

2022 Division of Revenue Bill

Briefing for the Standing Committee
on Appropriations

PRESENTED BY:

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Division: IGR

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Overview of the presentation

- An overview of the 2022 Division of Revenue
- Provincial government allocations
 - Update on provincial equitable share review
- Local government allocations
- Changes to Bill clauses and schedules

Annexures

- Responses to FFC Recommendations (Details in Annexure W1)
- Responses to Committee Recommendations (Details in Annexure A)
- Detail of allocations

2022 Division of Revenue



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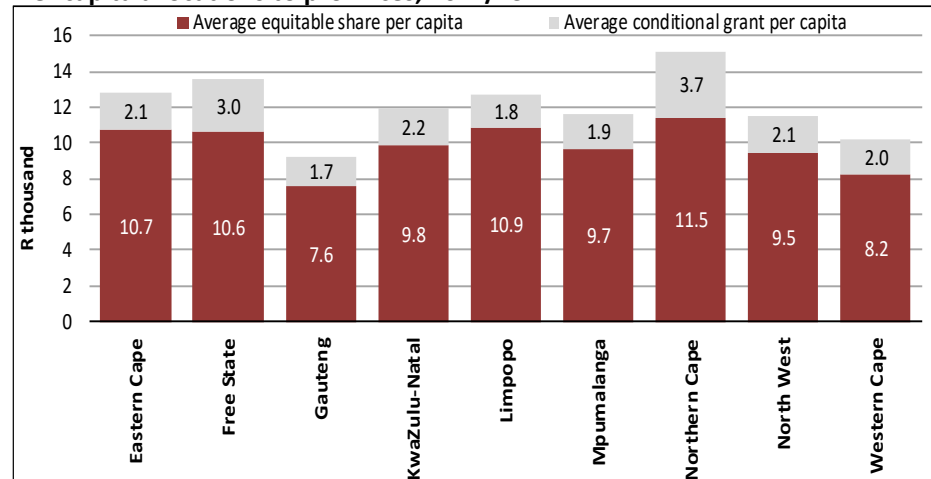
2022 Division of Revenue

- National share of revenue declines at an annual average rate of 1 per cent
- Transfers to provinces increase at an average annual rate of 1.4 per cent, with conditional grants growing faster than the equitable share
- Transfers to local government grow at an average annual rate of 7.9 per cent, mainly as a result of the higher than inflation growth in the equitable share

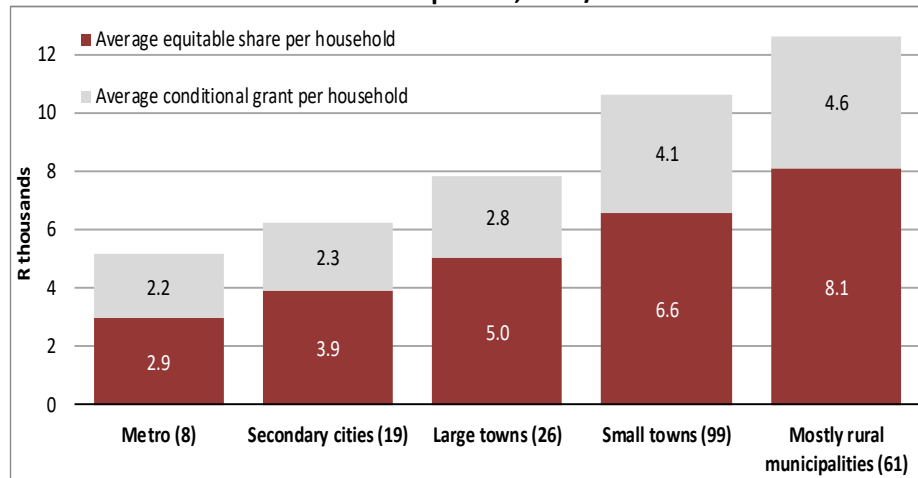
	2021/22 Revised estimate	2022/23	2023/24	2024/25	Average annual MTEF growth
R billion		Medium-term estimates			
Division of available funds					
National departments	831,1	824,7	770,9	805,7	-1,0%
<i>of which:</i>					
<i>Indirect transfers to provinces</i>	4,0	4,6	4,5	4,0	0,5%
<i>Indirect transfers to local</i>	4,9	8,1	8,5	8,9	21,8%
Provinces	661,2	682,5	667,3	690,2	1,4%
Equitable share	544,8	560,8	543,1	562,0	1,0%
Conditional grants	116,4	121,8	124,2	128,1	3,3%
Local government	135,3	150,6	160,5	170,1	7,9%
Equitable share	75,7	87,3	94,1	101,5	10,3%
Conditional grants	45,0	48,0	51,0	52,5	5,3%
General fuel levy	14,6	15,3	15,4	16,1	3,3%
Provisional allocation	–	5,6	28,3	32,1	
Non-interest allocations	1 627,6	1 663,5	1 627,0	1 698,0	1,4%
<i>Percentage increase</i>	4,6%	2,2%	-2,2%	4,4%	
Debt-service costs	268,3	301,8	335,0	363,5	10,7%
Contingency reserve	–	10,0	5,0	5,0	
Unallocated reserve	–	–	25,0	30,0	
Main budget expenditure	1 896,0	1 975,3	1 992,0	2 096,6	3,4%
<i>Percentage increase</i>	6,0%	4,2%	0,8%	5,2%	
<i>Percentage shares</i>					
<i>National departments</i>	51,1%	49,7%	48,2%	48,4%	
<i>Provinces</i>	40,6%	41,2%	41,7%	41,4%	
<i>Local government</i>	8,3%	9,1%	10,0%	10,2%	

The Division of Revenue is highly redistributive

Per capita allocations to provinces, 2022/23



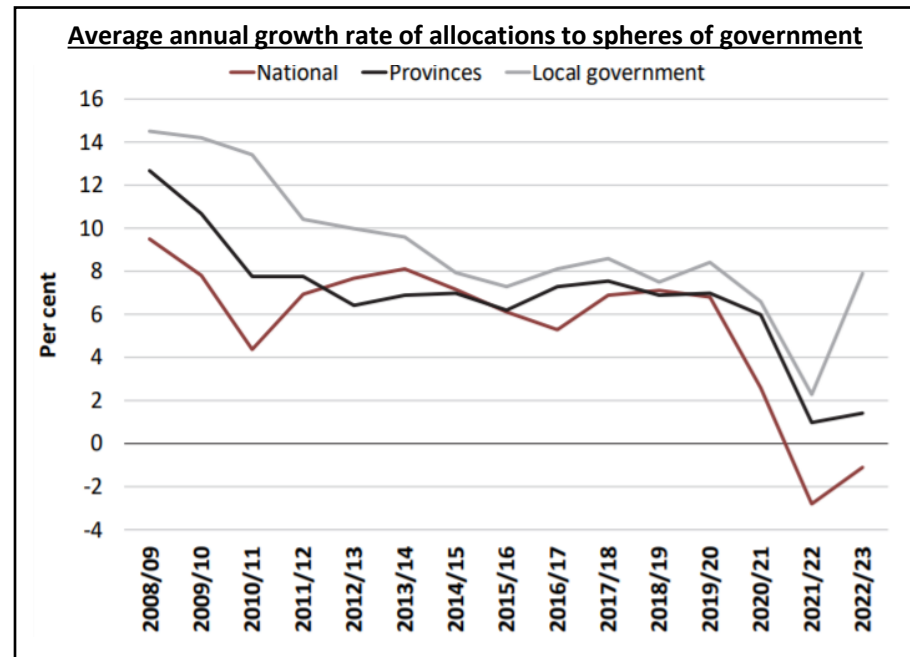
Per household allocations to municipalities, 2022/23



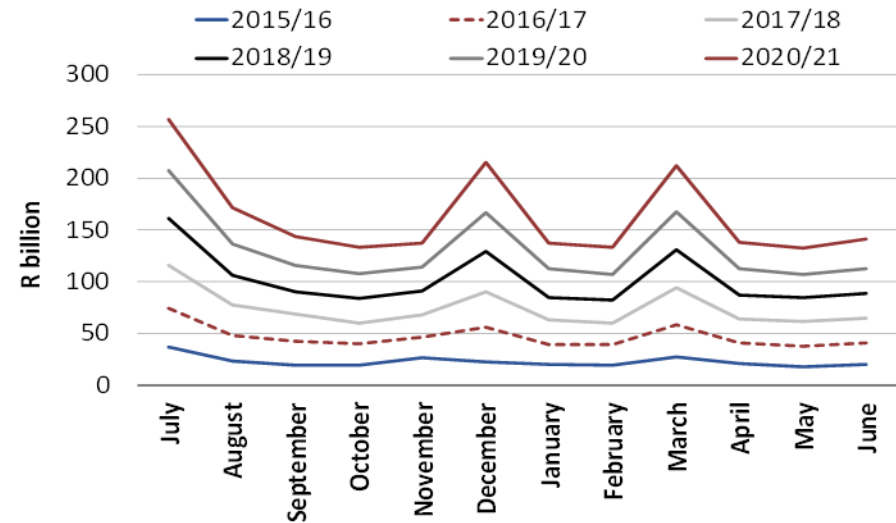
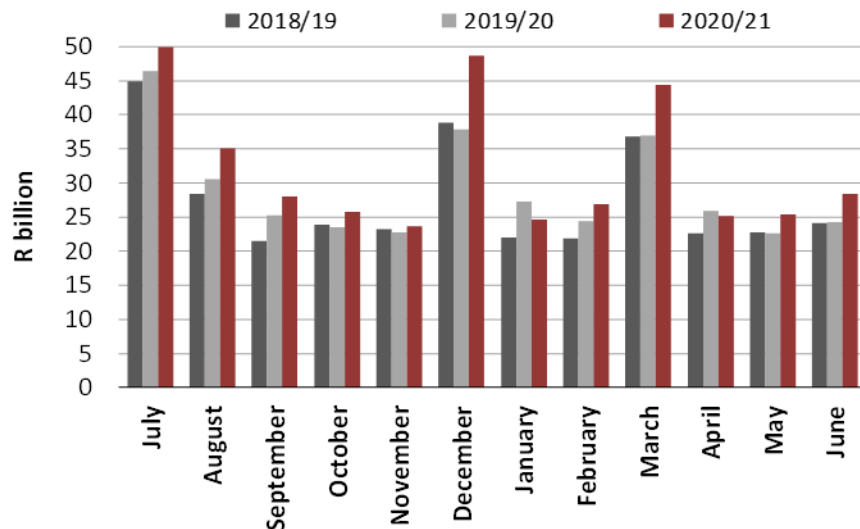
- Though the tax base is concentrated in urban areas, rural areas receive more per capita/ per household through Division of revenue
 - Transfers per household to the most rural municipalities are more than twice as large as those to metropolitan municipalities
 - More rural provinces receive higher allocation per capita than urban provinces

Annual growth in allocations to spheres

- Allocations to local government have been growing at a higher rate than other spheres, receiving generous increases relative to national and provinces
- For most part national government has been receiving the least increases with negative increases from 2021/22
- The declines from 2019/20 can be attributed to the fiscal consolidation measures that were introduced in the 2019 MTEF



Municipal revenue collection



- Revenue collection has been increasing gradually from 2015/16 and this trend continued in 2020/21
- Due to the pandemic, municipalities anticipated a substantial decline in revenue collection in 2020/21
 - Revenue collection remained similar to the previous year, with no significant changes in the collection of revenue during the period of higher restrictions
 - The trend in revenue collection remained the same during the COVID pandemic as before the pandemic

Provincial government allocations



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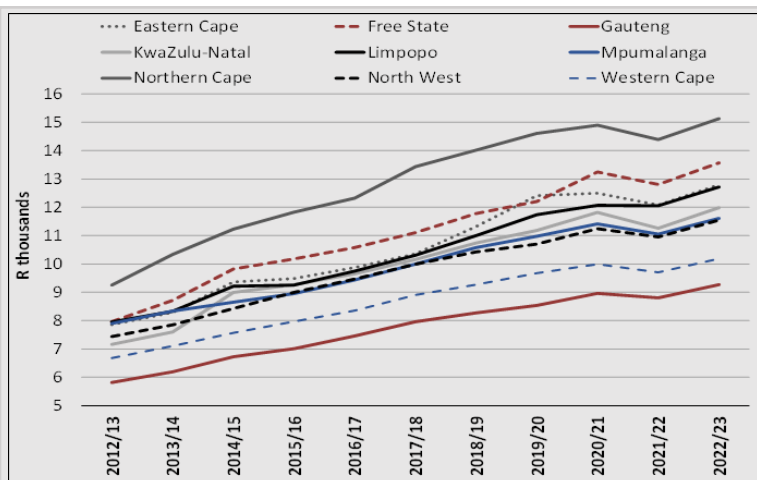
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Provincial transfers, 2022 MTEF

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	72 231	13 850	86 081
Free State	31 107	8 737	39 845
Gauteng	120 042	26 503	146 545
KwaZulu-Natal	114 509	25 041	139 551
Limpopo	64 056	10 741	74 796
Mpumalanga	45 962	9 060	55 022
Northern Cape	14 942	4 795	19 737
North West	39 540	8 568	48 108
Western Cape	58 367	14 016	72 383
Unallocated		471	471
Total	560 757	121 782	682 539

- Transfers to provinces account for 95 per cent of provincial revenue
- Provincial equitable share grows at an average annual growth rate of 1 per cent, whilst conditional grants at 3.3 per cent
- Funds have been added to provincial transfers to:
 - Respond to existing spending pressures
 - Continuation of PEI
 - Once-off cash gratuity

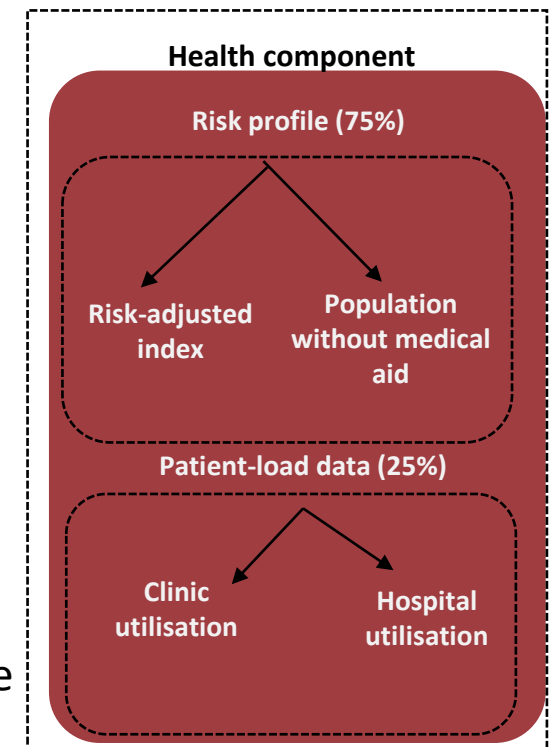


Redistributive nature of allocations through the division of revenue

Per capita allocations to provinces have consistently been higher for rural provinces. NC received R3400 more per person in 2012/13 than Gauteng, with the difference increasing to R6100.

Update on provincial equitable share formula review (1 of 3)

- The PES formula is currently under an ongoing review that is carried out by the task team consisting of National Treasury, 9 provincial treasuries and the FFC
 - Sector departments are coopted on the review as and when it is necessary
 - Changes are made to the formula in a phased manner, while the review is being carried out
- PES task team previously resolved to prioritise the review of the health component – with NT committing to work closely with NDoH
 - The Health Component consists of two sub-components
 - **Risk adjusted sub-component (75% weighting)**
 - Output (demand) sub-component (25% weighting), with
 - Primary health care (5%)
 - Hospital (20%)
 - The review focused on updating the **risk-adjusted index** that is used to account for the risk profile of each province in the health component

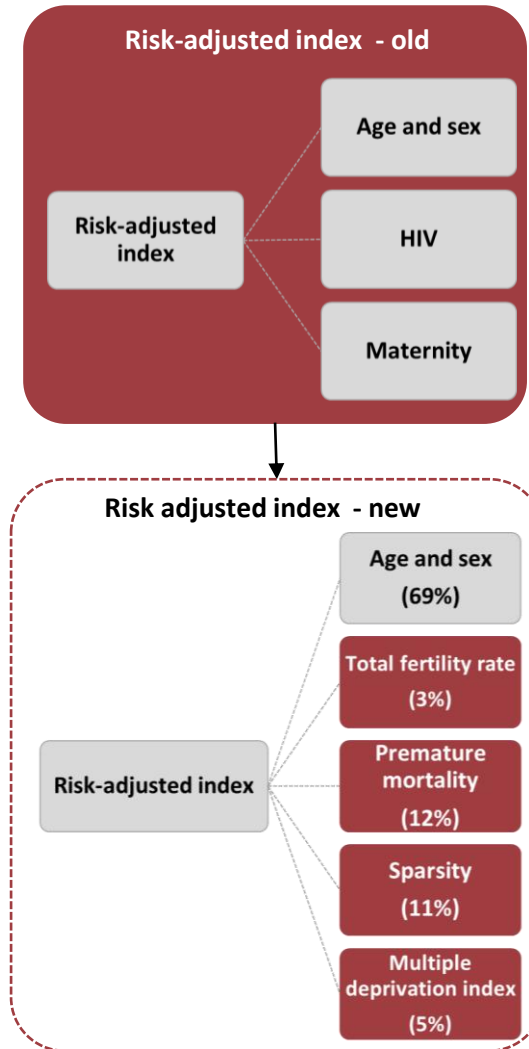


Update on Provincial Equitable Share formula review (2 of 3)

- Extensive technical work was carried out during 2019 and 2020 to redesign the risk-adjusted index of each province
 - The process entailed reviewing the variables that currently inform the risk profile and redesigning the index with variables that are suitable to inform the index
- Following the completion of the technical work, a workshop was held
 - Representatives included NT, provincial treasuries, national and provincial health departments and other health experts who work closely with health related matters
 - The final redesigned risk adjusted index incorporates changes and suggestions made during the workshop

Update on Provincial Equitable Share formula review (3 of 3)

- The redesigned risk-adjusted index retains the previous variables that were used and added three more
 - *Age and sex* – measures relative resource requirements of providing health care by age and sex for the population without medical aid
 - *Total fertility rate* – considers the additional burden of providing health care services to pregnant women
 - *Premature mortality* – serves as a proxy for the burden of all diseases, including HIV
 - *Sparsity* – accounts for the additional costs of delivering healthcare services in areas of low population density
 - *Multiple deprivation index* – captures the differences in the social determinants of health between provinces that have a bearing on the health of the population
- The combination of these variables form the risk-adjusted index used in the 2022 PES formula
 - The changes will be phased-in over a period of 3 years to give provinces time to adapt to the changes in their equitable shares



Technical updates to the Provincial Equitable Share formula

- Formula has been updated with the most recent data available
 - *Insured population* – the most recent publication of the GHS is 2019 and the 2020 GHS was only published after the equitable share formula was determined
 - *Output subcomponent* - the most recent data submitted by DoH had some issues
 - Significant declines in visits due to CoVID-19
 - Data gaps in some information submitted
 - Data from 2021 MTEF was used for the update
- The rest of the formula was updated with the following data
 - LURITS enrollments data
 - Mid-year population estimates
 - Income and expenditure survey data
 - Regional GDP data

Education (48%)



- School aged population
- Enrolled pupils

Health (27%)



- Population without medical aid, adjusted for health risk
- Hospital and clinic use

Basic (16%)



- Allocated based on:
- Share of population

Institutional (5%)



- Divided equally amongst provinces

Poverty (3%)



- Allocated based on:
- Share of poverty

Economic (1%)



- Based on share of GDP-R

Changes to Provincial Equitable Share allocations

- The 2021 wage agreement included a once-off non-pensionable cash gratuity payment to all public servants in government
 - Similarly, in 2022/23 R14.7 billion is set aside for provinces to fund the preliminary carry-through costs of the cash gratuity, in the event that no new wage agreement is reached
 - R13.9 billion of this funding has been added to the provincial equitable share
- To allow for the continuation of the Presidential Employment Initiative, R12.7 billion has been added to provincial allocations for the first 2 years of the MTEF
 - These funds have been added to the education sector and will be used to hire education and other assistants in schools
- Additional funds were also added to the provincial equitable share to accommodate a set of spending pressures
 - R24.6 billion to the education sector to address shortages of teachers and materials
 - R15.6 billion to fund COVID-19 responses and reduce the effect of budget reductions on essential medical goods and services
 - R988 million to ensure that social welfare budget grow by inflation

Changes to provincial conditional grants (1 of 3)

Education

- The early childhood development programme will be transferred to the education sector in April 2022
 - As a result, the allocation for the Early Childhood Development grant have been moved from DSD to DBE

Cooperative Governance

- The name of the Provincial Disaster Relief Grant will change to the Provincial Disaster Response Grant
 - The objective of the grant remains the same and the change aligns to existing NDMC processes in responding to disasters that have occurred

Health

- The District Health Programmes Grant (formerly the HIV, AIDS, TB Malaria & Community Outreach Grant) has been restructured over the 2022 MTEF
 - The grant will now have two components being Comprehensive HIV/AIDS component and District Health component
 - The Mental health services and Oncology services components will be shifted to the direct National Health Insurance Grant
- R1 billion to has been added to this grant to support provinces in the roll-out of the COVID-19 vaccine

Changes to provincial conditional grants (2 of 3)

Health (continued)

- The Mental Health services and Oncology services components in the indirect National Health Insurance Grant will also be shifted to the direct National Health Insurance Grant
- To address a shortfall for medical internship and community services posts in provinces, R 4 billion has been made available for the Human Resource and Training Grant
 - A total R745 million was reprioritised from indirect National Health Insurance Grant and the Health Facility Revitalisation Grant
 - R3.3 billion was added to the grant as part of the identified spending pressure identified in the sector

Transport

- Due to delays in developing clear and objective criteria to allocate the incentive component in the PRMG, this allocation will be removed from the grant for 2022/23
- R15 million in 2022/23, R20 million in 2023/24 and R30 million in 2024/25 will be reprioritised from the PRMG to DoT to fund a system that will be used to centralise data collected

Changes to provincial conditional grants (3 of 3)

Other changes to conditional grants

- *Once-off cash gratuity* - of the R14.7 billion that has been added to the provincial allocations for the carry-through cost of the once-off cash gratuity, R809 million has been added to several provincial conditional grants that fund compensation of employees
- *Disaster funding* - For the first two years of the 2022 MTEF, funds have been set aside in order to support KZN with the costs associated with repairing the damage of provincial public infrastructure from these disaster-related incidents in 2019
 - Human Settlements Development Grant: R398 million in 2022/23 and R475 million in 2023/24
 - Education Infrastructure Grant: R145 million in 2022/23 and R326 million in 2023/24
 - Provincial Roads Maintenance: R490 million in 2022/23 and R294 million in 2023/24

<u>Once-off gratuity allocations</u>	
R thousand	2022/23
Comprehensive Agricultural Support Programme Grant	7 170
Early Childhood Development Grant	764
Education Infrastructure Grant	9 866
HIV and AIDS (Life Skills Education) Grant	1 221
Learners with Profound Intellectual Disabilities Grant	6 091
Maths Science Technology Grant	265
National School Nutrition Programme Grant	4 189
District Health Programmes Grant	331 497
Health Facility Revitalisation Grant	8 575
Human Resources and Training Grant	108 868
National Health Insurance Grant	4 112
National Tertiary Services Grant	305 632
Community Library Services Grant	18 731
Mass Participation and Sport Development Grant	1 592

Correction to the District Health Programmes Grant framework

- The overarching framework for the District Health Programmes Grant framework indicates the target for human papillomavirus vaccination programme to be grade seven school girls
- Whereas the grant funds a human papillomavirus vaccination programme that is targeted at grade five girls in public schools and special schools
- The grant framework for the District Health component shows the correct target for human papillomavirus vaccination programme
- The error does not affect allocations per province, however it creates confusion on the targeted grade for human papillomavirus vaccination programme in schools
- National Treasury requests the Standing Committee on Appropriations to recommend that the conditional grant framework be corrected as part of the gazette that will be issued in terms of section 15 once the Bill is enacted

Local government allocations



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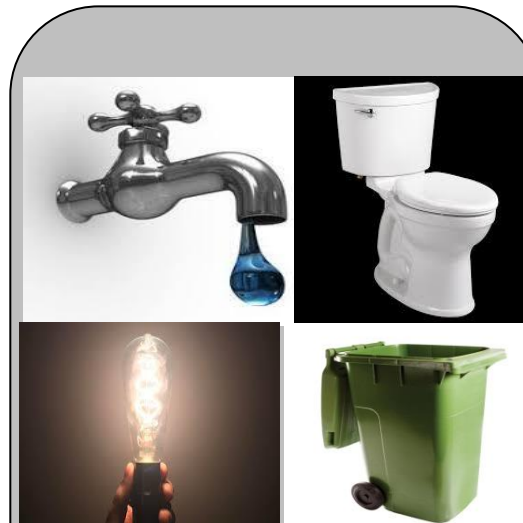
Local government transfers, 2022 MTEF

- Transfers to local government account for 9.8 per cent of nationally raised revenue
 - Majority of local government revenues are raised by municipalities through their revenue raising powers
- Overall direct allocations to local government grow by annual average of 7.9 per cent over the MTEF
- Local government equitable share grows at a faster rate, at an annual average rate of 10.3 per cent over the MTEF

	2021/22	2022/23	2023/24	2024/25
R million	Adjusted budget	Medium-term estimates		
Direct transfers	137 585	150 630	160 514	170 147
Equitable share and related	77 999	87 311	94 087	101 486
Equitable share formula	71 028	80 023	86 491	93 556
RSC levy replacement	5 963	6 249	6 524	6 817
Support for councillor	1 009	1 040	1 071	1 114
General fuel levy sharing	14 617	15 335	15 433	16 127
Conditional grants	44 969	47 983	50 994	52 534
Infrastructure	42 636	45 571	48 551	49 982
Capacity building and other	2 333	2 412	2 442	2 552
Indirect transfers	7 727	8 055	8 481	8 862
Infrastructure	7 592	7 915	8 335	8 709
Capacity building and other	135	140	147	153
Total	145 313	158 685	168 995	179 010

Local government equitable share

- Allocated through a formula to ensure fairness for all 257 municipalities
- Formula has updated data for:
 - Household growth: 2,7% growth in StatsSA's 2020 GHS
 - Bulk water: 10.5% average water board bulk price increases
 - Bulk electricity: 8.9% based on previously approved Multi-Year Price Determination (MYPD)
 - Projected CPI for other costs
- The formula is fully funded to account for HH growth and cost increases over the MTEF
 - R29 billion is added to the LGES to increase coverage of the provision of free basic services



Free basic services R64 billion

R488.42 per month for a package of free basic services for SA households with an income of less than 2 old age pensions per month



Institutional
R6.5 billion to assist with administration costs

Community Services
R9.7 billion to fund community services

These funds are only allocated to poorer municipalities (some cities can fund these from own revenues)

Government also allocates just over R1 billion in 2022/23 to subsidise the cost of councillor remuneration

Changes to local government conditional grants (1 of 3)

Creation of indirect component of the MIG

- Over the 2022 MTEF, DCoG will introduce an indirect component to the MIG
 - Envisaged to improve efficiency in grant expenditure to develop more and better-quality infrastructure
 - Conversions will be done in-year
 - Criteria determined by DCoG includes indicators related to expenditure and reliability of infrastructure

Application of non-financial performance in the in-year stopping and reallocation process

- To be tested in the MIG and focus on performance related to asset management
- Full set of indicators including those already identified for the MIG conversions to be scored and ranked accordingly to determine which DoRA enforcement measure is most appropriate

Municipal Systems Improvement Grant

- Over the MTEF, a portion of the grant will be utilised to continue to support the institutionalisation of the district development model

Changes to local government conditional grants (2 of 3)

Renaming of the disaster grant

- The name of the ***Municipal Disaster Relief Grant*** will change to the ***Municipal Disaster Response Grant***
 - The objective of the grant remains the same and the change aligns to existing NDMC processes in responding to disasters that have occurred

Budget Facility for Infrastructure

- Reductions of R754 million in 2022/23 and R105 million in 2023/24; and increase of R621 million in 2024/25 in the ***Public Transport Network Grant*** to align to the revised implementation plan and cashflow projections for the City of Cape Town's MyCiTi public transport network
- R1 billion has been added through the BFI for Infrastructure to the ***Regional Bulk Infrastructure Grant*** to continue with the implementation of the Potable Water Security and Remedial Works project in George Local Municipality

Changes to local government conditional grants (3 of 3)

Reprioritisations, technical shifts and additional allocations

- R50 million has been reprioritised from the ***Integrated National Electrification Programme (Eskom) Grant*** to finance the operational requirements of the Independent Power Producer Office in 2022/23
- R8 million in 2022/23 and 2023/24, respectively has been reprioritised from the ***Energy Efficiency and Demand Side Management Grant*** to finance the operational requirements within the vote of the Department of Mineral Resources and Energy
- R10 million is shifted from the sport component of the ***Municipal Infrastructure Grant (MIG)*** to the ***Integrated Urban Development Grant (IUDG)*** in 2022/23, to fund a sport project in Polokwane Local Municipality
 - Polokwane Local Municipality receives it's MIG base allocation through the IUDG
- Over the MTEF, the R347 million is added to the ***Municipal Disaster Recovery Grant*** to fund infrastructure recovery in municipalities in KZN
- R1.7 billion is added to the ***Neighbourhood Development Partnership Grant*** over the MTEF to fund the continuation of city-led public employment programmes as part of the Presidential Employment Initiative

Amendment to the Local Government Financial Management Grant (FMG) framework

- From 2022/23, the FMG will make provision for the preparation of asset registers
- The Municipal Infrastructure Grant, administered by the Department of Cooperative Governance, has a similar provision, but broader - funding the development of Asset Management Plans
 - The submission of audited asset registers is a requisite for eligibility for this provision
 - Where the asset registers need updating, DCoG can provide this support
- To ensure that there is no double dipping, National Treasury added a requirement in the responsibilities of the administrators of the FMG, to ensure that there is no duplication of effort and funding for municipalities targeted for this support
 - The phrasing of this requirement in the framework tabled on 23 February 2022, needs to be amended to highlight the need for alignment between the provisions in both grants
 - This will be done through improved collaboration between the two grant administering departments when support is provided in the preparation of asset registers

The committee is requested to recommend that, once the 2022 Division of Revenue Act (the Act) is passed, the amended framework be gazetted into section 15(1) of the Act

Division of Revenue Bill Clauses and Schedules



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Substantive changes to the Bill clauses

Most of the Bill clauses remain the same from one year to the next. Changes in the 2022 Bill include:

- **Clarification of the funding source for additional allocations to provinces and municipalities**
 - Section 6 – Shortfalls and excess revenue - additional funds to provinces and municipalities may be funded from the excess revenue as envisaged in sub-section 2, not national government's equitable share
- **Expediting spending of transfers funded from the contingency reserve**
 - Section 6(1) of the Appropriation Act (AA) makes provision for spending of additional funds before the Appropriation Adjustment Bill is enacted if it meets specific criteria
 - DoRA currently has no supporting provision for this – provinces and municipalities have to wait for the enactment of the DoRAB
 - Changes made to sections 6, 7 and 8 to allow for the fast release of funds authorised i.t.o s6(1) of the AA
- **Enforcement measures for transfers made to Eskom and water boards**
 - Section 16(5) is expanded to include withholding and re-allocation provisions and require Eskom and water boards to pay back unspent funds into the National Revenue Fund, unless a rollover is approved in terms of sections 21 and 22
- **Finalisation of allocations to municipalities, schools, hospitals and entities from provincial budgets**
 - 29(2)(b) is amended to make provision for the allocations envisaged in sub-section 1, to be considered final on the day of publication by notice in Gazette if the notice is published after the provincial appropriation Act takes effect
 - Section 26 is expanded to require provinces to gazette allocations to relevant institutions including municipalities no later than 15 June 2023

Changes to the Schedules of the Bill

- The names of the provincial and municipal disaster relief grants are amended to *Provincial Disaster **Response** Grant* and *Municipal Disaster **Response** Grant*, respectively
 - Changes made to Schedule 7; parts A and B
- Schedule 5, Part A is amended to change the name of the *HIV, TB, Malaria and Community Outreach Grant* to *District Health Programmes Grant*
- Schedule 5; Part B is updated to introduce the *Municipal Disaster Recovery Grant*
- Schedule 6; Part B is amended to include the *Municipal Infrastructure Grant* to enable the conversion of allocations in-year

Annexure

- Responses to FFC recommendations
- Responses to SCOA recommendations on the 2021 DoR2AB (as contained in Annexure A to the 2022 Budget Review)



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Responses to FFC recommendations



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Responses to FFC recommendations

- The FFC annually makes recommendations on the division of revenue (DoR) and Government responds to these recommendations in Annexure W1 of the Budget Review
- Since 2013 Government responses in Annexure W1 only contain those that are directly or indirectly related to the Division of Revenue (DoR) (as per requirements of Intergovernmental Fiscal Relations Act)
- Other recommendations are considered in different forums and formally forwarded to the relevant departments for them to respond to the Commission

Summary of FFC recommendations and responses (1 of 4)

Summary of the recommendations by FCC directly and indirectly related to DoRB and government's responses

Summary of FFC Recommendation

1. *Supporting local demand and localised products*: The FFC recommended that the 2022/23 Division of Revenue should, be more specific in supporting local demand and localised product procurement in order to support value chains. The Minister of Finance should explore the use of the budget as an instrument to incentivise localised product procurement. The Commission, in its 2021/22 Annual Submission also recommended the concept of a localised product value chain approach towards growth.

Summary of government's response

The Minister of Finance, within the available legislative mandate, has ensured that promotion of local products through procurement is provided for. Section 217 of the Constitution provides for organs of state to implement a procurement policy providing for categories of preference in the allocation of contracts when contracting for goods and services. The Minister of Finance issued the Preferential Procurement Policy Framework Act (2000) to ensure that procurement is utilised as lever to address broader government socioeconomic objectives.

Summary of FFC recommendations and responses (2 of 4)

Summary of FFC Recommendation

2. *Supporting municipalities to embrace e-government (digitalisation)* : The FFC recommended that National Treasury, through the MSIG, should support municipalities to embrace e-government (digitalisation) and diversify their revenue mix as part of building the financial resilience of local government.

Summary of government's response

The Department of Cooperative Governance is responsible for the grant and setting its conditions.

Summary of FFC Recommendation

3. *Continuation of school feeding programme during COVID-19* : The FFC recommended that the Minister of Finance, in the Division of Revenue, should continue supporting the DBE in school-feeding programmes during COVID-19.

Summary of government's response

The Division of Revenue Bill provides an allocation and a grant framework for the national school nutrition programme grant.

Summary of FFC recommendations and responses (3 of 4)

Summary of FFC Recommendation

4. Allocation and review of capacity-building grants: The FFC recommended that as part of National Treasury's review of capacity-building grants, financial support to build capacity and institutional systems, should be: directed at lesser-resourced, poorer and more rural municipalities; ensure that capacity-building efforts are consulted with and agreed to with a municipality; link capacity-building efforts to municipal-specific diagnosis of capacity challenges or deficits, or aimed at addressing challenges picked up through intergovernmental monitoring; consider consolidation of capacity-building grants into one financial flow linked to intergovernmental 'support' of municipalities.

Summary of government's response

Government notes the recommendations, which echo the findings that emerged from the diagnostic review of capacity-building initiatives. Work is being undertaken to implement the review findings and to ensure their effectiveness, the recommendations emanating from the Diagnostic Review need to be phased in.

Summary of FFC recommendations and responses (4 of 4)

Summary of FFC Recommendation

5. *Monitoring and reporting* : The FFC recommended government should reconsider its current approach to explore the principle of a differentiated method to municipalities when it comes to financial and non-financial reporting requirements, overall monitoring and support

Summary of government's response

Reporting in general falls outside the scope of the Division of Revenue. Reporting on conditional grants, which is an issue for the Division of Revenue Act, cannot be done outside the overall reporting norms and standards.

Summary of FFC Recommendation

6. *Compliance with legislation* : The FFC recommended that the Minister of Finance should ensure that commitment to compliance with legislation and policy frameworks is formalised with all participants in an infrastructure projects prior to the commencement of the project, with financial consequences for compliance failures clearly set out. This will ensure that policies and clear regulatory frameworks are in place to avoid judiciary involvement and pronouncing on what should be done on policy matters that could have been easily resolved through policy and legislation.

Summary of government's response

Each grant framework clearly articulates the roles and responsibilities of the different role players. Moreover, sections 17 to 19 of the 2021 Division of Revenue Act outline the financial consequences of withholding, stopping and reallocations.

Responses to SCOA recommendations on the 2021 DoRAB (as contained in Annexure A to the 2022 Budget Review)



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Responses to SCoA recommendations on the 2021 DoRAB (1 of 2)

Summary of the recommendations made by SCoA on the DoRAB and Minister of Finance's responses included in Annexure A of the 2022 Budget Review

Recommendation	Minister's Response
The Minister of Basic Education ensures that DBE provides a detailed report on the planning and framework used by various schools while using the R6 billion allocation for the Presidential Youth Employment Initiative to fund the employment of education assistants and general school assistants at public ordinary schools and public special schools.	This recommendation has been referred to the Department of Basic Education.
The Minister of Basic Education ensures that DBE provides Parliament with a detailed plan and timeframes on how the department plans to ensure that all schools have access to decent water and sanitation by the end of 2022 as part of the Sanitation Appropriate for Education initiative. Furthermore, the DBE must provide a detailed list of all the schools that have inappropriate water and sanitation per province and regions, as well as the plan as to when each of these schools' water and sanitation needs	This recommendation has been referred to the Department of Basic Education.
That the Minister of Social Development ensures that DSD provides a comprehensive report to Parliament on the policy around the funding and subsequent deployment of social work graduates who are beneficiaries of the government bursary scheme. Furthermore, the DSD must provide a comprehensive expenditure report on the numbers of social workers that were funded through the government bursary scheme over the last five (5) financial year, the total amount spent, and the number of those graduates who were placed to work areas by the department.	This recommendation has been referred to the Department of Social Development.
On the proposed allocation reduction of R1.3 billion on the public transport network grant for the City of Cape Town, the Minister of Transport and the City of Cape Town provides a detailed report to Parliament on the reasons and implications for the delays in implementing the myCiti phase 2A. The Committee wants to understand why there are delays in the implementation of this project and the remedial action taken to correct this problem. This will assist the Committee to avoid recommending the appropriation of funds that will not be spent and possible future reduction of this grant.	This recommendation has been referred to the Department of Transport.

Responses to SCOA recommendations on the 2021 DoRAB (2 of 2)

Summary of the recommendations made by SCoA on the DoRAB and Minister of Finance's responses included in Annexure A of the 2022 Budget Review

Recommendation	Minister's Response
That the Minister of Water and Sanitation ensures that DWS provides a detailed report to Parliament on the progress, challenges and status of the Vaal River pollution remediation project in Emfuleni Local Municipality.	This recommendation is noted and will be referred to the Department of Water and Sanitation.
That the Minister of Health ensures that the DoH provides Parliament with a comprehensive report on the continuous repurposing and reprioritisation of various components of the national health insurance grant, and the status of the entire national health insurance programme. Furthermore, the Minister is requested to ensure that the DoH provide the Committee with a progress report on both the Limpopo Academic and Klipfontein hospitals. The DoH must provide a report on the possible service delivery implications of the proposed reduction of funds to these projects.	This recommendation has been referred to the Department of Health.
That the Minister of Finance ensures that the funds allocated towards the Presidential Youth Initiatives are spent within the required guidelines and frameworks in order to avoid potential abuse and corruption.	The Presidency has developed reporting requirements for this programme and reporting is done monthly. Moreover, funding was given to projects that were ready for implementation as funding was provided based on the strength of the application submitted.

Revisions to direct and indirect transfers to provincial government

R million	2022/23	2023/24	2024/25	MTEF total
Technical adjustments	—	—	—	—
Direct transfers	332	332	332	996
District health programmes	-219	-224	-234	-676
Health facility revitalisation	-115	-115	-115	-345
Human resources and training	248	248	248	745
National health insurance	418	423	433	1 273
Indirect transfers	-332	-332	-332	-996
National health insurance indirect	-332	-332	-332	-996
Additions to baselines	40 603	20 174	14 066	74 842
Direct transfers	40 603	20 174	14 066	74 842
Provincial equitable share	36 669	17 845	13 124	67 638
Comprehensive agricultural support	7	—	—	7
Early childhood development	1	—	—	1
Education infrastructure	155	326	—	480
HIV and AIDS (life skills education)	1	—	—	1
Learners with profound intellectual	6	—	—	6
Maths, science and technology	0,3	—	—	0,3
National school nutrition programme	4	—	—	4
District health programme	1 331	—	—	1 331
Health facility revitalisation	9	—	—	9
Human resources and training	1 202	1 234	942	3 378
National health insurance	4	—	—	4
National tertiary services	306	—	—	306
Human settlements development	398	475	—	873
Community library services	19	—	—	19
Mass participation and sport development	2	—	—	2
Provincial roads maintenance	490	294	—	784
Indirect transfers	0,3	—	—	0
School infrastructure backlogs	0,3	—	—	0
Reduction to baselines	-1 740	-20	-30	-1 790
Direct transfers	-1 740	-20	-30	-1 790
Provincial roads maintenance	-1 740	-20	-30	-1 790
Total change to provincial government allocations				—
Change to direct transfers	39 195	20 486	14 368	74 049
Change to indirect transfers	-332	-332	-332	-996
Net change to provincial government allocations	38 864	20 154	14 036	73 053

Source: National Treasury

Revisions to direct and indirect transfers to local government

	2022/23	2023/24	2024/25	2022 MTEF total revisions
R million				
Technical adjustments	—	—	—	—
Direct transfers	—	—	—	—
Local government equitable share	—	—	—	—
Municipal infrastructure	-10	—	—	-10
Integrated urban development	10	—	—	10
Indirect transfers	—	—	—	—
Additions to baselines	5 294	12 204	15 059	32 557
Direct transfers	4 227	10 517	14 163	28 907
Local government equitable share :	4 227	10 517	14 163	28 907
Equitable share formula	4 227	10 517	14 163	28 907
Conditional grants	1 067	1 687	896	3 650
Neighbourhood development partnership	800	856	—	1 656
Public transport network	—	—	621	621
Regional bulk infrastructure	241	511	275	1 026
Municipal disaster recovery	26	321	—	347
Indirect transfers	—	—	—	—
Reductions to baselines	-907	-113	—	-1 020
Direct transfers	-762	-113	—	-875
Local government equitable share	—	—	—	—
General fuel levy sharing	—	—	—	—
Conditional grants	-762	-113	—	-875
Municipal infrastructure grant	—	—	—	—
Public transport network	-754	-105	—	-859
Neighbourhood development	—	—	—	—
Energy efficiency and demand-side management	-8	-8	—	-16
Indirect transfers	-145	—	—	-145
Regional bulk infrastructure	-95	—	—	-95
Integrated national electrification programme	-50	—	—	-50
Total change to local government allocations				
Change to direct transfers	4 532	12 091	15 059	31 682
Change to indirect transfers	-145	—	—	-145
Net change to local government allocations	4 387	12 091	15 059	31 537

Source: National Treasury

Thank You

The Division of Revenue Bill, 2022, which includes details of changes to allocations to each province and municipality is available at:

<http://www.treasury.gov.za/documents/national%20budget/2022/default.aspx>