



GUIDE TO THE ADJUSTED BUDGET OF SOUTH AFRICA: 2022/23

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 www.vulekamali.com.

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 departments' budgets could affect their ability to provide goods and services to the public.

WHAT IS THE FISCAL FRAMEWORK?

The **Fiscal Framework** guides the country's macroeconomic 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.

In the MTBPS 2022, National Treasury remains focused on stabilising public debt and ensuring sustainability of public finances.

Tax collections were higher than expected, resulting in R85 billion in additional revenue. This brings the estimate of gross tax revenue up to R1.68 trillion.

The consolidated budget for 2022/23 is R2.2 trillion.

SUMMARY OF ADJUSTMENTS PER CATEGORY

Adjustments to vote appropriations amount to **an increase of R7.5 billion**, of which:

CATEGORY	2022	2021
Roll-overs	R990.5 million ↑	R2.8 billion ↑
Unforeseeable and unavoidable expenditure	R6.4 billion ↑	102.6 million ↑
Expenditure earmarked in the 2022 Budget speech	R500 million ↑	R7.1 billion ↑
Self-financing expenditure	R1.6 billion ↑	R1.1 billion ↑
Declared unspent funds (reductions to vote allocations)	(R1.9 billion) ↓	(R1.95 billion) ↓

Adjustments to estimates of **direct charges against the National Revenue Fund amount to R7.2 billion more than anticipated at the time of the main Budget**, of which:

CATEGORY	2022	2021
Debt-service costs	R5.9 billion ↑	(R507.1 million) ↓
National Revenue Fund payments	R207.0 million ↑	R2.3 billion ↑
Provincial equitable share	R48.5 million ↑	R 21.1 billion ↑
Section 70 of the PFMA payments	R306.3 million ↑	R2.9 billion ↑
Skills levy and sector education and training authorities	R618.8 million ↑	–
Magistrates' salaries	–	(R30 million) ↓
Judges' salaries	R124.5 million ↑	–

DECLARED UNSPENT FUNDS

These funds are returned to the National Revenue Fund

VOTE	DECLARED UNSPENT FUNDS 2022/23	REASON
National Treasury	R101.6 million	The R101.6 million that was appropriated for the recapitalisation of the Land and Agricultural Development Bank of South Africa is suspended and included as part of a direct charge against the National Revenue Fund to cater for the government-guaranteed debt obligation on behalf of the bank.
Public Enterprises	R3.8 million	The R3.8 million unspent on compensation of employees due to vacant posts across all programmes. These funds will be used to defray the settlement of Denel's guaranteed debt and interest payments.
Public Works and Infrastructure	R21.5 million	This comprises: <ul style="list-style-type: none"> • R15.7 million unspent in the Expanded Public Works Programme (EPWP) due to delays in implementing the expanded public works non-state sector programme. • R5.8 million unspent on transfers and subsidies in the prestige policy programme due to projected underspending by the Parliamentary Villages Management Board as a result of fewer than anticipated activities taking place.
Social Development	R1.8 billion	R1.8 billion in unspent funds is declared on social assistance due to a lower than anticipated uptake of the social relief of distress grant following the implementation of the lower income threshold and the bank verification of applicants' income.
Police	R31.8 million	R31.8 million unspent on the Integrated Criminal Justice Strategy due to delays in finalising tender processes. The unavailability of forensic equipment locally also contributed to delays in spending.
Small Business Development	R35.0 million	A total of R35 million unspent on compensation of employees due to vacant positions in Administration, Sector and Market Development and Enterprise Development.

NOTABLE CHANGES IN THE ADJUSTED BUDGET

R30 BILLION: BAIL OUTS

Additional funds are allocated to SANRAL (R23.7 billion) Transnet (R5.8 billion) and Denel (R204.7 million).

R6.3 BILLION: DISASTER RELIEF

R6.3 billion is allocated for disaster management following April flooding in KwaZulu-Natal and Eastern Cape.

R389 MILLION INCREASE: WELISIZWE RURAL BRIDGES PROGRAMME

Government plans to build 24 bridges in rural areas through the Welisizwe Rural Bridges programme.

R500 MILLION: HOME AFFAIRS DIGITISATION PROJECT

These funds were set aside in Budget 2022 for digitising records. The project will employ 10 000 people over 3 years.

R13.4 BILLION INCREASE: PROVISIONAL ALLOCATION

R13.4 billion in provisional allocation not assigned to votes to accommodate changes that arise in future.

R2 BILLION UNSPENT: SOCIAL ASSISTANCE (GRANTS)

R1.8 billion in declared unspent funds from the Department of Social Development due to lower than expected uptake of SRD grant due to new qualification criteria.

R2 BILLION UNSPENT: LOCAL GOVERNMENT

Local Government returned R2 billion in unspent funds to the National Revenue Fund.

R5.9 BILLION: DEBT SERVICE COSTS

Increase in debt service costs due to higher interest and inflation rates.

R118 MILLION: PARLIAMENT INTERIM RELOCATION

In 2022/23 R118 million is allocated for interim relocation costs and preparations to rebuild Parliament. A total of R2 billion is allocated over the next 3 years.

R3.9 BILLION: NATIONAL GOVERNMENT PROJECTED UNDERSPENDING

Based on spending performance to date, National Treasury has estimated that national government will underspend on its budget by R3.9 billion in 2022/23.

STATE OWNED ENTITIES (SOEs)

SOEs are important enablers of economic growth but continue to face challenges that require immediate injections of funds. These funds are often diverted from other sectors, including departments responsible for providing social services.

Eskom



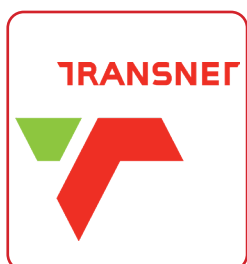
According to National Treasury, Eskom is the largest long-term risk to the economy, given its high debt levels and unsustainable business model. In 2019, the government announced a R230 billion support package for Eskom to remain financially viable. To date, R140 billion of this package has been disbursed. In addition, Eskom had used R323.9 billion of its R350 billion government guarantee facility as at 30 June 2022. The current debt of about R400 billion is unsustainable and the government expects to shift between one-third and two-thirds of its loan obligations onto the state's balance sheet and attach strict conditions to the relief. Details of the arrangement have been deferred to Budget 2023.

Denel

Denel (state-owned military technology supplier) remains in financial distress and cannot meet its financial obligations. Government allocated R2.9 billion in 2021/22 to cover capital and interest payments on guaranteed debt. In 2022/23 an additional R204.7 million is allocated to reduce contingent liabilities arising from its weak financial position and R3.4 billion – if set conditions are met – to complete its turnaround plan.



Transnet



The state rail and ports operator suffered severe and widespread damage to assets, installations and operations from the heavy rains and flooding in April 2022, resulting in unexpected repair costs and loss of revenue. While the Port of Durban is now operating, major repairs are still required to fully restore Transnet Freight Rail operations in KwaZulu-Natal. A total of R5.8 billion will be allocated to Transnet – half of which is shifted to repair infrastructure damaged by the recent floods, and half to repair and maintain freight rail locomotives.

SANRAL

The South African National Roads Agency Limited (SANRAL) remains in limbo given policy uncertainty over government's position on the user-pays principle. As a result, SANRAL cannot collect sufficient cash from its toll portfolio to settle maturing government-guaranteed debt. This balance sheet weakness is affecting SANRAL's ability to maintain the broader road network and as such also presents a medium term risk to economic growth. A further R819 million is allocated to the South African National Roads Agency for the repair of infrastructure damaged by floods in April 2022.



Land Bank



The Land Bank remains in financial distress and the process to finalise a solution is ongoing. An amount of R5 billion remains in the contingency reserve in 2022/23 as part of the funding provided for the Land Bank in the previous budget. Conditions for the release of these funds have not yet been met.

IMPORTANT CHANGES IN SERVICE DELIVERY DEPARTMENTS

These changes include additional allocations to departments, key changes to conditional grants and shifts between items in departmental budgets.



EDUCATION

The National Department of Basic Education received an in-year adjustment of R116.77 million, allocated for repairs to schools affected by the April floods. This comprised R21 million for the Eastern Cape, and R95 million for KwaZulu-Natal. R49 million in shifts and virements were effected within programmes, with the highest value of R16 million shifted from within programme 4 (Planning, Information and Assessment) to assess flood damage to infrastructure. R1.6 million for compensation of employees was transferred to pay for Maths, Science and Technology specialists from Cuba, due to unfilled vacancies in the department.



HEALTH

No additional funds were allocated to Health. A total of R4.1 million was shifted within the department. The shifts were largely from goods and services, across the various programmes, and transferred to ICT and software-related services.



WATER & SANITATION

Water and Sanitation received an additional R15.3 million in roll overs from last year. A further R524 million was shifted within the department including R130 million shifted from various non-core goods and services to the Bloem and Magalies water boards, R75 million from the Water Services Infrastructure Grant shifted to supply water tanks in KZN and Eastern Cape disaster areas and R214 million from the to the Vaal River pollution mediation project.



SOCIAL DEVELOPMENT

Social Development saw a total reduction of R5.5 billion which equals 2% of its total budget. R3.7 billion was shifted from Social Development to other departments. This consists of R755.3 million to the Department of Defense for extended deployment of troops to Mozambique as part of Operation Vikela, and R2.9 billion to the Department of Public Enterprises for Transnet to repair and replace infrastructure damaged by the April floods. R1.8 billion in declared unspent funds was returned to the National Revenue Fund due to lower than anticipated uptake of the SRD grant. R538 million was shifted within the department, from social assistance transfers to social assistance debt write off. This was due to lower than anticipated uptake of grants.



HUMAN SETTLEMENTS

The Informal Settlements programme received an additional R442.1 million in allocations to replenish the Provincial Emergency Housing Grant by R350 million, and to replenish the eThekweni Metropolitan Municipality's allocation of the informal settlements upgrading partnership grant by R92.1 million.




LOCAL GOVERNMENT


Local government received an adjustment of R3.3 billion to rehabilitate and reconstruct infrastructure damaged by the April floods. The Informal Settlements Upgrading Partnership Grant, which is allocated to municipalities, was adjusted from R4.18 billion to R4.3 billion. The integrated National Electrification Program also received an additional R1 million for the electrification of existing and planned dwellings, including informal settlements. The allocation for the Neighbourhood Development Partnership Grant was adjusted down by R100 million.


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.

BASIC EDUCATION

 **101 507/50 000 (203%)**, learners obtaining subject passes towards a national senior certificate or extended senior certificate, including the upgraded national senior certificate


 **0%** of public schools with home language workbooks for learners in grades 1 to 6 per year after having placed an order


 **11%** public schools with mathematics workbooks for learners in grades 1 to 9 per year after having placed an order


 **6/30 (20%)** new schools built and completed through the accelerated school infrastructure delivery initiative

 **21 197/19 950 (106%)**, schools provided with nutritious meals on each school day

HEALTH


 **3 857/3 825 (100.8%)** health facilities reporting stock availability at the national surveillance centre

 **5.3 million/5.7 million (92.98%)** clients remaining on antiretroviral treatment

 **5.3 million/5 million (106%)**, patients registered to receive medicines through the centralised chronic medicine dispensing and distribution system

SOCIAL DEVELOPMENT


 Achieved target of **3.8 million** old age grant beneficiaries

 **20/16 (125%)** war veterans grant beneficiaries

 **1 million/1.1 million (90.9%)** disability grant beneficiaries

 **13.1 million/13.4 million (98.5%)** child support grant beneficiaries


 **0/10** district municipalities supported with developing water and sanitation reliability plans


 **1/13** **(7.7%)** large regional bulk infrastructure project phases completed

 **3/8** **(37.5%)** small regional bulk infrastructure project phases completed


 **42/115** **(36.5%)** small projects completed through the water services infrastructure grant


 **113%/80%** water use authorisation applications per year finalised within 90 working days of application (this is a great achievement and had implications to food security and the agriculture sector)

 **0/1 035** water supply systems assessed for compliance with blue drop regulatory requirements


 **11 968/60 000** **(19.9%)**, fully subsidised houses delivered

 **7 203/60 000** **(0.1%)**, serviced sites delivered

 **7 712/8 000** **(96.4%)** affordable rental units delivered











 **22 113/66 402** **(33.3%)**, work opportunities created through the expanded public works programme

 **67%** waste diverted from landfill sites for recycling, out of a target of **9.8%**



 **(92%)** National environmental impact management applications processed

SPENDING PERFORMANCE

Actual expenditure of key service delivery departments as a percentage of adjusted appropriation in the first 6 months of the year (April – September 2022).

DEPARTMENT	2022	2021
 Basic Education	 56.4%	55.6%
 Health	 47.3%	52.5%
 Social Development	 45.8%	46.2%
 Human Settlements	 42.2%	40.6%
 Water and Sanitation	 37.8%	32.2%

Actual expenditure on conditional grants in the first quarter of 2022 (April – June), calculated as the average of spend per province on each grant.

	2022	2021
HIV and AIDS (Life Skills Education) Grant	 21.9%	21.6%
Learners With Profound Intellectual Disabilities Grant	 17.9%	20.0%
Maths, Science and Technology Grant	 15.9%	12.8%
National School Nutrition Programme Grant	 24.3%	26.3%
Early Childhood Development Grant	 16.6%	13.3%
Health Facility Revitalisation Grant	 16.2%	20.0%

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:

 <p>Roll-overs:</p>	<p>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.</p>
 <p>Debt service costs:</p>	<p>The cost of interest on government debt and other costs directly associated with borrowing.</p>
 <p>Conditional grant:</p>	<p>Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.</p>
 <p>Unforeseeable and unavoidable expenditure:</p>	<p>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.</p>
 <p>Shifts between programmes and between sub-programmes in a department:</p>	<p>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.</p>
 <p>Function Shifts:</p>	<p>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.</p>
 <p>Unallocated amounts:</p>	<p>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.</p>
 <p>Adjustments due to significant and unforeseeable economic and financial events:</p>	<p>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.</p>
 <p>Emergencies:</p>	<p>The Minister of Finance can approve the use of funds to deal with an emergency situation.</p>

 <p>National Revenue Fund:</p>	<p>The consolidated account of the national government into which all taxes, fees and charges collected by SARS and departmental revenue must be paid.</p>
 <p>Self-financing expenditure:</p>	<p>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.</p>
 <p>Special appropriation:</p>	<p>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).</p>
 <p>Declared unspent funds:</p>	<p>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.</p>
 <p>Direct charges against the National Revenue Fund:</p>	<p>Certain additional expenditure does not need to be approved by Parliament, for example spending on state debt costs. Any Gifts, donations and sponsorships of more than R100 000 by a Department have to be included in the Adjusted Budget.</p>
 <p>Payments for financial assets:</p>	<p>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.</p>
 <p>Virements:</p>	<p>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 Adjustments Appropriation Act 10 of 2022 and Treasury Regulation 6.3 set the parameters within which virements may take place. Funds vired from a programme may not exceed 8 per cent 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.</p>
 <p>Shifts:</p>	<p>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 2022 ENE process. Section 43 of the PFMA, Section 5 of the Adjustment Appropriation Act 10 of 2022 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.</p>



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

For more information on the People's Adjusted Budget, please contact:

psam_admin@ru.ac.za.

The PSAM is part of the School of Journalism and Media Studies at Rhodes University.

Engaging Parliament and Making Budget Submissions

If you would like to comment on the 2022/23 Adjusted Budget, you can write to the Committee on Appropriations in Parliament by contacting the Committee Secretary,
Mr Darrin Arends

[\(daarends@parliament.gov.za\)](mailto:daarends@parliament.gov.za).