

2021 Second Special Appropriation Bill

Select Committee on Appropriations

Presented by: Dr Mampho Modise: National Treasury

September 2021



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Purpose

- To seek Parliament to consider the draft Second Special Appropriation Bill, 2021 proposing additional urgent funding allocations of R32.850 billion
 - to address the impact of the unrest and COVID-19 pandemic
- These allocations include amounts of R11.3 billion authorised in terms of section 16 of the Public Finance Management Act, 1999 (“PFMA”)
- The Bill provides for allocations in the 2021/22 financial year, to the following votes:
 - National Treasury (SASRIA);
 - Social Development;
 - Defence;
 - Police; and
 - Trade, Industry and Competition

Summary of proposed appropriations

Vote	Purpose	R'million		
		Section 16	Normal appropriation	Total
Vote 8: National Treasury	SASRIA		3 900	3 900
Vote 19: Social Development	SRD Grants	10 013	16 687	26 700
Vote 23: Defence	Deployment		700	700
Vote 28: Police	Deployment		250	250
Vote 39: Trade, Industry and Competition	Small business support	1 300		1 300
Total		11 313	21 537	32 850

Allocation: SASRIA

- SASRIA is listed as a Schedule 3B public entity in terms of the PFMA and the Minister of Finance is its executive authority
- SASRIA is the only non-life insurer that provides special risk cover to all individuals and businesses that own assets in South Africa
- This is unique cover against risks such as civil commotion, public disorder, strikes, riots and terrorism, making South Africa one of the few countries providing this insurance, particularly at affordable premiums
- Based on a preliminary assessment undertaken by SASRIA on 14 July 2021, its current estimation of the claims it will be liable for range between R10 billion and R20 billion
- SASRIA indicated that it would require an equity injection in the event of claims amounting to R15 billion
- A provision of R3.9 billion additional funding has been included in the Bill to provide for a required capital injection should SASRIA exceed its limits.

Allocation: SASRIA

Vote	Main Division	Current Payments			Transfers and Subsidies	Payments for Capital Assets	Payments for Financial Assets
		Compensation of Employees	Goods and Services	Interest and Rent on Land			
8	National Treasury Purpose: <i>Support economic growth and development, good governance, social progress and rising living standards through the accountable, economical, efficient, equitable and sustainable management of public finances, the maintenance of macroeconomic and financial sector stability, and the effective financial regulation of the economy.</i>	R'000	R'000	R'000	R'000	R'000	R'000
	3 900 000						3 900 000
	4 Asset and Liability Management <i>Manage government's annual funding programme in a manner that ensures prudent cash management, and an optimal portfolio of debt and other fiscal obligations. Promote and enforce the prudent financial management of state-owned entities through financial analysis and oversight.</i> <i>Of which</i> * – South African Special Risks Insurance Association: Purchase of equity	3 900 000					3 900 000
							3 900 000

Allocation: Social Development

- In line with the President's announcement of 25 July 2021 on the reintroduction of the SRD grant to provide a monthly payment of R350 until the end of March 2022:
 - the Minister of Finance have authorised the use of funds in terms of section 16 of the PFMA, to defray expenditure of R10.013 billion by the DSD for the SRD grant for the first 3 months of implementation
- Approximately 13.2 million people will be eligible to receive the special SRD grant. This is 7 360 011 caregivers (average August 2021 to March 2022)) and 5 853 661 previous grants recipients
- The Bill, includes the R10.013 billion authorised in terms of section 16 of the PFMA and R16.687 billion for the remaining months, i.e. November 2021 to March 2022
- The total allocation of R26.7 billion will cater for people in distress and R500 million for SASSA for system enhancements to improve application and payment processes including the strengthened eligibility assessment system

Allocation: Social Development

Vote		Main Division	Current Payments			Transfers and Subsidies	Payments for Capital Assets	Payments for Financial Assets
			Compensation of Employees	Goods and Services	Interest and Rent on Land			
19	Social Development Purpose: <i>Ensure protection against vulnerability by creating an enabling environment for the provision of a comprehensive, integrated and sustainable social development service.</i>	26 700 000				26 700 000		
	2 Social Assistance <i>Provide social assistance to eligible individuals whose income and assets fall below set thresholds.</i> <i>Of which</i> <i>Households</i> * – Social Assistance Transfers: Social grants ** – Social Relief of Distress	26 200 000				26 200 000		
	3 Social Security Policy and Administration <i>Provide for social security policy development and the fair administration of social assistance.</i> <i>Of which</i> <i>Departmental agencies and accounts</i> – South African Social Security Agency *** – System enhancements to improve application and payment processes including the strengthened eligibility assessment system	500 000				500 000		

Allocation: Support for Businesses

- The DSBD and DTIC submitted proposals to support businesses amounting to R300 million and R2 billion, respectively
- An amount of R1.3 billion has been authorised by Minister of Finance in terms of section 16 of PFMA for supporting businesses, and this will be a direct charge against the National Revenue Fund
- According to the DTIC, the main places affected by the unrest were shopping malls which include some of the major retailers, fast food outlets, hair salons, surgeries, barber shops, small second-hand clothing shops, cell phone kiosks
- Extensive damage to infrastructure includes 161 malls, 11 warehouses, 8 factories, 200 shopping centres (approximately 3 000 stores were looted), 11 liquor outlets and 113 communication infrastructure.
- The DTIC engaged with companies that have been affected through a survey to assess the extent of damage and type of support that may be required.

Allocation: Support for Businesses

Intervention	Description	Amount (Rmn)	Reprioritisation (Rmn)	Amount required (Rmn)
Critical infrastructure refurbishment	The programme will support bulk infrastructure development in the affected economic areas such as industrial parks, shopping centres and factories. The support will be provided in partnerships with investors and municipalities to support infrastructure refurbishment to unlock economic activities in the affected areas	600	200	400
Industrial Loan Facility	The facility will be used to support manufacturing companies affected by looting and COVID-19. The financial support will target rebuilding of the infrastructure, fittings for the premises, restocking and working capital. This will be done through financing the businesses that are not covered by insurance or funding insurance shortfall. The facility is administered by the IDC	700	500	200
Retail recovery support fund	Will provide interest free loan to companies that have been affected by the unrest towards funding for the rebuilding of the infrastructure, with fittings for the premises, with stock and working capital. This will be done through financing the businesses that are not covered by insurance or funding insurance shortfall	600	0	600
Interest make-up scheme	This will provide an interest subsidy to exporters. It will be implemented in partnerships with SA financial institutions aimed to support companies that are affected by crisis.	100	0	100
Total		2 000	700	1 300

Allocation: Support for Businesses

Vote	Main Division	Current Payments			Transfers and Subsidies	Payments for Capital Assets	Payments for Financial Assets
		Compensation of Employees	Goods and Services	Interest and Rent on Land			
39	Trade, Industry and Competition Purpose: <i>Lead economic development policy formulation and planning. Facilitate access to sustainable economic activity and employment for all South Africans through an understanding of the economy, knowledge of economic opportunities and potential, and anticipation of future economic trends. Catalyse economic transformation and development, and provide a predictable, competitive, equitable and socially responsible environment for investment, enterprise and trade for economic citizens. Contribute to achieving government's vision of an adaptive and restructured economy, characterised by accelerated economic growth, employment creation and</i>	1 300 000			1 300 000		
	6 Industrial Financing <i>Stimulate and facilitate the development of sustainable and competitive enterprises, through the efficient provision of effective and accessible incentive measures, that support national priorities.</i> <i>Of which</i> <i>Public corporations</i> <i>– Various Institutions</i> **** * <i>– Industrial Development Corporation: Industrial financing</i>	1 300 000			1 300 000		
					1 300 000		

Allocation: Security (Defence and Police)

- **Police:**

- R250 million of additional funds is proposed to be allocated to the Police for the deployment of police personnel to deal with the recent unrest and riots mainly in Gauteng and KwaZulu Natal provinces

- **Defence:**

- R700 million of additional funds is proposed to be allocated to the South African National Defence Force for the deployment of military personnel to assist police with bringing order to the recent unrest and riots mainly in Gauteng and KwaZulu Natal provinces.
- The funds are also for the deployment of the SANDF members for a period of three months, as part of the Southern African Development Community Standby Force

Allocation: Security (Defence and Police)

Vote	Main Division	Current Payments			Transfers and Subsidies	Payments for Capital Assets	Payments for Financial Assets
		Compensation of Employees	Goods and Services	Interest and Rent on Land			
23	Defence Purpose: <i>Defend and protect the Republic of South Africa, its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.</i>	700 000	354 442*	324 260	21 298		
	2 Force Employment <i>Provide and employ defence capabilities, including an operational capability, to successfully conduct all operations as well as joint, interdepartmental, interagency and multinational military exercises.</i> <i>Of which</i> <i>Foreign governments and international organisations</i> – Southern African Development Community Secretariat: Operations	700 000	354 442	324 260	21 298		
					21 298		
28	Police Purpose: <i>Prevent, combat and investigate crime; maintain public order; protect and secure the inhabitants of South Africa and their property; and uphold and enforce the law.</i>	250 000	250 000*				
	2 Visible Policing <i>Enable police stations to institute and preserve safety and security, and provide for specialised interventions and the policing of South Africa's</i>	250 000	250 000				

* Specifically and Exclusively Appropriated