

# PEOPLE'S GUIDE

to the

## ADJUSTED BUDGET



2021 / 22

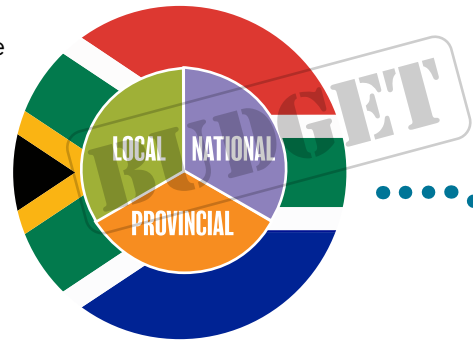
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# 1. GUIDE TO THE ADJUSTED BUDGET OF SOUTH AFRICA: 2021/22

## What is the Adjusted Budget?

In **February** of each year, the Minister of Finance tables the National Budget alongside the **Division of Revenue Bill** which is the plan for how money will be divided between the national, provincial and local governments to enable each sphere to provide services and perform its functions. Moreover, the National Budget shows the government's spending, tax and borrowing plans.



In the middle of each financial year (usually around **October**), the Minister of Finance tables the **Medium Term Budget Policy Statement** (MTBPS) and an Adjusted Budget which provides an opportunity to make permissible revisions to the budget. The adjustments are made in response to shifts and/or unexpected circumstances that have affected planned government spending for that year. The adjusted budget may allocate unused funds, including money from government's rainy day fund, and additional amounts that departments do not think they are going to spend.

The **Adjusted Estimates of National Expenditure** (AENE) are tabled in the National Assembly by the Minister of Finance, accompanied by an **Adjustments Appropriation Bill**. The permissible adjustments are reflected as part of the adjusted budget, which also includes the amounts initially allocated in the Appropriation Act and in any subsequent special appropriations. A **Division of Revenue Amendment Bill** that sets out how the adjustments affect the Division of Revenue Act is also tabled at this time.



**LEARN MORE**

For more information on the South African budget process, tips on opportunities to make your inputs on the budget matters and other useful resources, visit the learning page on [vulekamali](http://vulekamali). You can also access detailed budget allocation and expenditure data for all government departments and provinces in addition to uploading your own reports and analyses.

**WHY IS THE ADJUSTED BUDGET IMPORTANT?**  
The Adjusted Budget changes the national budget passed by Parliament earlier in the financial year. It changes the amounts of money allocated to each department and programme. Some get more, some get less. It therefore, is important to ask whether these changes in the departments' budgets could affect their ability to provide goods and services to the public.

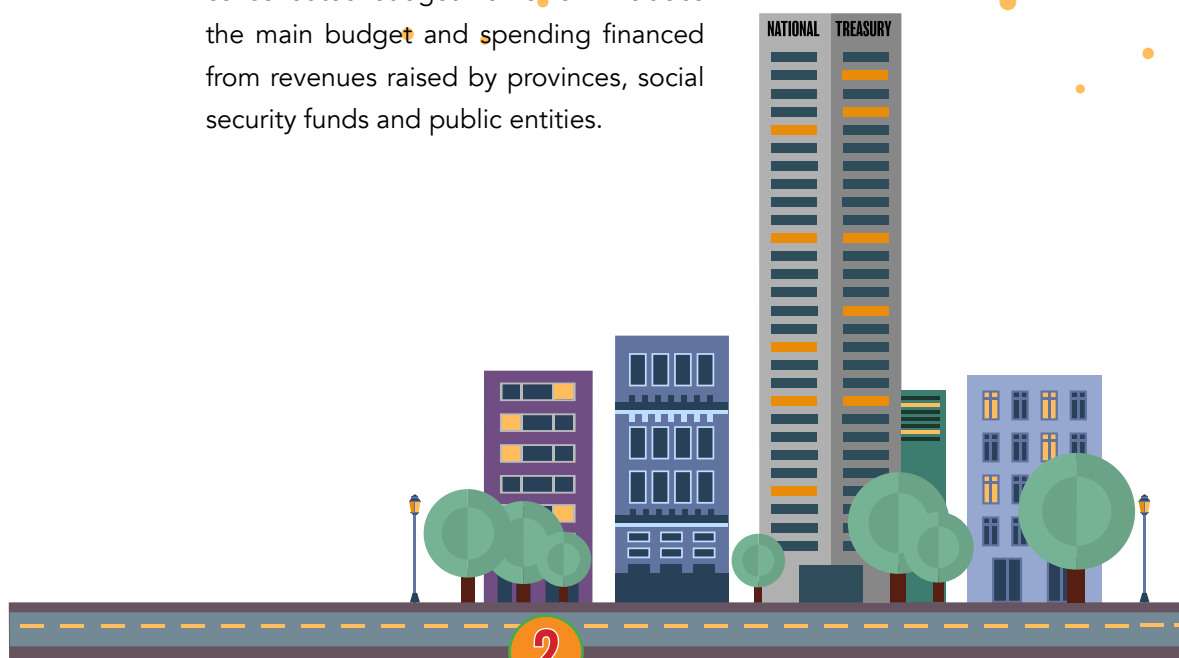
## 2. WHAT IS THE FISCAL FRAMEWORK?

The **Fiscal Framework** guides the country's macro-economic policy for a specific financial year and it includes amongst others, estimates of all revenue, expenditure and borrowing for that financial year. When the government spends more than it raises in revenue, it has a budget deficit which must be filled through borrowing. This borrowing adds to the national debt. When revenue is higher than spending, the government has a budget surplus, which can be used to pay down debt.

**The Fiscal Framework is also a policy tool**, with larger projected deficits typically referred to as a stimulatory fiscal stance, and narrowing deficits as fiscal consolidation. The framework is typically presented over a seven-year window (i.e. three historical fiscal years, the in-year and **medium term expenditure framework** – MTEF – period) is presented for the fiscal framework. The fiscal framework shows:

- whether or not government is spending more than its revenue resulting in borrowing
- how much government spent or will spend on servicing its debt
- macroeconomic outcomes and projections such as real and nominal GDP, inflation interest and exchange rates.

The main budget framework summarises spending financed from the National Revenue Fund. The consolidated budget framework includes the main budget and spending financed from revenues raised by provinces, social security funds and public entities.



### 3. SUMMARY OF ADJUSTMENTS PER CATEGORY

Adjustments to vote appropriations are as follows:

CATEGORY	YEAR	
	2020/21	2021/22
Roll-overs	R1 602.065 million	–
Unforeseeable and Unavoidable Expenditure	R12 932.274 million	<b>R102.600 million</b>
Suspension of funds for section 70 of the PFMA payments (reductions to vote allocations)	R217.761 million	–
Expenditure earmarked in the 2021 Budget speech	R22 066.385 million	<b>R7 115.335 million</b>
Self-financing expenditure	R1 499.923 million	<b>R1 077.899 million</b>
Declared unspent funds (reductions to vote allocations)	(R187 096 million)	<b>(R1 952.925 million)</b>
<b>TOTAL</b>	<b>R37 695.79 million</b>	<b>R15 023.500 million</b>

Adjustments to 2021 estimates of direct charges against the National Revenue Fund amount were more than anticipated at the time of the main Budget. This is made up of:

CATEGORY	YEAR	
	2020/21	2021/22
Debt-service costs	R3 416.639 million	R507.139 million
Provincial equitable share	R17 754.507 million	R21 148.560 million
National Revenue Fund payments	R66.284 million	R2 281.959 million
Skills levy and sector education and training authorities	(R1 115.905 million)	R1 119.904 million
Magistrates' salaries	(R107.768 million)	(R30.000 million)
<b>TOTAL</b>	<b>R22 214.546 million</b>	<b>R26 936.284 million</b>

## 4. DECLARED UNSPENT FUNDS

VOTE	UNSPENT FUNDS	REASON
National Treasury: Vote 8	R250.40 million	Transfers and subsidies to the South African Secret Service
Public Enterprises: Vote 10	R17 million	R17 million in unspent funds is declared on compensation of employees due to vacant posts within all programmes. These funds will be used to defray the settlement of Denel's guaranteed debt and interest payments.
Higher Education and Training: Vote 17	R85 million	R85 million in unspent funds is declared on compensation of employees due to vacant posts not being filled: R35 million in Programme 4: Technical and Vocational Education and Training and R50 million in Programme 6: Community Education and Training.
Health: Vote 18	R160 million	R150 million on the health facility revitalisation component of the national health insurance indirect grant, and R10 million on the health facility revitalisation grant.
Military Veterans: Vote 26	R50 million	In Programme 2: Socioeconomic Support – R50 million in unspent funds is declared on transfers and subsidies, and goods and services due to slow spending.
Communications and Digital Technologies: Vote 30	R8.4 million	R8.425 million in unspent funds in all key programmes with exception of Programme 2. This is declared on compensation of employees due to the moratorium placed on the filling of new posts until the department finalises a review of its organisational structure to align with its mandate and strategic plan.
Trade, Industry and Competition: Vote 39	R42.5 million	In Programme 9: Competition Policy and Economic Planning R42.5 million in unspent funds is declared on the Industrial Development Corporation's Tirisano Construction Fund Trust. This is due to financial difficulties faced by construction companies during the COVID-19 pandemic.
Transport: Vote 40	R1.3 billion	In Programme 7: Public Transport R1.34 billion in unspent funds is declared on the public transport network grant due to delays in rolling out phase 2 of the City of Cape Town's MyCiti bus rapid transit system.
<b>TOTAL</b>	<b>R1 952 925 billion</b>	

## 5. TEN BIGGEST CHANGES IN THE ADJUSTED BUDGET

**R42 billion**

### BAIL OUTS

A special dispensation has been approved to allow Eskom to access additional guaranteed debt of R42 billion in 2021/22 and R25 billion in 2022/23, which falls within its existing guarantee facility.

**R26.2 billion**

### COVID SoRD GRANT

R26.2 billion has been allocated to fund the reinstatement of the special COVID-19 social relief of distress grant until 31 March 2022.

**R2.34 billion**

### COVID-19 VACCINATION PROGRAMME

An additional R2.342 billion is allocated for the procurement of COVID-19 vaccines to sustain the continued rollout of the COVID-19 vaccination programme.

**R1.34 billion**

### PUBLIC TRANSPORT

The Public Transport Network Grant is reduced by R1.34 billion due to delays in rolling out phase 2 of the City of Cape Town's MyCiti bus rapid transit system.

**R1.3 billion**

### TRADE INDUSTRY AND COMPETITION

An additional R1.3 billion is allocated to cover costs related to the support of businesses that were affected by COVID-19 lockdown restrictions and by the public unrest in July 2021.

**R700 million**

### DEFENSE

An additional R700 million is allocated to the Force Employment programme for the internal deployment of South African National Defence Force personnel to support the South African Police Service in executing Operation Prosper in response to the public unrest in July 2021, and respond to terrorism in Cabo Delgado, Mozambique, through Operation Vikela.

**R507.7 million**

### INFRA-STRUCTURE GRANTS

A total of R507.7 million was cut from a series of infrastructure grants to municipalities bringing the adjusted allocation to R35.2 billion from R35.7 billion.

**R507 million**

### DEBT-SERVICE COSTS

Debt-service costs will on average consume 21 cents of every rand collected in main budget revenue over the MTEF period. Higher interests and currency depreciation will further reduce space to spend on essential public services over the next three years as R423.4 billion of debt borrowed in previous years matures.

**R318 million**

### ENVIRONMENTAL AFFAIRS

R60 million is allocated to Programme 5 (Biodiversity and Conservation) to provide support for 19 traditional authorities in Limpopo and Eastern Cape. An additional R258 million is allocated to Programme 6 (Environmental Programmes) to create job opportunities through various expanded public works programme initiatives.

**R250 million**

### POLICE

An additional R250 million is allocated to costs associated with increased deployment of police during the public unrest in July 2021.

## 6. STATE-OWNED ENTITIES (SOEs)

### ESKOM

The state-owned power utility continues to pose a significant liability to public finances as a result of its heavy dependence on government to finance its operations. Eskom had used R281.6 billion of its R350 billion government guarantee facility by 31 March 2021. A special dispensation has been approved to allow Eskom to access additional guaranteed debt of R42 billion in 2021/22 and R25 billion in 2022/23, which falls within its existing guarantee facility.



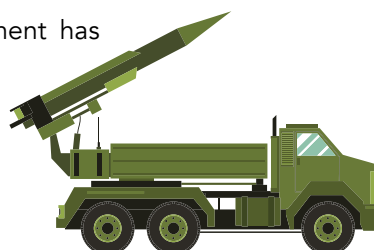
### SOUTH AFRICAN AIRWAYS

The Department of Public Enterprises has identified a strategic equity partner to buy part of SAA and aims to finalise the transaction in early 2022. SAA received R21 billion in support from government in the previous financial year. This included R10.3 billion for the settlement of government guaranteed debt, R7.8 billion for the implementation of the business rescue, R2.7 billion for SAA's subsidiaries, and R267 million for calls on obligations that were defaulted.



### DENEL

Denel (state-owned military technology supplier) is facing difficulties in meeting its obligations and is negotiating with stakeholders on a way forward. Government provided recapitalisations of R1.8 billion in 2019/20 and R576 million in 2020/21, and extended R5.9 billion guaranteed debt facility to Denel. Several repayment obligations have fallen due this year. Government has allocated R2.9 billion in 2021/22 to settle these repayments.





## 7. IMPORTANT CHANGES IN KEY SOCIAL/SERVICE DELIVERY DEPARTMENTS

**These changes are shifts between items in departmental budgets and mostly do not result in an increase or decrease of the relevant department's budget.**



**Background:** In addition to high levels of inequality, South Africa also has one of the most unequal schooling systems in the world. Many learners and teachers across the country learn and teach in schools with poor infrastructure and inadequate water and sanitation facilities. For instance, in 2018 it was reported that 19% of public schools still had illegal pit latrines in place. For this reason – close monitoring of allocation and spending for school infrastructure is vital.

The National Department of Education received an in-year adjustment of R235.879 million; from R27 billion in the February Budget of R27.2 billion.

- R122.8 million in virements was effected within programmes with the highest; R108.9 million from Planning, Information and Assessment (Programme 4).
- In the budget for Programme 4 (Planning, Information and Assessment) R210 million is rolled over for the school infrastructure backlogs grant to replace unsafe school structures and to provide water, safe sanitation and electricity at schools where these are lacking.
- The school infrastructure backlogs grant received an upward adjustment from R2.28 billion in the main budget to R2.39 billion in the adjusted budget. The Eastern Cape Province received the largest share of the grant with an allocation of R132 million.
- An additional R11.182 million is allocated for higher salary increases.



Environmental hygiene plays an essential role in the prevention of many diseases. It also impacts on the natural environment and the preservation of important natural resources. Access to potable water and proper sanitation are key elements in improving people's health status. The 2019 General Household survey revealed that with the exception of the Western Cape and Limpopo, access to improved sanitation has decreased in all other 7 provinces between 2018 and 2019. The Northern Cape experienced the greatest decrease of 6.1%.

- **A total of R109 617 million** in virements were made within programmes in the Water and Sanitation department in the 2021/22 adjusted budget.
- **An additional R81.3 million** was allocated to the Regional Bulk Infrastructure Grant (to develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance). This grant is for the George local municipality to implement the potable water security and remedial works project.



Access to healthcare is fragmented and unequal, thus compromising Universal Healthcare Coverage in South Africa. Public-health spending increased from R18.7 billion in 1995/6 to over R248.8 billion in 2021/22 in nominal terms. However, in real terms, average real growth on healthcare spending has been a meagre 1.8% per year since 2012/13. Moreover, the uninsured population (people without medical aid) has also grown substantially and in the context of unequal resources between private and public healthcare, access to quality healthcare is still out of reach for many South Africans.

- National Department of Health received an overall upward in-year adjustment of R2.4 billion to its budget from R62.5 billion to R64.7 billion for the 2021/22 financial year.
- An additional R2.342 billion is allocated for the purchasing of COVID-19 vaccines to sustain the continued rollout of the COVID-19 vaccination programme.
- An additional R15 million is allocated as part of the presidential employment intervention to employ environmental health practitioners at ports of entry to strengthen capacity.
- The National Health Insurance Indirect Grant was reduced by R560.6 million.
- The Health Revitalisation Grant has been reduced by R10 million.
- \* A total of R484.9 million of virements and shifts within the vote from compensation of employees to salaries and wages from programme 3 to programme 6 – R17 million, programme 3 to programme 2 – R3.6 million and programme 4 to programme 6 – R9.1 million.



In the face of high unemployment, social grants play a crucial role in supporting the livelihoods of millions of people. In fact, social grants are the main sources of income for over 50% of households in seven of the nine provinces. In the Eastern Cape grants are the main sources of income for 61% of households. It is therefore vital that government remains committed to building a comprehensive social grant system to support the most vulnerable in the population. This has become further emphasised by the onset of the COVID-19 pandemic.

- The Early Childhood Development grant was increased by R178 million.
- An additional R26.7 billion is allocated to the following programmes: Programme 2: Social Assistance R26.2 billion to fund the reinstatement of the special COVID-19 social relief of distress grant until the end of March 2022, and Programme 3: Social Security Policy and Administration R500 million for system enhancements to improve application, eligibility assessment and payment processes for the special COVID-19 social relief of distress grant.

## 8. COVID-19 RELATED SHIFTS



NATIONAL DEPARTMENT	INCREASE / DECREASE	REASON
Health	+3.9%	Rollout of COVID-19 vaccination programme.
Social Development	+0.1%	To fund the reinstatement of the special COVID-19 social relief of distress grant until the end of March 2022.
Small Business Development	+4.3%	To enable the department to provide financial support to small businesses affected by the pandemic.

## 9. SERVICE DELIVERY PERFORMANCE TO DATE

Half way through the financial year (April to September), this is how departments are progressing with delivery against their performance targets.



- 0% of public schools with home language workbooks for learners in grades 1 to 6 per year (out of a 2021 target of 100%).
- 0% of public schools with mathematics workbooks for learners in grades 1 to 9 per year (out of a 2021 target of 100%).
- 7 out of 21 new schools built and completed through the accelerated school infrastructure delivery initiative per year.
- 235 out of 1 000 schools were provided with sanitation facilities.
- 11 379 out of 19 950 school meals were provided.
- 44 schools provided with clean water (no target was set for the year).



- 4.7 million out of 4.6 targeted patients received medicine via the centralised chronic medicine dispensing and distribution system.
- 1 593 out of 2 150 primary healthcare facilities qualified as ideal clinics.



**SOCIAL DEVELOPMENT**

- Out of a target of 279 173 grant-in-aid beneficiaries, 272 637 was achieved.

**WATER & SANITATION**



- 720 out of 963 wastewater systems assessed for compliance with green drop regulatory standards per year.



- 3 828 out of 129 367 title deeds registered.
- 1 471 out of 6 000 affordable rental units delivered per year.
- 64 out of 400 informal settlements upgraded to phase 3.



## 10. GLOSSARY OF KEY TERMS



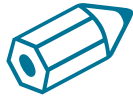
Below are key terms used in budget documentation.  
For a more comprehensive glossary of terms; visit Vulekamali:

<https://vulekamali.gov.za/learning-resources/glossary#glossary-item-a>

By law, government is only allowed to make the following types of changes to its spending plans in the Adjusted Budget:

<b>ROLL-OVERS:</b>	Money can be moved from the previous to the current financial year when an activity which was supposed to be finished in the previous financial year can only be completed in the current financial year.
<b>Expenditure earmarked in 2021 Budget Speech for Future allocation</b>	
<b>UNFORESEEABLE AND UNAVOIDABLE EXPENDITURE:</b>	This is spending that government did not expect was going to be necessary when the National Budget was tabled, for example spending to deal with destruction resulting from a natural disaster.
<b>SHIFTS BETWEEN PROGRAMMES AND BETWEEN SUB-PROGRAMMES IN A DEPARTMENT:</b>	Within a department, unspent funds can be moved between programmes or between sub-programmes in the same main programme. Shifts of funds between main programmes are called virements and are guided by the Public Finance Management Act and National Treasury regulations.
<b>FUNCTION SHIFTS:</b>	This is when specific government functions are moved from one department to another or from one programme to another. The money to fund these functions is then shifted to the new department.
<b>UNALLOCATED AMOUNTS:</b>	When tabling the National Budget, the Minister of Finance may set aside funds that are not allocated to any specific function. This money is then allocated later in the year and included in the Adjusted Budget.
<b>ADJUSTMENTS DUE TO SIGNIFICANT AND UNFORESEEABLE ECONOMIC AND FINANCIAL EVENTS:</b>	Changes to the budget are sometimes necessary when unforeseeable economic and financial events affect the revenue and spending plans set out in the National Budget. An example is when inflation is higher than expected and departments find that they have to pay more than expected for goods and services.
<b>EMERGENCIES:</b>	The Minister of Finance can approve the use of funds to deal with an emergency situation.
<b>NATIONAL REVENUE FUND:</b>	The consolidated account of the national government into which all taxes, fees and charges collected by SARS and departmental revenue must be paid.
<b>SELF-FINANCING EXPENDITURE:</b>	If a department earns income from its activities, this money is paid into the National Revenue Fund. Such funds may be sent back to the department.





## 10. GLOSSARY OF KEY TERMS (continued)

<b>SPECIAL APPROPRIATION:</b>	This shows the amount voted by main economic classification for the current financial year. For instance, in the 2021, the Second Special Appropriation Bill was made in order to address the impact of the COVID-19 pandemic and the public unrest in July 2021.
<b>DECLARED UNSPENT FUNDS:</b>	Departments can indicate that they will not spend a specific part of their budget as planned. These funds are returned to the National Revenue Fund.
<b>DIRECT CHARGES AGAINST THE NATIONAL REVENUE FUND:</b>	Certain additional expenditure does not need to be approved by Parliament, for example spending on state debt costs.
<b>ANY GIFTS, DONATIONS AND SPONSORSHIPS OF MORE THAN R100 000 BY DEPARTMENT HAVE TO BE INCLUDED IN THE ADJUSTED BUDGET.</b>	
<b>PAYMENTS FOR FINANCIAL ASSETS:</b>	This item includes lending to public corporations or making equity investments in them for policy purposes. The reason for expensing this payment rather than treating it as financing is that, unlike other financial transactions, the purpose of the transaction is not market oriented.
<b>VIREMENTS AND SHIFTS WITHIN VOTES:</b>	
<b>VIREMENTS:</b>	The use of unspent funds from amounts appropriated under one main division (programme) to defray excess expenditure under another main division (programme) within the same vote. Section 43 of the PFMA, Section 5 of the Appropriation Act 10 of 2021 and Treasury Regulation 6.3 set the parameters within which virements may take place. Funds vired from a programme may not exceed 8% of the total amount appropriated, in the main appropriation as well as in any other subsequent adjustment/special appropriations, for a programme for the 2021/22 financial year.
<b>SHIFTS:</b>	The use of unspent funds to defray increased expenditure within a main division (programme) of a vote by shifting funds between the different segments (sub-programme and economic classification) of the main division (programme). Shifts may include the reallocation of funds incorrectly allocated in the 2021 ENE process. Section 43 of the PFMA, Section 5 of the Appropriation Act 10 of 2021 and Treasury Regulation 6.3 set the parameters within which shifts may take place. Departments require approval before a virement or shift can take place from either their own Accounting Officer, the National Treasury, or from Parliament. The level of approval depends on the nature of the virement or shift.





**This Guide was prepared by the Public Service Accountability Monitor (PSAM)**

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### **ENGAGING PARLIAMENT AND MAKING BUDGET SUBMISSIONS**

If you would like to comment on the 2021/22 Adjusted Budget, you can write to:

Ms Zandile Hulley, the Secretary of the Standing Committee on Appropriations ([zhulley@parliament.gov.za](mailto:zhulley@parliament.gov.za)) or Mr Lubabalo Nodada, the Secretary of the Select Committee on Appropriations ([Lnodada@parliament.gov.za](mailto:Lnodada@parliament.gov.za)).

The PSAM is part of the School of Journalism and Media Studies at Rhodes University and participates in the Putting People in People's Parliament Project (PPiPP). PPiPP partners include the Public and Environmental Economics Research Centre (PEERC), the Parliamentary Monitoring Group (PMG), the Womxn and Democracy Initiative (WDI) at the Dullah Omar Institute and the Heinrich Boell Foundation (HNF), as well as various CSOs in the Eastern and Western Cape. The PPiPP project is supported by funding from the European Union, Heinrich Boell Foundation and the Open Society Foundation – South Africa.

