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2020 ADJUSTMENT APPROPRIATIONS BILL ANALYSIS

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1. INTRODUCTION

The Minister of Finance, Mr Tito Mboweni, tabled the 2020 Supplementary Budget Speech and related Bills and documentation on the 24 June 2020, which included the Adjustment Appropriations Bill [B10 – 2020].

The Adjustment Appropriations Bill reflect adjustments to allocations mainly targeted at the Coronavirus Disease (COVID-19) interventions. This includes R122.4 billion, which is allocated to the Relief Package announced in April 2020, R3 billion as an equity investment to recapitalise the Land Bank and an additional R19.6 billion that is provisionally allocated.¹

This brief provides a summary of adjustments² to the amounts appropriated in February 2020, focusing on the top ten largest net additions and top ten net reductions to a Vote/Department.

2. TOTAL ADJUSTED APPROPRIATIONS

The Adjustment Appropriations Bill proposes a total of R97.8 billion in reductions and R121.4 billion in additional allocations. The net effect is an additional net allocation of R23.6 billion to the Votes /Departments.

Only seven Votes/ Departments benefit from the net additional allocations. The other 34 Votes/Departments budgets are revised downwards, as the net effect of the suspensions and reallocations comprises a net reduction.

¹ National Treasury (2020c), p. 47.

² The analysis focuses on upward and downward adjustments, which affects the overall budget allocation and not on virements, which does not have an effect on the overall budget allocation.



The Adjustment Appropriation Bill makes provision for:³

1. Adjustments due to significant and unanticipated economic and financial events: these adjustments are required due to a significant reduction in government revenues and changes in spending priorities in response to the COVID-19 pandemic.
2. Virements and shifts within the Vote/Department: a virement is the use of unspent funds from amounts appropriated under one programme, to defray excess expenditure under another programme, within the same Vote/Department.

All figures reported in the sections that follow have been sourced from Annexure B of the 2020 Supplementary Budget Review, which is the explanatory memorandum to the Adjustment Appropriations Bill.

2.1. Net additions to Vote Appropriations

National Departments receive a net total of R55.3 billion in additional funding to support COVID-19 interventions. Only seven national departments benefit from the net additional allocations, as shown in Table 1 below.

Table 1: Net Additions

Departments (R' million)	2020/21 Main budget	Downward revisions	Reallocations	2020/21 Total net change proposed	Net Percentage Change (%)	2020/21 Adjusted Allocation
Social Development	197 718	-15 482	40 956	25 474	12,9%	223 192
Cooperative Governance	96 234	-6 012	16 967	10 955	11,4%	107 188
Defence	52 439	-1 212	4 092	2 880	5,5%	55 319
Health	55 516	–	2 914	2 914	5,2%	58 430
Government Communication and Information Systems	721		30	30	4,2%	751
Police	101 711		3 700	3 700	3,6%	105 411
National Treasury	815 109	-20 863	30 188	9 325	1,1%	824 434
Total	1 319 448	-43 569	98 846	55 277	4,2%	1 374 725

Source: National Treasury (2020c)

The Department of Social Development receives the largest additional allocation of R25.5 billion, which accounts for a 12.9 per cent increase from the February 2020 allocation of R197.7 billion.

Note:

The additional allocation is aimed at topping up various Grants for a limited time; to provide a special COVID-19 Social Relief of Distress Grant of R350 for six months; and make provision for the compensation of 1 809 additional Social Workers (i.e. temporarily hired) to provide psychosocial services to affected people during the pandemic. The Social Workers will be paid a stipend of R6 000 per month over three months.

Source: National Treasury (2020c), p. 73.

³ National Treasury (2020c), p. 47.



The Department of Cooperative Governance receives the second largest additional allocation of R10.96 billion, which is essentially a transfer to Municipalities (i.e. the Local Government Equitable Share is topped up to support COVID-19 interventions within municipal jurisdictions).⁴

National Treasury receives the third largest additional allocation of R9.3 billion to cover debt service costs and the equity investment (i.e. R3 billion) to recapitalise the Land Bank.⁵

These three departments together account for R45.8 billion or 82.8 per cent of the additional allocation of R55.3 billion. The balance of R9.5 billion has been allocated among the other four departments as follows:

- Police receive an additional allocation of R3.7 billion to support the department's COVID-19 response, including the procurement of personal protective equipment for police officials;⁶
- Health receive an additional allocation of R2.9 billion for COVID-19 resources such as additional health practitioners, additional hospital beds, and the procurement of personal protective equipment etc.;⁷
- Defence receive an additional allocation of R2.88 billion towards ration costs, fuel costs, aircraft fuel, troop transport as part of Operation Notlela, medical supplies, the procurement of disinfectant tunnels, the establishment of quarantine clinics for repatriated South African citizens, and the procurement of personal protective equipment for deployed soldiers;⁸ and
- Government Communication and Information Services receive an additional R30 million towards the department's office accommodation costs.⁹

Note:

The C19 People's Coalition **notes that the** primary concern is the pandemic, yet only R2.9 billion of net additional funding was allocated towards the entire Health sector. This is less than half of the new funding allocated to the South African National Defence Force (SANDF) and the South African Police Service (SAPS).

Source: C19 People's Coalition (2020) p. 10.

2.2. Net reductions to Vote Appropriations

⁴ National Treasury (2020c), p. 53.

⁵ Ibid. (2020c), p. 59.

⁶ Ibid. (2020c), p. 82.

⁷ Ibid. (2020c), p. 72.

⁸ Ibid. (2020c), p. 77.

⁹ Ibid. (2020c), p. 54.



The Adjustment Appropriations Bill proposes a net reduction of R31.7 billion to the baselines of Votes/Departments.

Table 2 below, shows the ten Votes/Departments that received the largest net reductions. These ten departments together account for R27.99 billion or 88.4 per cent of the net reduction of R31.7 billion.

Table 2: Net Reductions

Departments (R' million)	2020/21 Main budget	Downward revisions	Reallocations	2020/21 Total net change proposed	Net Percentage Change (%)	2020/21 Adjusted Allocation
Higher Education and Training	116 857	-14 856	5 000	-9 857	-8,4%	107 000
Transport	62 047	-6 871	2 231	-4 640	-7,5%	57 407
Agriculture, Land Reform and Rural Development	16 810	-3 307	914	-2 394	-14,2%	14 416
Human Settlements	31 325	-5 496	3 235	-2 261	-7,2%	29 064
Basic Education	25 328	-7 245	5 150	-2 095	-8,3%	23 233
Trade, Industry and Competition	11 082	-2 271	500	-1 771	-16,0%	9 311
Mineral Resources and Energy	9 337	-1 574		-1 574	-16,9%	7 763
Science and Innovation	8 797	-1 760	324	-1 436	-16,3%	7 362
Tourism	2 481	-1 000		-1 000	-40,3%	1 481
Sports, Arts and Culture	5 720	-1 095	130	-965	-16,9%	4 755
Total	289 785	-45 476	17 483	-27 993	-9,7%	261 792

Source: National Treasury (2020c)

With regard to Rand Value the national Department of Higher Education and Training 2020/21 budget is reduced by R9.9 billion or 8.4 per cent from R116.9 billion to R107 billion.

The second largest reduction of R4.6 billion or 7.5 per cent, was effected to the 2020/21 budget of the national Department of Transport, followed by the:

- Agriculture, Land Reform and Rural Development with a reduction of R2.4 billion or 14.2 per cent;
- Human Settlements with a reduction of R2.3 billion or 7.2 per cent;
- Basic Education with a reduction of R2.1 billion or 8.3 per cent;
- Trade, Industry and Competition with a reduction of R1.8 billion or 16 per cent;
- Mineral Resources and Energy with a reduction of R1.6 billion or 16.9 per cent;
- Science and Innovation with a reduction of R1.4 billion or 16.3 per cent;
- Tourism with a reduction of R1 billion or 40.3 per cent; and
- Sports, Arts and Culture with a reduction of R965 million or 16.9 per cent.

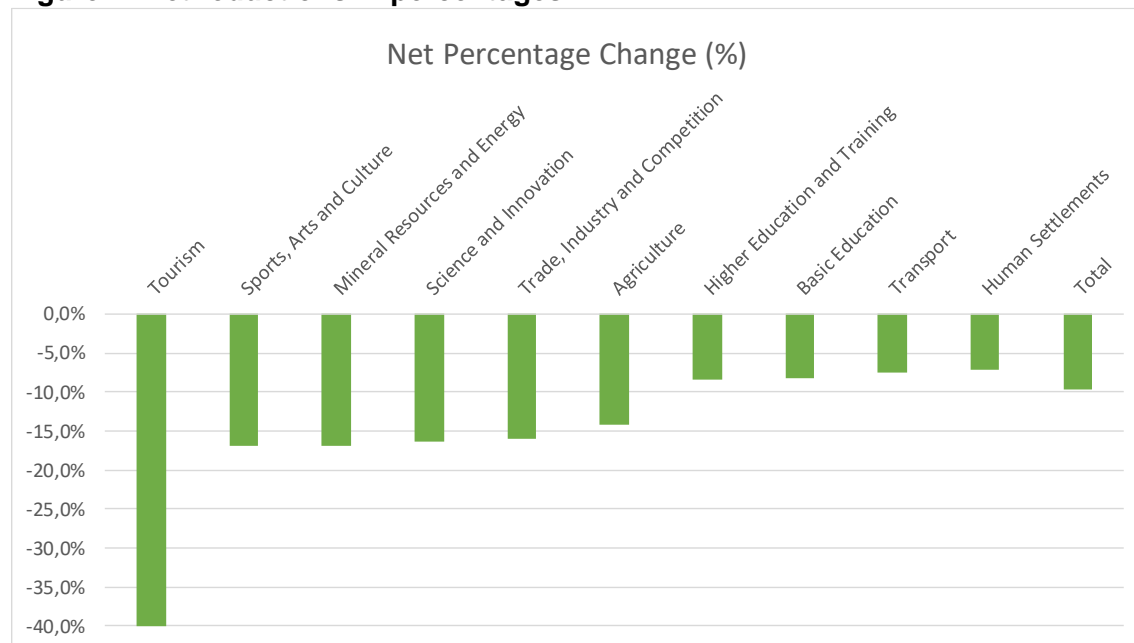
Figure 1 below shows the net percentage reduction in the allocations of ten Votes/Departments mentioned in Table 2.

Figure 1 illustrate that the 2020/21 Tourism budget has been reduced by a significant degree (i.e. 40 per cent). The budgets of several departments, which include Science and Innovation; Sports, Arts and Culture; Mineral Resources and Energy; and Trade,



Industry and Competition have been reduced by more than a quarter (i.e. more than 15 per cent).

Figure 1: Net reductions in percentages



Source: National Treasury (2020c)

3. CONCLUSION

The Government had to make some very difficult decisions in attempting to balance the COVID-19 response needs within a very constrained budget and exacerbated fiscal constraints (i.e. declining revenue and increasing debt costs).

While being cognisant of the constrained budget, the balance required between social support and economic support is not apparent in the reprioritisation and reallocation of the funding. As noted above, the Department of Health receives an additional R2.9 billion compared to the R3.7 billion in additional funding to the Police Vote. Moreover, the allocations to departments that support economic development and job creation have been reduced by a significant proportion ranging from 14.2 per cent to 40 per cent. These include the departments of Tourism; Trade, Industry and Competition; Agriculture, Land Reform and Rural Development and to a certain extent Sport, Arts and Culture.

National Treasury should provide more clarity with regard to the balance between social and economic support provided by the adjustments to the national budget.

REFERENCES



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