**Report of the Standing Committee on Appropriations on the Second Adjustments Appropriation (2021/22 Financial Year) Bill [B8 – 2022] (National Assembly – Section 77), Dated 8 June 2022**

Having considered the Second Adjustments Appropriation Bill [B8 – 2022], referred to in terms of Section 12 of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendments Procedure and Related Matters Amendment Act, No 13 of 2018), the Standing Committee on Appropriations reports as follows:

1. **Introduction**

Section 213(2) of the Constitution of the Republic of South Africa, provides that money may be withdrawn from the National Revenue Fund only (a) in terms of an appropriation by an Act of Parliament; or (b) as a direct charge against the National Revenue Fund. The 2022 Second Adjustments Appropriation (2021/22 financial year) Bill (hereafter referred to as the Bill) proposes to appropriate additional funding allocations for expenditure approved in the 2021/22 financial year, to the Votes of National Treasury and Health. Furthermore, the Bill also includes expenditure authorised by the Minister of Finance in terms of section 16 of the Public Finance Management Act, No. 1 of 1999 (PFMA). In executing this mandate, the Standing Committee on Appropriations, hereinafter referred to as the Committee, is established in terms of section 4(3) of the Money Bills Amendment Procedure and Related Matters Act, 2009 (as amended), and herein referred to as the Act.

The Bill was tabled in Parliament by the Minister of Finance on 23 February 2022 and was referred to the Committee for consideration and report to the National Assembly as prescribed in section 12 of the Act. In processing the Bill, section 4 (4) (c) of the Act also requires the Committees on Appropriations of both Houses to consult with the Financial and Fiscal Commission (FFC). In addition to consulting with the FFC, the Committee also invited the Parliamentary Budget Office to comment on the Bill however, the PBO did not express any opinions on the Bill. The Committee also consulted with the South African Special Risks Insurance Association SOC Limited.

The Act also requires the Committee on Appropriations to conduct public hearings on the Bill and for the Committee to report to the House on the comments and amendments to the Bill. In compliance with the requirements of the Act, advertisements were published in national and regional newspapers from 6 to 13 April 2022, inviting the general public and interested parties to comment on the Bill. The public hearings on the Bill were held on 1 June 2022 via the Zoom virtual meeting platform. In response, written and oral submissions were received by the Committee for consideration, and in line with the requirements of the Act from the Congress of South African Trade Unions.

1. **Background to the Bill**

The Bill gives effect to adjustments to the appropriation of money from the National Revenue Fund for expenditure approved in the 2021/22 financial year and provides for matters incidental thereto. The Appropriation Act, 2021 (Act No. 10 of 2021), provides for the appropriation of money from the National Revenue Fund to provide for the requirements of the State in respect of the 2021/22 financial year. Whereas the Adjustments Appropriation Act, 2021 (Act No. 18 of 2021), effected adjustments to the appropriation of money provided for in the Appropriation Act, 2021, and whereas further adjustments are required to authorise expenditure approved in terms of section 6 of the Appropriation Act, 2021, and section 16 of the Public Finance Management Act, 1999.

The Bill proposes allocation of additional funding to the Special Risk Insurance Association SOC Limited (SASRIA), which is a 100 per cent state-owned non-life insurance company listed under schedule 3B of the PFMA. This proposed allocation is intended to cover insurance claims by SASRIA that emanated for the July 2021 unrest that occurred mostly in KwaZulu-Natal and Gauteng Provinces. SASRIA was created in 1979 as a section 21 company to cover damage to property in Republic of South Africa that was damaged due to politically motivated acts, terrorism and unrests as non-life insurers no longer had an appetite to provide such cover post the 1976 uprisings. It did not pay tax or dividends. It became an economic enabler as companies and individuals invested in property with the peace of mind that they could insure with a company backed by the state. Initially the mission statement was to underwrite any perils that the conventional insurance market was unwilling or unable to underwrite. The perils to be covered by SASRIA were spelled out in Section 1 (a) to (e) of the Reinsurance of Material Damage and Losses Act, No 56 of 1989. In 1998, the democratic government converted SASRIA to a limited company that is 100 per cent owned by the state through the conversion of SASRIA Act No. 134 of 1998. The Act further allowed SASRIA to pay dividends and taxes to the state. SASRIA as a state-owned entity has a dual mandate,which are (a) legislative mandate to provide insurance cover and (b) a strategic mandate to play a role in the transformation of the financial services sector whilst contributing to the achievement of the National Development Plan (Vision, 2030) goals.

SASRIA projected that the total claims from the July 2021 civil unrest would be R32 billion. The entity requested an equity injection of R22 billion from the shareholder (government of RSA). In response to this request by SASRIA, government provided R3.9 billion through the Second Special Appropriation Act (Act No.15 of 2021), a further R7.1 billion was provided by government through section 16 (1) of the Public Finance Management Act, and a total of R11 billion was provided through section 6 (1) (b) of the Appropriation Act, 2021. The proposed additional allocation of R18.1 billion (together with the R39 billion) will enable SASRIA to settle all the claims.

The Bill further proposes additional allocation of R500 million to the National Department of Health to pay for COVID-19 vaccines and related logistics costs. These funds were authorised by the Minister of Finance in terms of section 6 (1) (b) of the 2021 Appropriation Act. This proposed allocation is in addition to funds already allocated to the COVID-19 vaccination programme, setting the allocation for 2021/22 at R8.8 billion and total allocations from 2020/21 to 2022/23 at R15.3 billion.

1. **Provisions of the Bill**

The Bill proposes additional financial support to the following departments:

1. A proposed additional allocation R18.1 billion to National Treasury (Vote 8) to provide for purchase of equity in SASRIA. This proposed allocation is divided as follows:
* A proposed additional allocation of R7.1 billion that was authorised in terms of section 16 (1) of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and
* A proposed additional allocation of R11 billion authorised in terms of section 6 (1) (b) of the Appropriation Act, 2021 (Act No. 10 of 2021).
1. A proposed additional R500 million to Health (Vote 18) to continue funding the COVID-19 vaccine programme authorised in terms of section 6 (1) (b) of the appropriation Act, 2021 (Act No. 10 of 2021).

The Bill proposed additional allocation for the requirement of the state is specifically and exclusively allocated for only the purposes intended for and defined in the Bill and this proposed allocation cannot be used for any other purpose other than what is provided in the Bill. Table 1 below proves an overview of the Bill schedule:

**Table 1:** Bill Schedule



*Source: Second Adjustments Appropriation (2021/22 Financial Year) Bill: National Treasury*

1. **Comments and hearings on the 2021 Second Adjustments Appropriation (2021/22 financial**

 **year) Bill with identified stakeholders**

The sections below provide an overview of the submissions made by the identified stakeholders in respect of the Bill.

* 1. **Financial and Fiscal Commission**

The Financial and Fiscal Commission (FFC) agreed with the support provided to SASRIA as the payment of claims was important to support the recovery of businesses, especially small and medium sized enterprises, who had been hard hit by the unrest of July 2021 in KwaZulu-Natal and Gauteng. The FFC further supported the additional allocation to Health as part of government’s programme to manage the COVID-19 pandemic.

* 1. **South African Special Risk Insurance Association SOC Limited**

The South African Special Risk Insurance Association SOC Limited (SASRIA) is a public enterprise listed under schedule 3B of the Public Finance Management Act (No. 1 of 1999). SASRIA is a non-life insurance company that provides cover for damage caused by special risks such as politically motivated malicious acts, riots, strikes, terrorism and public disorders. In order to be insured against these specialist risks, a policyholder must have an underlying policy in force that includes SASRIA cover at the time of event that gave rise to a loss.

SASRIA reported that it experienced its biggest loss in its history in the financial year ending 31 March 2022, with a projected loss of R27,8 billion before taxes compared to a profit of R2 billion in the previous financial year. Due to this loss the company’s Solvency Capital Ratio (SCR) dropped below the minimum of 100 per cent as required by the Prudential Authority, necessitating its sole shareholder to recapitalize the business with R22 billion.

The July 2021 events of public disorder, riots and civil unrests across the KwaZulu-Natal and Gauteng provinces have led to extensive damage and destruction of property. SASRIA reported that the unrests in KwaZulu-Natal accounted for 70 per cent of losses and Gauteng accounted for 30 per cent of losses. This led to a cash injection of R3.9 billion through the Second Special Appropriation Act No. 10 of 2021 in order to meet the 100 per cent solvency cover ratio as per the regulations. SASRIA’s loss ratio increased from 22.40 per cent in 2021 to 1 618.40 per cent in 2022 due the claims which increased from 2976 during the period 2020-2021 to 20 996 in 2021-22.

In terms of claims processed, SASRIA reported that total claims incurred amounted to R37.67 billion. Seventeen thousand claims were outstanding as at 22 April 2022 representing a value of R13.95 billion. Table 2 below provides an overview of the claims in Rand value.

**Table 2:** Overview of the claims in Rand value

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| --- | --- | --- | --- | --- | --- |
| **Claims bands** | **Number of****Claims** | **Paid** | **Outstanding** | **Claims Value** | **Percentage Paid** |
| 1. Claims Below R1m | 14 858 | R 1 102 698 699 | R 1 668 363 336 | R 2 771 368 581 | 39,79% |
| 2. Claims R1m - R10m | 1769 | R 4 047 147 699 | R 1 391 738 136 | R 5 437 201 424 | 74,43% |
| 3. Claims R10m - R30m | 266 | R 3 191 626 237 | R 1 237 598 285 | R 4 429 195 579 | 72,06% |
| 4. Claims R30m - R60m | 73 | R 1 899 175 767 | R 1 139 617 410 | R 3 038 793 178 | 62,50% |
| 5. Claims R60m - R100m | 39 | R 1 690 218 513 | R 1 266 843 795 | R 2 957 062 308 | 57,16% |
| 6. Claims R100m - R300m | 35 | R 3 456 489 839 | R 2 216 177 230 | R 5 672 803 575 | 60,93% |
| 7. Claims R300m - R500m | 11 | R 2 871 395 552 | R 1 959 150 345 | R 4 830 545 897 | 59,44% |
| 8. Claims above R500m | 12 | R 4 466 914 912 | R 3 069 628 794 | R 7 536 543 706 | 59,27% |
| **Total** | **17063** | **R22 725 667 219** | **R13 949 117 332** | **R36 673 514 247** | **61,97%** |

*Source: SASRIA (2022)*

With regard to Corporate Social Responsibility (CSR), SASRIA submitted that it has over the past five years invested an average of R25 million annually in CSR projects, which was more than the four per cent of the profit after tax that was required. CSR projects cited by SASRIA included the South African Actuaries Development Programme, Thuthuka Bursary Scheme, and the Maths and Science revision programme.

1. **Public Submission on the Bill**

The section below provides an overview of the submission that was made in response of the advertisement that was published in print media.

* 1. **Congress of South African Trade Unions**

The Congress of South African Trade Unions (COSATU) welcomed and supported the Bill, indicating that R18.1 billion appropriated for SASRIA would provide critical relief to thousands of workers, families and businesses who had suffered losses during the July 2021 unrest in KwaZulu-Natal and Gauteng. However, COSATU expressed disappointment with the speed at which SASRIA and government were dispensing payments and relief. COSATU submitted that SASRIA and government needed to consider faster response times, clearer lines of communication and appeal mechanisms for persons in similar situations in future.

COSATU further supported the appropriation of an additional R500 million to support the COVID-19 vaccine programme. They indicated that the vaccines had proven to be highly effective and were key to ensuring that further if waves occurred, serious illnessess, hospitalisation and death rates would remain under control. This will help to ease the burden on health workers and health care institutions and save workers’ lives. However, COSATU expressed concern over the plummeting rate of vaccinations and the resultant expiry and destruction of many vaccine doses.

1. **Committee Findings and Observations**

Having considered all the submissions made by the above stakeholders on the Second Adjustments Appropriation Bill [B8 – 2022], the Standing Committee on Appropriations made the following findings and observations:

* 1. The Committee notes and welcomes the Bill’s proposed allocation of R18.1 billion to SASRIA for the purchase of equity. The Committee is of the view that this allocation will play critical role in resuscitating businesses that were affected by the July 2021 unrest. Furthermore, the Committee views this proposed allocation as both an important step in building business confidence while also playing a critical role in ensuring that those who lost their jobs due to business closure return to work and improve their livelihoods once businesses have re-opened. The long term social and economic benefits of resuscitating these businesses cannot be over emphasised.
	2. The Committee notes and welcomes the support of the Bill by the FFC who agrees with the support provided to SASRIA as the payment of claims is important to support the recovery of businesses especially small and medium size enterprises who were hard hit by the July 2021 unrest.
	3. The Committee notes with concern COSATU’s submission regarding the slow speed at which SASRIA and government were dispensing payments and relief in the areas affected by the July 2021 unrests in KwaZulu-Natal and Gauteng. The Committee is of the view that in order to quickly resuscitate businesses and retain all the job opportunities that were offered by these businesses, it is imperative to speed up the process of payment of legitimate claims and provide relief where necessary. This will have a long term positive impact on both employment, the South African economy and government tax revenue.
	4. The Committee notes and welcomes the work undertaken by SASRIA with regard to Corporate Social Responsibility, however, it is of the strong view that much more need to be done about the presence of SASRIA especially in townships and rural areas. The Committee is concerned that SASRIA is not well-known in the rural areas and does not service majority of the historically marginalised communities. The Committee is of the view that more awareness campaigns are needed if SASRIA has to realise its full potential and deliver on its mandate.
	5. The Committee notes and welcomes the report from National Treasury that prior to the July 2021 unrests, SASRIA was adequately capitalised as of 31 March 2021, with a solvency capital ratio (SCR) of 323 per cent and had available capital of R8.5 billion. This was above the Prudential Authority’s minimum SCR of a 100 per cent. As such there was no need for government to provide funding to the entity, as SASRIA was financially sustainable, with a strong balance sheet. Following the unrests in July 2021, SASRIA was recapitalised to maintain a SCR that is in line with the Prudential Authority’s requirements and settle valid claims of R32 billion. This was the highest claims ever received since SASRIA’s inception.
	6. The Committee notes and welcomes the Bill’s proposed allocation of R500 million to continue funding the free government COVID-19 vaccination programme and its associated logistics costs. The Committee fully supports this proposed allocation and would like to urge all South African to seize this opportunity and get vaccinated in order to protect themselves, their families and all South Africans against this unpredictable deadly pandemic. This will further ensure that every vaccinated South African is protected against further waves of the COVID-19 pandemic. The Committee would like to commend government on the support provided through the COVID-19 vaccine programme. However, the Committee is concerned about the slow rate of vaccinations resulting in the expiry and destruction of vaccine doses.
1. **Recommendations**

The Standing Committee on Appropriations, having considered the briefings and comments by invited stakeholders on the Second Adjustments Appropriation (2021/22 financial year) Bill [B8-2022], recommends as follows:

* 1. That the Minister of Finance ensures that SASRIA expedites the process of paying legitimate claims to businesses who were affected by the July 2021 unrests in order to ease the burden.
	2. That the Minister of Finance ensures that SASRIA provides a detailed plan to the Committee on how it plans to create an awareness campaign to conscientise people in rural areas and townships, particularly youth, women and people living with disabilities about both its existence and the different types of products it is offering. This is particularly important for the historically marginalised communities.
1. **Committee Recommendation on the Bill**

The Standing Committee on Appropriations, having considered the Second Adjustments Appropriation (2021/22 financial year) Bill [B8-2022] (National Assembly – Section 77); referred to it and classified by the Joint Tagging Mechanism; recommends that the Bill be adopted, without amendments.

1. **Conclusion**

The responses to the recommendations as set out in section 7 above by the relevant Executive Authorities must be sent to Parliament as well as the Committee within 60 days of the adoption of this report by the National Assembly.

Report to be considered.