**LIST OF DEPARTMENTS/BUDGET VOTES FOR PRIORITISATION BASED ON MAJOR AND CRITICAL ADJUSTMENTS (AS PART OF THE 2020 ADJUSTMENTS APPROPRIATION BILL**

**1 July 2020**

**Introduction**

The research brief lists and details departments and main issues that the Standing Committee on Appropriations (the Committee) may prioritise in its consideration of the 2020 Adjustments Appropriation Bill. The brief makes the selection based on the size and critical nature of the proposed budget adjustments (.e.g. suspension of critical spending, reductions and reprioritisations with potentially significant impact on service delivery, infrastructure development, job creation, economic growth and transformation).

The brief contributes to the Committee’s decision on the 2020 Adjustments Appropriation Bill [No.10 of 2020]. This is in line with the requirements of the Money Bill Amendment and Procedures and Related Matters Act (2009 as Amended).

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| **Executive Summary**  Apart from the additionally allocated resources, the extent of the proposed budget adjustments reflect the overwhelming effect of COVID-19 on public resources. The proposed trade-offs are significant and will inevitably affect the achievement of the National Development Plan (NDP) objectives and key flagship project such as the National Health Insurance (NHI).  Some reductions reflect historical pattern of underspending. They include reprioritisation and downward revision across various sectors, departments, programmes, transfers and conditional grants. They affect critical service delivery areas, virtually across the board. If not well managed and mitigated, reductions could threaten the capacity of the state to deliver basic services and guide the progressive realisation of constitutional obligations such as rights to water, housing, education etcetera.  Various reductions in the Department of Agriculture, Rural Development and Land Reform could significantly affect food security, assistance to small and emerging farmers, food security for rural household, progress in land reform, restitution and tenure. Spending cuts exist in various infrastructure grants and projects across departments (e.g. Departments of Basic Education, Health, Higher Education and Training, Transport as well as Justice and Constitutional Development). The reductions in the allocation for the Department of Justice & Constitutional Development could affect the capacity of the justice system.  Most of the proposed trade-offs seem inevitable given the financial impact of COVID-19. However, they should be subject to parliamentary scrutiny in order to identify possible alternatives and measures for mitigating unfavourable impact. As such, this brief highlights these matters for the attention of Committee members. |

**Structure of the Brief**

* Section 1 provides the list of selected departments/budget votes
* Section 2 provides a high-level overview of the proposed adjustments in the selected departments/budget votes
* Section 3 provides detailed information of proposed adjustments

**SECTION 1: LIST OF SELECTED DEPARTMENTS/BUDGET VOTE**

1. Social Development (Vote 19)
2. Cooperative Governance (Vote 3)
3. Health (Vote 18)
4. National Treasury (Vote 8)
5. Basic Education (Vote 16)
6. Higher Education & Training (Vote 17)
7. Agriculture Rural Development & Land Reform (Vote 29)
8. Defence (Vote 23)
9. Human Settlements (Vote 33)
10. Transport (Vote 40)
11. Small Business Development (Vote 36)
12. Mineral Resources and Energy (Vote 34)
13. Police (28)
14. Justice & Constitutional Development (Vote 25)
15. Statistics South Africa (Vote 14)

**SECTION 2: HIGHLEVEL OVERVIEW OF PROPOSED ADJUSTEMENTS IN SELECTED DEPARTMENTS/BUDGET VOTES[[1]](#footnote-1)**

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| Department/Budget Vote | Main Budget  (Tabled in February and Approved by Parliament) | Additional Budget for COVID-19 | Suspensions  For COVID-19 | Virements within the Department | Net Change  (increase/decrease from the February Budget) | Total Allocations proposed for 2021 (after adjustments) |
| Social Development | R197.7 billion | R40.9 billion | -R15.5 billion | R56 million | R25.5 billion | R223.2 billion |
| National Treasury | R815.1 billion | R30.2 billion | -R20.9 billion | 0 | R9.3 billion | R824.4 billion |
| Cooperative Governance | R96.2 billion | R16.9 billion | -R6 billion | R41 million | R10.6 billion | R107.2 billion |
| Basic Education | R25.3 billion | R5.2 billion | -R7.2 billion | 0 | -R2.1 billion | R23.2 billion |
| Higher Education and Training | R116.9 billion | R5 billion | -R14.9 billion | R2 million | -R9.9 billion | R107 billion |
| Defence | R52.4 billion | R4.1 billion | -R1.2 billion | R208 million | R2.9 billion | R55.3 billion |
| Police | R101.7 billion | R3.7 billion | 0 | R1.1 million | R3.7 billion | R105.4 billion |
| Human Settlements | R31.3 billion | R3.2 billion | -R5.5 billion | R5 million | -R2.3 billion | R29.1 billion |
| Health | R55.5 billion | R2.9 billion | 0 | R2.6 million | R2.9 billion | R58.4 billion |
| Transport | R62 billion | R2.2 billion | -R6.9 billion | R4.4 million | -R4.6 billion | R57.4 billion |
| Small Business Development | R2.4 billion | 0 | -R67 million | R1.2 million | -R67 billion | R2.3 billion |
| Mineral Resources and Energy | R9.3 billion | 0 | -R1.6 billion | R7 million | -R1.6 billion | R7.8 billion |
| Statistics South Africa | R3.5 billion | 0 | R200 million | 0 | -R200 million | R3.3 billion |
| Justice & Constitutional Development |  | 0 | R416 million | R484 million | -R416 million | R21.9 billion |
| Agriculture, Rural Development & Land Reform | R16.8 billion |  |  |  |  |  |

Source: National Treasury (2020b)

**SECTION 3: DETAILED INFORMATION OF MAJOR ADJUSTMENTS, AND ISSUES FOR CONSIDERATION**

**(IN SELECTED DEPATRMENTS/BUDGET VOTES)[[2]](#footnote-2)**

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| **Department Name/Vote** | **Major Impact** | **Main Reasons** |
| **Social Development (Vote 19)** | R64.5 million reduction in the Early Childhood Development Grant.  The budget is reprioritised to fund the supply of essential goods to support basic health and hygiene practices in ECD sites | Postponement of planned ECD centre upgrades for one year.  This will affect the department’s capacity to deliver quality services at ECD centres and ensure that Grade RR is mandatory across ECD centres by 2021. |
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| **Health (Vote 18)** | R604.7 million reduction in the HIV,TB, Malaria and Community Outreach Grant.  Some of the funds will be reprioritised to COVID-19 lab tests, Cuban doctors,  contracting with private hospitals, personal protective equipment and thermometers | Reductions in the HIV/AIDS component due to slower uptake in the antiretroviral treatment programme, global supply constraints for condoms, lower demand for medical male circumcisions and efficiencies in programme management. |
|  | R22.7 million is in the NHI grant.  Funds will be used to contract health professionals to support COVID-19 response. | This will delay the implementation of the NHI. |
|  | R420 million reduction in the NHI Grant (Health Facility Revitalisation Grant).  Funds will be redirected towards piloting field hospitals and other COVID-19 needs | This will be through suspension of projects. This will delay the implementation of the NHI. |
|  | R1.1 billion reduced from the Health Facility Revitalisation Grant.  Funds will be reprioritised within the department towards COVID-19 infrastructure needs (e.g. additional hospital beds). | Suspension of infrastructure projects.  This will delay improvements in the quality of health and the implementation of the NHI |
|  | R297. 6 million reduction in the National Tertiary Services Grant.  Funds to be used for tertiary hospital services for COVID-19 patients, particularly critical care | Savings from postponing certain elective procedures and fewer non-COVID-19 hospital admissions. |
|  | R80 million reduction in the National Health Insurance Indirect Grant (Personal services component): | Contracting of private GPs postponed to next financial year. This will delay the implementation of the NHI |
|  | R38.5 million reduction in the National Health Insurance Indirect Grant (Non-personal services component). | Mainly due to historical underspending. This will delay the implementation of the NHI |
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| **Basic Education (Vote 16)** | R6.6 billion reduction in the Education Infrastructure Grant  Budget will fund various COVID-19 sending activities relating to health and safety in schools | Provinces will delay implementation of various school infrastructure projects  This will have significant in the provision of school infrastructure, especially in rural areas and townships |
|  | R60 million reduction in the School Infrastructure Backlogs Grant  The Funds will reimburse 6 provinces for the provision of water and water tanks to 3 433 schools without access to potable water. | Provinces will have to delay the start of new projects.  This will have significant in the provision of school infrastructure, especially in rural areas |
|  | R99.6 million reduction in the HIV and AIDS (life skills education) Grant. | All planned training sessions for over 20 000 educators will be cancelled. |
|  | R50 million reduction in the National School Nutrition Programme due to savings accrued after the suspension of the feeding programme while schools were closed.  Funds will be used for the provision of personal protective equipment to about 20 000 schools for food handlers and the daily | • |
|  | R 20 million reduction in the Learners with Profound Intellectual Disabilities Grant because provinces were unable to appoint the necessary additional staff under lockdown conditions.  Funds will be used finance pp equipment for caregivers, teachers and other professionals working with learners with profound intellectual disabilities at 518 special care centres and 115 special schools |  |
|  | R291. 9 million reduction in goods and services. | Workbooks will not be provided to low-fee independent schools in 2021 as planned.  What could be the implication of the decision not to provide workbooks to low-fee independent schools in 2021 |
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| **Higher Education & Training (Vote 17)** | R2.5 billion reduction in the University Subsidies Programme.  The budget will finance PP equipment, laptops and data for students for online learning. | Planned new five-year Historically Disadvantaged Institutions Development Programme and the implementation of phase 7 of the new Generation of Academics Programme will be delayed to 2021/22.  This will delay transformation and general improvements in the education sector |
|  | R2.5 billion reduction in the National Student Funding Aid Scheme (NSFAS).  The suspended funds support the completion of the 2020 academic year, including providing devices and data for NSFAS-funded students. | It is not clear which aspects of NSFAS will be affected. The Committee should enquire about this. |
|  | R710 million reduction in the Universities Infrastructure and Efficiency Grant.  The budget will finance infrastructure to support online learning. | New university infrastructure projects will be delayed. Institutions will honour existing contractual agreements and spend on essential maintenance |
|  | R370 million reduction in the TVETs Infrastructure and Efficiency Grant.  The Department will honour existing commitments and focus only on essential maintenance. | Improvements in the quality of infrastructure and general capacity in TVET colleges will be delayed further |
|  | R312.2 million reduction in the Technical and Vocational Education and Training colleges.  Institutions are procuring the required personal protective equipment.  Some TVETs will be providing devices and data to students for online learning and catch-up programmes | The 2021 intake of the Centres of Specialisation Programme will be deferred to the 2022 academic year. |
|  | R157.3 million for filling vacant positions is suspended and reprioritised. | This will affect the capacity of the department to carry out its mandate |
|  | R8.1 billion is reprioritised from the Skills Levy due to four-month holiday for contributions |  |
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| **Cooperative Governance (Vote 3)** | R1.4 billion suspended from the Community Works Programme.  Funds were reprioritised from planned programmes to fund COVID-19 projects (.i.e. cleaning and sanitisation of schools and universities) | This could have affected beneficiaries of the CWP unless they are included as participants will in the cleaning and sanitisation of schools and universities |
|  | R4.4 billion suspended from the Local Government Support and Intervention Management Programme.  The money is reallocated to COVID-19 projects (.i.e. provision of basic services in water authorities municipalities) | This is mainly due to postponement of MIG projects.  The Committee should enquire about the likely impact of this and possible mitigation measures. |
|  | R189. 6 million suspended by delaying planned projects funded through the Integrated Urban Development Grant | What are the foreseen implications and mitigation measures? |
|  | R8.5 million reduction in capacity support projects for municipalities |  |
|  | R11 billion added to the Local Government Equitable Share.  The budget finances COVID-19 spending pressures in municipalities (.e.g. shelter for the homeless). |  |
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| **National Treasury (Vote 8)** | R20 billion reprioritisation in the provincial equitable share to fund various COVID-19 spending pressures | This is a huge amount; it will help in responding to COVID-19 spending pressure. However, it will reduce the capacity of provinces to respond to other service delivery pressures. |
|  | R150 million reduction in the Municipal Revenue Improvement Programme due to delays in activities. | It is not clear which activities will be affected. The Committee should request further details, especially regarding potential implications and measures to mitigate the disruption in activities. |
|  | R172.3 million is reduced in Transfers to households. | This is due to reduced estimates for pensions, medical schemes and injury on duty payments based on historical spending patterns.  What if more people retire and there is a shortfall in the budget for pensions? What is there is a shortfall for medical aid and money for injury on duty? |
|  | R7.2 billion has been added towards debt service cost to pay for the increased interest payable on government debt. |  |
|  | R3 billion is added as an equity investment to recapitalise the Land Bank. | The Committee should strictly monitor this capital injection and request the conditions attached to it. |
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| **Agriculture, Land Reform and Rural Development (Vote 29 )** | R300 million reduction in the budget for funded position | Vacancies suspended until later in the financial year.  This will reduce the capacity of the Department to deliver on its mandate. |
|  | R188.8 million is reduced in the Rural Social Infrastructure Coordination | This is due to suspension of infrastructure projects in rural economies  This will delay rural development and economic transformation. |
|  | R74.7 million is reduced from Agro processing, Marketing and Rural Industrial Development | Fewer farmers are supported due to restrictions on economic activity.  Will this not have negative impact since economic activity has been opened? |
|  | R317 million is reduced in the Comprehensive Agricultural Support programme grant | Infrastructure projects have been suspended  This will increase the number of unutilised hectares, negatively affect agricultural production and commercialisation amongst black farmers  The Department should demonstrate how farms will not fail as a result of these suspensions |
|  | R120 million reduction in the Ilima/Letsema grant, which supports subsistence farmers and food security. | What alternative support measures are available for subsistence farmers to ensure food security, alleviate poverty and protect household incomes?  The affected farmers are unlikely to qualify for other loan funding support dedicated to SMMEs). |
|  | R443.6 million is reduced in the Land Acquisition and Redistribution Programme. | This is due to suspension of funds to acquire land for redistribution.  This will further delay land redistribution and transformation. |
|  | R44.5 million is reduced in the Office of the Valuer General (OVG) | This will further delay land redistribution and transformation. |
|  | R353.8 million is reduced in the Food Security Programme because Fewer farmers supported due to restrictions on economic activity | This will negatively affect the resiliency of rural households. |
|  | R1.1 billion is reduced in the Restitution Programme. | This delay the land restitution process. |
|  | R30 million is reduced in the Land Tenure Reform Programme | This will delay the land tenure reform process. |
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| **Human Settlements (Vote 33)** | R33.5 million reduction in goods and services | Part of the reduction will delay the restoration of tittle deeds |
|  | R1. 7 billion is reduced in the Human Settlements Development Grant. | This will delay planned projects to support unplanned interventions.  It will also delay the upgrading of informal settlements through secure tenure and the provision of basic services |
|  | R3.4 billion in the Urban Settlements Development Grant | This will delay planned projects to support unplanned interventions. Upgrading of  informal settlements through secure tenure and the provision of basic services |
|  | R377.8 million is reduced in the Title deeds restoration grant. | This will further delay the provision of tittle deeds. |
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| **Mineral Resources & Energy (Vote 34)** | R1.5 billion reduction in the Integrated National Electrification Programme (INEP) – | This will have significant implications since this grant is meant for bulk infrastructure and addressing backlogs in household connections |
|  | R21.8 million reduced in the Energy Efficiency and Demand-side Management Grant. | This will results to reduction in the number of planned energy savings projects |
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| **Small Business Development (Vote 36)** | R1.1 billion reprioritised within the Enterprise Development & Entrepreneurship programme to support small businesses affected by COVID19 | The Committee should strictly monitor the spending of this budget to ensure that small business benefit as planned |
|  | R800 million is redirected from the Township Entrepreneurship Fund –  ; | Implementation of the fund postponed.  This will negatively affect the revitalisation of township economies and assistance to township businesses.  Township-based businesses will remain uncompetitive and will be unable to scale operations |
|  | Transfers of R393.5 million for departmental agencies (such as SEDA) also delayed  Funds reprioritised to support small enterprises affected by COVID-19, to protect and sustain jobs | This will have implication in the performance of these entities. |
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| **Transport (Vote 40)** | R1.8 billion reduced in the Provincial Roads Maintenance Grant | There will be delays in planned construction projects. |
|  | R2.9 billion reduction in the Public Transport Network grant | There will be delays in planned construction projects. |
|  | R1 billion reduction in PRASA | This is due to historical underspending, hence sufficient cash reserves to minimise impact of COVID19 on rolling stock renewal programme  This will results to further delays in the rollout of the Rolling Stock Fleet Renewal programme |
|  | R1.1 billion is reduced in SANRAL’s capital budget – non-toll roads | This will result in delays in planned construction projects |
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| **Police (Vote 28)** | R756.5 million reduction in operational spending | This is due to rescheduling and suspensions of capital spending (.i.e. buildings and other fixed structures, machinery and equipment, and biological assets)  This could affect the capacity of the criminal justice system |
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| **Defence (Vote 23)** | Proposed additional allocation of R2.9 billion as the budget vote increases from R52.4 billion to R55.3 billion |  |
|  | R1.7 billion allocation for the procurement of disinfectant tunnels, set up of quarantine clinics, procurement of PPE. |  |
|  | R763 million additional allocation for Reserve Force deployment – including deployment allowances within the Force Employment programme |  |
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| **Justice & Constitutional Development (Vote 25)** | R33 million reduced in the Legal Aid South Africa, Special Investigating Unit and Justice Modernisation | This is due to suspension of capacitation and procurement of audio-visual system.  This will negatively affect the capacity of the justice system. |
|  | R355 million is reduced in the Capital Works Programme for the commencement and completion of courts infrastructure projects | This is due to the suspension in commencement and completion of courts infrastructural projects.  This will negatively affect the capacity of the justice system, especially in historically disadvantaged areas (rural areas and townships) |
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| **Statistics South Africa (Vote 14)** | R151.8 million reduced from the Income and Expenditure Survey and Poverty Survey. | The survey is suspended because it requires face-to-face interviews.  The Committee should enquire about the expected duration of the suspension.  The Income and Expenditure Survey and Poverty Survey is crucial in government’s planning |

**Source:**

National Treasury (2020a) Adjustments Appropriation Bill (No 10 of 2020). Available at: <http://www.treasury.gov.za/documents/national%20budget/2020S/default.aspx>

National Treasury (2020b) Supplementary Budget Review. Available at: <http://www.treasury.gov.za/documents/national%20budget/2020S/default.aspx>

1. Note that figures are rounded off to the nearest decimal point. This is for readability of the brief. [↑](#footnote-ref-1)
2. Note that figures are rounded off to the nearest decimal point. This is for readability of the brief. [↑](#footnote-ref-2)