portable water security and remedial works project.
- R90 million is added to the **indirect** *Neighbourhood Development Partnership Grant* to fund project preparation, planning and implementation for municipalities facing implementation challenges. The funding is specifically targeted to support the City of Johannesburg, Mogale City Local Municipality, Kwa-Dukuza Local Municipality, West Rand District Municipality, Sol Plaatjie Local Municipality, Ray Nkonyeni Local Municipality and the City of Cape Town.¹²
- The additional R90 million was reprioritised from the **direct** *Neighbourhood Development Partnership Grant*.¹³

National Treasury should clarify and elaborate on the implementation challenges faced by municipalities in implementing the *Neighbourhood Development Partnership Grant*.

The proposed reductions are as follows:

- R1.34 billion reduction is effected to the 2021/22 *Public Transport Network Grant* allocation of the City of Cape Town, to align the funding to the revised implementation plan of phase 2A of the MyCiti bus rapid transit system.¹⁴

Rolled-overs and reprioritisation

- R582 million of the 2020/21 **direct** *Regional Bulk Infrastructure Grant* allocation was rolled-over to fund the operational payments for the Vaal River pollution remediation project in the Emfuleni Local Municipality.¹⁵

¹⁰ National Treasury (2021a), p. 19.

¹¹ Ibid. (2021a), p. 19.

¹² Ibid. (2021a), p. 21.

¹³ Ibid. (2021a), p. 21.

¹⁴ Ibid. (2021a), p. 19.

¹⁵ Ibid. (2021a), p. 21.



- R90 million was reprioritised from the **direct** *Neighbourhood Development Partnership Grant* and allocated to the **indirect** *Neighbourhood Development Partnership Grant* to fund project preparation, planning and implementation for municipalities facing implementation challenges.¹⁶

4. CONCLUSION

The total adjustment to the equitable share of nationally raised revenue amount to an additional R65.1 million that will be allocated between the National and Provincial Governments. This additional funding mainly supports the implementation of the 2021 Public Wage Agreement and the Presidential Youth Employment Initiative.

Issues for the consideration of Parliament:

- R120 million, as part of the Presidential Youth Employment Initiative, is added to the provincial equitable share for the contracting of Social Workers as part of a **short-term response** to the unemployment among social work graduates.
 - Does the Department of Social Development have a long-term strategy in place to deal more comprehensively with the issue of unemployment among social work graduates? Many of these unemployed social graduates are funded through Government bursary schemes, which infers that the Government's investment in human capital is for all intent and purposes a meaningless expenditure.
- R243.22 million is added to the *Statutory Human Resources, Training and Development Grant* as part of the statutory obligation to place medical interns, upon the completion of their studies. The Parliamentary Budget Office in their engagement with the Standing and Select Committees on Finance and Appropriations on the 2021 Medium-Term Budget Policy Statement reported that there is a shortfall in funding for the placement of medical interns.
 - Why is there a shortfall in the funding of medical interns?
 - What plans are in place to ensure that there is sufficient budget allocated for the placement of medical interns?
 - What is the extent of the shortfall in the funding for medical interns?
 - How many medical interns are affected by this shortfall in funding?
- R150 million reduction is effected to the *National Health Insurance Indirect Grant* due to delays with the Limpopo Academic Hospital project.
 - What is the nature of the delays?
 - To what extent have the delays impacted the completion date of the project?

¹⁶ Ibid. (2021a), p. 21.



- R210 million of the 2020/21 *School Infrastructure Backlogs Grant* allocation was rolled over to complete projects under the Sanitation Appropriate for Education Initiative that were not completed at the end of the 2020/21 financial year.
 - A portion of the 2019/20 *School Infrastructure Backlog Grant* allocation was also rolled-over in the previous financial year.
 - Why are the projects under the Sanitation Appropriate for Education Initiative not being completed on schedule within the financial year?
 - What are the specific challenges in implementing school sanitation projects?
 - What is the remaining backlog, per province, under the Sanitation Appropriate for Education Initiative?
 - When will the remaining backlogs in these affected provinces be finalised?

REFERENCES

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