

REPUBLIC OF SOUTH AFRICA

DIVISION OF REVENUE BILL

*(As introduced in the National Assembly (proposed section 76); explanatory summary of
Bill published in Government Gazette No. 43025 of 17 February 2020)
(The English text is the official text of the Bill)*

(MINISTER OF FINANCE)

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BILL

To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2020/21 financial year; the determination of each province's equitable share; allocations to provinces, local government and municipalities from national government's equitable share; the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.

PREAMBLE

WHEREAS section 214(1) of the Constitution requires an Act of Parliament to provide for—

- (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
- (b) the determination of each province's equitable share of the provincial share of that revenue; and
- (c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made; and

WHEREAS section 7(1) of the Money Bills and Related Matters Act, 2009 (Act No. 9 of 2009), requires the introduction of the Division of Revenue Bill at the same time as the Appropriation Bill is introduced,

BE IT THEREFORE ENACTED by the Parliament of the Republic of South Africa, as follows:—

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CHAPTER 1

INTERPRETATION AND OBJECTS OF ACT

Interpretation

1. (1) In this Act, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Public Finance Management Act or the Municipal Finance Management Act has the meaning assigned to it in the Act in question, and—

“**accreditation**” means accreditation of a municipality, in terms of section 10(2) of the Housing Act, 1997 (Act No. 107 of 1997), to administer national housing programmes, read with Part 3 of the National Housing Code, 2009 (Financial Interventions: Accreditation of Municipalities);

“**allocation**” means the equitable share allocation to the national sphere of government in Schedule 1, a province in Schedule 2 or a municipality in Schedule 3, or a conditional allocation;

“**category A, B or C municipality**” means a category A, B or C municipality envisaged in section 155(1) of the Constitution;

“**conditional allocation**” means an allocation to a province or municipality from the national government’s share of revenue raised nationally, envisaged in section 214(1)(c) of the Constitution, as set out in Schedule 4, 5, 6 or 7;

“**Constitution**” means the Constitution of the Republic of South Africa, 1996;

“**corporation for public deposits account**” means a bank account of the Provincial Revenue Fund held with the Corporation for Public Deposits, established by the Corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);

“**declared disaster**” means a national, provincial or local state of disaster declared in terms of section 27, 41 or 55 of the Disaster Management Act, 2002 (Act No. 57 of 2002);

“**Education Infrastructure Grant**” means the Education Infrastructure Grant referred to in Part A of Schedule 4;

“**financial year**” means, in relation to—

(a) a national or provincial department, the year ending 31 March; or

(b) a municipality, the year ending 30 June;

“**framework**” means the conditions and other information in respect of a conditional allocation published in terms of section 16 or 26;

“**Health Facility Revitalisation Grant**” means the Health Facility Revitalisation Grant referred to in Part A of Schedule 5;

“**housing emergency**” means a housing emergency as defined in paragraphs 2.3.1 (a) and (b) of the Emergency Housing Programme contained in the National Housing Code published in terms of section 4 of the Housing Act, 1997 (Act No. 107 of 1997);

“**Human Settlements Development Grant**” means the Human Settlements Development Grant referred to in Part A of Schedule 5;

“**Integrated City Development Grant**” means the Integrated City Development Grant referred to in Part B of Schedule 4;

“**integration zone**” means the integration zone as defined in the Built Environment Performance Plan Guideline issued by the National Treasury;

“**legislation**” means national legislation or provincial legislation as defined in section 239 of the Constitution;

“**level one accreditation**” means accreditation to render beneficiary management, subsidy budget planning and allocation, and priority programme management and administration, of national housing programmes;

“**level two accreditation**” means accreditation to render full programme management and administration of all housing instruments and national housing programmes in addition to the responsibilities under a level one accreditation;

“**Maths, Science and Technology Grant**” means the Maths, Science and Technology Grant referred to in Part A of Schedule 5;

“**medium term expenditure framework**” means a budgeting framework applied by the National Treasury which—

(a) translates government policies and plans into a multi-year spending plan; and

(b) promotes transparency, accountability and effective public financial management;

- “**metropolitan municipality**” means a metropolitan municipality as defined in section 1 of the Municipal Structures Act;
- “**Municipal Demarcation Act**” means the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);
- “**Municipal Finance Management Act**” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); 5
- “**Municipal Structures Act**” means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- “**Municipal Systems Act**” means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); 10
- “**Neighbourhood Development Partnership Grant**” means the Neighbourhood Development Partnership Grant referred to in Part B of Schedule 5 or Part B of Schedule 6;
- “**organ of state**” means an organ of state as defined in section 239 of the Constitution; 15
- “**overpayment**” means the transfer of more than the allocated amount of an allocation or the transfer of an allocation in excess of the applicable amount in a payment schedule;
- “**payment schedule**” means a schedule which sets out—
- (a) the amount of each transfer of a provincial equitable share or a conditional allocation for a province or municipality to be transferred in terms of this Act; 20
 - (b) the date on which each transfer must be paid; and
 - (c) to whom, and to which bank account, each transfer must be paid;
- “**prescribe**” means prescribe by regulation in terms of section 37;
- “**primary bank account**” in relation to— 25
- (a) a province, means a bank account of the Provincial Revenue Fund, envisaged in section 21(2) of the Public Finance Management Act and which the accounting officer of the provincial treasury has certified to the National Treasury; or
 - (b) a municipality, means the bank account of the municipality as determined in terms of section 8 of the Municipal Finance Management Act; 30
- “**Provincial Roads Maintenance Grant**” means the Provincial Roads Maintenance Grant referred to in Part A of Schedule 4;
- “**Public Finance Management Act**” means the Public Finance Management Act, 1999 (Act No. 1 of 1999); 35
- “**Public Transport Network Grant**” means the Public Transport Network Grant referred to in Part B of Schedule 5;
- “**Public Transport Operations Grant**” means the Public Transport Operations Grant referred to in Part A of Schedule 4; 40
- “**quarter**” means, in relation to—
- (a) a national or provincial department, the period from—
 - (i) 1 April to 30 June;
 - (ii) 1 July to 30 September;
 - (iii) 1 October to 31 December; or
 - (iv) 1 January to 31 March; or 45
 - (b) a municipality, the period from—
 - (i) 1 July to 30 September;
 - (ii) 1 October to 31 December;
 - (iii) 1 January to 31 March; or
 - (iv) 1 April to 30 June; 50
- “**receiving municipality**” means a municipality incorporating another municipality or part thereof as a result of a redetermination in terms of section 21(1)(b) of the Municipal Demarcation Act;
- “**receiving officer**” means, in relation to—
- (a) a Schedule 4, 5 or 7 allocation transferred to a province, the accounting officer of the provincial department which receives that allocation or a portion thereof for expenditure through an appropriation from its Provincial Revenue Fund; or 55
 - (b) a Schedule 4, 5 or 7 allocation transferred or provided in kind to a municipality, the accounting officer of the municipality; 60

“**receiving provincial department**” in relation to a Schedule 4, 5 or 7 allocation transferred to a province, means the provincial department which receives that allocation or a portion thereof for expenditure through an appropriation from its Provincial Revenue Fund;

“**releasing municipality**” means a municipality or part thereof which is incorporated into another municipality as a result of a redetermination in terms of section 21(1)(b) of the Municipal Demarcation Act; 5

“**School Infrastructure Backlogs Grant**” means the School Infrastructure Backlogs Grant referred to in Part A of Schedule 6;

“**this Act**” includes any framework or allocation published, or any regulation made, in terms of this Act; 10

“**transferring officer**” means the accounting officer of a national department that transfers a Schedule 4, 5 or 7 allocation to a province or municipality or spends a Schedule 6 allocation on behalf of a province or municipality;

“**Urban Settlements Development Grant**” means the Urban Settlements Development Grant referred to in Part B of Schedule 4; and 15

“**working day**” means any day, except a Saturday, a Sunday or a public holiday as defined in the Public Holidays Act, 1994 (Act No. 36 of 1994).

(2) Any agreement, approval, certification, decision, determination, instruction, notification, notice or request in terms of this Act must be in writing. 20

Objects of Act

2. The objects of this Act are—

- (a) as required by section 214(1) of the Constitution, to provide for—
 - (i) the equitable division of revenue raised nationally among the three spheres of government; 25
 - (ii) the determination of each province’s equitable share of the provincial share of that revenue; and
 - (iii) other allocations to provinces, local government or municipalities from the national government’s share of that revenue and conditions on which those allocations are made; 30
- (b) to promote predictability and certainty in respect of all allocations to provinces and municipalities, in order that provinces and municipalities may plan their budgets over a multi-year period and thereby promote better coordination between policy, planning and budgeting; and
- (c) to promote transparency and accountability in the resource allocation process, by ensuring that all allocations, except Schedule 6 allocations, are reflected on the budgets of provinces and municipalities and the expenditure of conditional allocations is reported on by the receiving provincial departments and municipalities. 35

CHAPTER 2 40

EQUITABLE SHARE ALLOCATIONS

Equitable division of revenue raised nationally among spheres of government

3. (1) Revenue raised nationally in respect of the 2020/21 financial year must be divided among the national, provincial and local spheres of government as set out in Column A of Schedule 1. 45

(2) The envisaged division among the national, provincial and local spheres of government of revenue anticipated to be raised nationally in respect of the 2021/22 financial year and the 2022/23 financial year, and which is subject to the Division of Revenue Acts for those financial years, is set out in Column B of Schedule 1.

Equitable division of provincial share among provinces 50

4. (1) Each province’s equitable share of the provincial share of revenue raised nationally in respect of the 2020/21 financial year is set out in Column A of Schedule 2.

(2) The envisaged equitable share for each province of revenue anticipated to be raised nationally in respect of the 2021/22 financial year and the 2022/23 financial year,

and which is subject to the Division of Revenue Acts for those financial years, is set out in Column B of Schedule 2.

(3) The National Treasury must transfer each province's equitable share referred to in subsection (1) to the corporation for public deposits account of the province in accordance with the payment schedule determined in terms of section 23. 5

Equitable division of local government share among municipalities

5. (1) Each municipality's equitable share of local government's share of revenue raised nationally in respect of the 2020/21 financial year is set out in Column A of Schedule 3.

(2) The envisaged equitable share for each municipality of revenue anticipated to be raised nationally in respect of the 2021/22 financial year and the 2022/23 financial year, and which is subject to the Division of Revenue Acts for those financial years, is set out in Column B of Schedule 3. 10

(3) The national department responsible for local government must transfer a municipality's equitable share referred to in subsection (1) to the primary bank account of the municipality in three transfers on 7 July 2020, 8 December 2020 and 16 March 2021, in the amounts determined in terms of section 23(2). 15

Shortfalls and excess revenue

6. (1) If the actual revenue raised nationally in respect of the 2020/21 financial year falls short of the anticipated revenue set out in Column A of Schedule 1, the national government bears the shortfall. 20

(2) If the actual revenue raised nationally in respect of the 2020/21 financial year exceeds the anticipated revenue set out in Column A of Schedule 1, the excess accrues to the national government, and may be used to reduce borrowing or pay debt as part of its share of revenue raised nationally. 25

(3) A portion of national government's equitable share or excess revenue envisaged in subsection (2), may be appropriated through the applicable legislation envisaged in section 12 of the Money Bills and Related Matters Act, 2009 (Act No. 9 of 2009), to make further allocations to—

- (a) national departments; or 30
- (b) provinces or municipalities.

CHAPTER 3

CONDITIONAL ALLOCATIONS TO PROVINCES AND MUNICIPALITIES

Part 1

Conditional allocations 35

Conditional allocations to provinces

7. (1) Conditional allocations to provinces for the 2020/21 financial year from the national government's share of revenue raised nationally are set out in—

- (a) Part A of Schedule 4, specifying allocations to provinces to supplement the funding of programmes or functions funded from provincial budgets; 40
- (b) Part A of Schedule 5, specifying specific-purpose allocations to provinces;
- (c) Part A of Schedule 6, specifying allocations-in-kind to provinces for designated special programmes; and
- (d) Part A of Schedule 7, specifying funds that are not allocated to specific provinces, that may be released to provinces to fund an immediate response to a declared disaster or housing emergency. 45

(2) An envisaged division of conditional allocations to provinces from the national government's share of revenue anticipated to be raised nationally for the 2021/22 financial year and the 2022/23 financial year, which is subject to the annual Division of Revenue Acts for those years, is set out in Column B of the Schedules referred to in subsection (1). 50

Conditional allocations to municipalities

8. (1) Conditional allocations to municipalities in respect of the 2020/21 financial year from the national government's share of revenue raised nationally are set out in—
- (a) Part B of Schedule 4, specifying allocations to municipalities to supplement the funding of functions funded from municipal budgets; 5
 - (b) Part B of Schedule 5, specifying specific-purpose allocations to municipalities; 10
 - (c) Part B of Schedule 6, specifying allocations-in-kind to municipalities for designated special programmes; and
 - (d) Part B of Schedule 7, specifying funds that are not allocated to specific municipalities that may be released to municipalities to fund an immediate response to a declared disaster or housing emergency. 15
- (2) An envisaged division of conditional allocations to municipalities from the national government's share of revenue anticipated to be raised nationally for the 2021/22 financial year and the 2022/23 financial year, which is subject to the annual Division of Revenue Acts for those years, is set out in Column B of the Schedules referred to in subsection (1). 20
- (3) If approved by the National Treasury after consultation with the national Department of Transport, allocations for specific transport contracts for capital projects from the envisaged conditional allocations for the Public Transport Network Grant listed in Column B of Part B of Schedule 5, may not be altered downwards in the Division of Revenue Acts for the 2021/22 financial year and 2022/23 financial year. 25
- (4) (a) A municipality that intends to pledge a conditional allocation, or a portion thereof, as security for any obligations in terms of section 48 of the Municipal Finance Management Act, must, in addition to notifying the National Treasury in terms of section 46(3) of that Act, notify the transferring officer and the relevant provincial treasury of that intention and provide the transferring officer and National Treasury at least 21 days to comment before seeking the approval of the municipal council. 30
- (b) A municipality must submit financial and non-financial reports, in the format and on the dates determined by the National Treasury, for any project pledged to be partially or fully funded by using a conditional allocation, or a portion thereof, as security as envisaged in paragraph (a).

Part 2

Duties of accounting officers in respect of Schedule 4 to 7 allocations

Duties of transferring officer in respect of Schedule 4 allocations 35

9. (1) The transferring officer of a Schedule 4 allocation must—
- (a) ensure that transfers to all provinces and municipalities are—
 - (i) deposited only into the primary bank account of the relevant province or municipality; and
 - (ii) made in accordance with the payment schedule determined in terms of section 23, unless allocations are withheld or stopped in terms of section 18 or 19; 40
 - (b) monitor information on financial and non-financial performance of programmes partially or fully funded by an allocation in Part A of Schedule 4, in accordance with subsection (2) and the applicable framework; 45
 - (c) monitor information on financial and non-financial performance of the Urban Settlements Development Grant and Integrated City Development Grant against the capital budget and the service delivery and budget implementation plan;
 - (d) comply with the applicable framework; 50
 - (e) submit a quarterly financial and non-financial performance report within 45 days after the end of each quarter to the National Treasury in terms of the applicable framework; and
 - (f) evaluate the performance of programmes funded or partially funded by the allocation and submit such evaluations to the National Treasury within four months after the end of the 2020/21 financial year applicable to a provincial department or a municipality, as the case may be. 55

- (2) Any monitoring programme or system that is used to monitor information on financial and non-financial performance of a programme partially or fully funded by a Schedule 4 allocation must—
- (a) be approved by the National Treasury;
 - (b) not impose any excessive administrative responsibility on receiving officers beyond the provision of standard management and budget information; 5
 - (c) be compatible and integrated with and not duplicate other relevant national, provincial and local systems; and
 - (d) support compliance with section 11(2).
- (3) A transferring officer may only transfer the Urban Settlements Development Grant or the Integrated City Development Grant to a recipient metropolitan municipality if the municipality has— 10
- (a) submitted a built environment performance plan in terms of section 14(1); or
 - (b) been exempted in terms of section 14(5).
- (4) A framework may impose a duty on the accounting officer of a national or provincial department, other than the transferring officer or receiving officer, that contributes to achieving the purpose of the allocation, and the accounting officer must comply with the duty. 15

Duties of transferring officer in respect of Schedule 5 or 6 allocations

- 10.** (1) The transferring officer of a Schedule 5 or 6 allocation must— 20
- (a) not later than 14 days after this Act takes effect, certify to the National Treasury that—
 - (i) any monitoring or system that is used, is compatible and integrated with and does not duplicate other relevant national, provincial and local systems; and 25
 - (ii) any plans required in terms of the framework of a Schedule 5 allocation regarding the use of the allocation by—
 - (aa) a province, have been approved before the start of the financial year; or
 - (bb) a municipality, shall be approved before the start of the financial year; 30
 - (b) in respect of Schedule 5 allocations—
 - (i) transfer funds only after receipt of all information required to be submitted by the receiving officer in terms of this Act and after submission of all relevant information to the National Treasury; 35
 - (ii) transfer funds in accordance with the payment schedule determined in terms of section 23, unless allocations are withheld or stopped in terms of section 18 or 19; and
 - (iii) deposit funds only into the primary bank account of the relevant province or municipality; and 40
 - (c) comply with the applicable framework.
- (2) The transferring officer must submit all relevant information and documentation referred to in subsection (1)(a) to the National Treasury within 14 days after this Act takes effect.
- (3) A transferring officer, who has not complied with subsection (1), must transfer the allocation in the manner instructed by the National Treasury, including transferring the allocation as an unconditional allocation. 45
- (4) Before making the first transfer of any allocation in terms of subsection (1)(b), the transferring officer must take note of any notice in terms of section 31(1) containing the details of the relevant primary bank accounts. 50
- (5) The transferring officer of a Schedule 5 allocation to a municipality is responsible for monitoring financial and non-financial performance information on programmes funded by the allocation.
- (6) (a) The transferring officer of a Schedule 5 or 6 allocation must, as part of the reporting envisaged in section 40(4)(c) of the Public Finance Management Act, but subject to paragraph (b), submit information, in the format determined by the National Treasury, for the month in question, and for the 2020/21 financial year up to the end of that month, on— 55
- (i) the amount of funds transferred to a province or municipality;
 - (ii) the amount of funds for any province or municipality withheld or stopped in terms of section 18 or 19, the reasons for the withholding or stopping and the 60

- steps taken by the transferring officer and the receiving officer to deal with the matters or causes that necessitated the withholding or stopping of the payment;
- (iii) the actual expenditure incurred by the province or municipality in respect of a Schedule 5 allocation;
 - (iv) the actual expenditure incurred by the transferring officer in respect of a Schedule 6 allocation;
 - (v) any matter or information that may be required by the applicable framework for the particular allocation; and
 - (vi) such other matters as the National Treasury may determine.
- (b) For purposes of the application of paragraph (a) to Part B of Schedule 5, the period of 15 days envisaged in section 40(4)(c) of the Public Finance Management Act must be construed to mean a period of 20 days.
- (7) A transferring officer must submit to the National Treasury—
- (a) a monthly provincial report on infrastructure expenditure partially or fully funded by the Health Facility Revitalisation Grant, National Health Grant, School Infrastructure Backlogs Grant or Maths, Science and Technology Grant, within 22 days after the end of each month, in the format determined by the National Treasury; and
 - (b) a quarterly performance report on all programmes partially or fully funded by a Schedule 5 or 6 allocation within 45 days after the end of each quarter, in accordance with the applicable framework.
- (8) The transferring officer must evaluate the performance of all programmes partially or fully funded by a Schedule 5 or 6 allocation and submit such evaluations to the National Treasury within four months after the end of the 2020/21 financial year applicable to a provincial department or a municipality, as the case may be.
- (9) The transferring officer for the Public Transport Network Grant or Neighbourhood Development Partnership Grant to a metropolitan municipality—
- (a) may only transfer the Grant if the municipality has—
 - (i) submitted a built environment performance plan in terms of section 14(1); or
 - (ii) been exempted in terms of section 14(5); and
 - (b) must take into account that built environment performance plan, if applicable, when monitoring and evaluating the performance of the municipality and assessing envisaged plans and allocations for the municipality.
- (10) The transferring officer of the Human Settlements Development Grant may only transfer the Grant to a province after the relevant receiving officer has complied with section 12(6)(a) and (b).
- (11) A framework may impose a duty on the accounting officer of a national or provincial department, other than the transferring officer or receiving officer, that contributes to achieving the purpose of the allocation and the accounting officer must comply with the duty.

Duties of receiving officer in respect of Schedule 4 allocations

- 11.** (1) The receiving officer of a Schedule 4 allocation is responsible for—
- (a) complying with the applicable framework; and
 - (b) the manner in which the allocation received from a transferring officer is allocated and spent.
- (2) The receiving officer of a municipality must—
- (a) ensure and certify to the National Treasury that the municipality—
 - (i) indicates each programme partially or fully funded by a Schedule 4 allocation in its annual budget and that the allocation is specifically and exclusively appropriated in that budget for utilisation only according to the purpose of the allocation; and
 - (ii) makes public, in terms of section 21A of the Municipal Systems Act, the conditions and other information in respect of the allocation, to facilitate performance measurement and the use of required inputs and outputs;
 - (b) when submitting the municipality's statements in terms of section 71 of the Municipal Finance Management Act for September 2020, December 2020, March 2021 and June 2021, report to the transferring officer, the relevant provincial treasury and the National Treasury—

- (i) in respect of the Urban Settlements Development Grant and the Integrated City Development Grant, on financial performance against its capital budget and the measures defined in its service delivery and budget implementation plan; and
 - (ii) in respect of any other Schedule 4 allocation, on financial performance of programmes partially or fully funded by the allocation; and
- (c) within 30 days after the end of each quarter, report to the transferring officer and the National Treasury—
 - (i) in respect of the Urban Settlements Development Grant and the Integrated City Development Grant, on non-financial performance for that quarter against the measures defined in its service delivery and budget implementation plan; and
 - (ii) in respect of any other Schedule 4 allocation, on non-financial performance of programmes partially or fully funded by the allocation.
- (3) The National Treasury must make the report submitted to it in terms of subsection (2)(b) or (c) available to the transferring officer of the Urban Settlements Development Grant, Public Transport Network Grant and Integrated National Electrification Programme Grant and the accounting officer of any other national department having responsibilities relating to the applicable allocation.
- (4) The receiving officer of a provincial department must submit to the relevant provincial treasury and the transferring officer—
 - (a) as part of the report required in section 40(4)(c) of the Public Finance Management Act, reports on financial and non-financial performance of programmes partially or fully funded by a Schedule 4 allocation;
 - (b) a quarterly non-financial performance report of programmes partially or fully funded by a Schedule 4 allocation within 30 days after the end of each quarter; and
 - (c) a monthly provincial report on infrastructure programmes partially or fully funded by a Schedule 4 allocation within 15 days after the end of each month, in the format determined by the National Treasury.
- (5) The receiving officer must report on programmes partially or fully funded by a Schedule 4 allocation against the applicable framework in its annual financial statements and annual report.
- (6) The receiving officer must evaluate the financial and non-financial performance of the provincial department or municipality, as the case may be, in respect of programmes partially or fully funded by a Schedule 4 allocation and submit such evaluation to the transferring officer and the relevant provincial treasury within two months—
 - (a) in respect of a provincial department, after the end of the 2020/21 financial year of the provincial department; and
 - (b) in respect of a municipality, after the end of the 2020/21 financial year of the municipality.

Duties of receiving officer in respect of Schedule 5 or 7 allocations

- 12. (1) The receiving officer of a Schedule 5 or 7 allocation must comply with the applicable framework.
- (2) The relevant receiving officer must, in respect of a Schedule 5 or 7 allocation transferred to—
 - (a) a province, as part of the report required in section 40(4)(c) of the Public Finance Management Act, report on the matters referred to in subsection (3) and submit a copy of that report to the relevant provincial treasury and the transferring officer;
 - (b) a municipality, as part of the report required in terms of section 71 of the Municipal Finance Management Act, report on the matters referred to in subsection (4) and submit a copy of that report to the relevant provincial treasury, the National Treasury and the relevant transferring officer; and
 - (c) a province or municipality, submit a quarterly non-financial performance report within 30 days after the end of each quarter.
- (3) A report for a province in terms of subsection (2)(a) must set out for the month in question and for the 2020/21 financial year up to the end of the month—
 - (a) the amount received by the province;
 - (b) the amount of funds stopped or withheld in terms of section 18 or 19, the reason for the stopping or withholding and any remedial action taken;

- (c) the actual expenditure by the province in respect of Schedule 5 and 7 allocations;
 - (d) the amount transferred to any national or provincial public entity to implement a programme funded by a Schedule 5 allocation on behalf of a province or to assist the province in implementing the programme; 5
 - (e) the available figures regarding the expenditure by a public entity referred to in paragraph (d);
 - (f) the extent of compliance with this Act and with the conditions of the allocation provided for in its framework, based on the available information at the time of reporting; 10
 - (g) an explanation of any material difficulties experienced by the province regarding an allocation which has been received and a summary of the steps taken to deal with such difficulties;
 - (h) any matter or information that may be determined in the framework for the allocation; and 15
 - (i) such other matters and information as the National Treasury may determine.
- (4) A report for a municipality in terms of subsection (2)(b) must set out for the month in question and for the 2020/21 financial year up to the end of the month—
- (a) the amount received by the municipality;
 - (b) the amount of funds stopped or withheld in terms of section 18 or 19, the reason for the stopping or withholding and any remedial action taken; 20
 - (c) the extent of compliance with this Act and with the conditions of the allocation or part of the allocation provided for in its framework;
 - (d) an explanation of any material difficulties experienced by the municipality regarding an allocation which has been received and a summary of the steps taken to deal with such difficulties; 25
 - (e) any matter or information that may be determined in the framework for the allocation; and
 - (f) such other matters and information as the National Treasury may determine.
- (5) The receiving officer must evaluate the financial and non-financial performance of the provincial department or municipality, as the case may be, in respect of programmes partially or fully funded by a Schedule 5 allocation and submit such evaluation to the transferring officer and the relevant provincial treasury within two months after the end of the 2020/21 financial year applicable to a provincial department or a municipality, as the case may be. 30 35
- (6) (a) The receiving officer of the Human Settlements Development Grant must, in consultation with the transferring officer and after consultation with each affected municipality, publish in the *Gazette*, within 14 days after this Act takes effect, the planned expenditure from the Human Settlements Development Grant, for the 2020/21 financial year, the 2021/22 financial year and the 2022/23 financial year per municipality 40 with level one or level two accreditation.
- (b) The planned expenditure must—
 - (i) indicate the expenditure to be undertaken directly by the province and transfers to each municipality; and
 - (ii) include a payment schedule for transfers to each municipality in the 2020/21 financial year. 45
 - (c) The receiving officer of the Human Settlements Development Grant may, by notice in the *Gazette*, after taking into account the performance of the municipality and after consultation with the affected municipality and in consultation with the transferring officer, amend the planned expenditure for that municipality published in terms of paragraph (a). 50

Duties of receiving officer in respect of infrastructure conditional allocations to provinces

- 13.** (1) The receiving officer of the Education Infrastructure Grant, Health Facility Revitalisation Grant, Human Settlements Development Grant or Provincial Roads Maintenance Grant must— 55
- (a) submit to the relevant provincial treasury a list of all infrastructure projects partially or fully funded by the relevant Grant over the medium term expenditure framework for tabling as part of the estimates of provincial expenditure in the provincial legislature in the format determined by the National Treasury; 60

- (b) within seven days after the tabling in the legislature, submit the list to the transferring officer and the National Treasury;
 - (c) after consultation with the relevant provincial treasury and the transferring officer, submit any amendments to the list, together with reasons for the amendments, to the provincial treasury for tabling with the adjusted estimates of provincial expenditure; 5
 - (d) within seven days after the tabling in the legislature, submit the amended list to the transferring officer and the National Treasury;
 - (e) report, in the format and on the date determined by the National Treasury, to the transferring officer, relevant provincial treasury and the National Treasury, on all infrastructure expenditure partially or fully funded by the relevant Grant; 10
 - (f) within 15 days after the end of each month, in the format determined by the National Treasury, submit to the relevant provincial treasury and transferring officer, a draft report on infrastructure programmes partially or fully funded from those Grants; 15
 - (g) within 22 days after the end of each month, submit to the National Treasury, a final report on infrastructure programmes partially or fully funded from those Grants; and
 - (h) within two months after the end of the 2020/21 financial year— 20
 - (i) based on the infrastructure budget of the province, evaluate the financial and non-financial performance of the province in respect of programmes partially or fully funded by the Grant; and
 - (ii) submit the evaluation to the transferring officer, the relevant provincial treasury and the National Treasury. 25
- (2) The receiving officer of the Education Infrastructure Grant or Health Facility Revitalisation Grant must—
- (a) within 22 days after the end of each quarter, submit to the transferring officer, the relevant provincial treasury and the National Treasury, a final report on the filling of posts on the approved establishment for the infrastructure unit of the affected provincial department; and 30
 - (b) ensure that projects comply with infrastructure delivery management best practice standards and guidelines, as identified and approved by the National Treasury.

Infrastructure conditional allocations to metropolitan municipalities 35

- 14.** (1) The receiving officer of a metropolitan municipality must, unless exempted in terms of subsection (5) and by 29 May 2020, submit to the National Treasury a built environment performance plan that includes all projects partially or fully funded by—
- (a) the Integrated City Development Grant, Urban Settlements Development Grant, Public Transport Network Grant or Neighbourhood Development Partnership Grant referred to in Part B of Schedule 4 and Part B of Schedule 5; and 40
 - (b) money allocated for the Human Settlements Development Grant received from a province.
- (2) The built environment performance plan, referred to in subsection (1), must— 45
- (a) be in the format determined by the National Treasury, including information on the project pipeline for catalytic urban development projects;
 - (b) demonstrate that the planned expenditure in the municipality's integration zones from all the Grants referred to in subsection (1)(a) collectively, increases annually; and 50
 - (c) be approved by its municipal council.
- (3) The National Treasury must, within seven days after the submission of a built environment performance plan in terms of subsection (1), make the built environment performance plan available to all affected transferring officers and provincial departments. 55
- (4) (a) The receiving officer must report in its annual financial statements on the expenditure from each of the Grants mentioned in subsection (1)(a) in each integration zone of the municipality against its built environment performance plan.
- (b) The transferring officer of the Integrated National Electrification Programme Grant, referred to in Part B of Schedule 6, must report in its annual financial statements on the expenditure in each integration zone of every municipality against the built environment performance plan of the municipality. 60

(5) The National Treasury may—

- (a) if satisfied that the planning processes of a metropolitan municipality incorporates the content, practices, processes and approach in a built environment performance plan; and
- (b) on application of the municipality in the form determined by the National Treasury, 5

exempt the municipality from submitting a built environment performance plan.

Duties in respect of annual financial statements and annual reports for 2020/21

15. (1) The 2020/21 financial statements of a national department responsible for transferring an allocation in Schedule 4, 5 or 7 must, in addition to any requirement of 10 any other legislation—

- (a) indicate the total amount of that allocation transferred to a province or municipality;
- (b) indicate any transfer withheld or stopped in terms of section 18 or 19 in respect of each province or municipality and the reason for the withholding or 15 stopping;
- (c) indicate any transfer not made in accordance with the payment schedule or amended payment schedule, unless withheld or stopped in terms of section 18 or 19, and the reason for the non-compliance;
- (d) indicate any reallocations by the National Treasury in terms of section 20; 20
- (e) certify that all transfers to a province or municipality were deposited into the primary bank account of a province or municipality; and
- (f) indicate the funds, if any, used for the administration of the allocation by the receiving officer.

(2) The 2020/21 annual report of a national department responsible for transferring an allocation in Schedule 4, 5 or 7 must, in addition to any requirement of any other 25 legislation, indicate—

- (a) the reasons for the withholding or stopping of all transfers to a province or municipality in terms of section 18 or 19;
- (b) the extent that compliance with this Act by provinces or municipalities was 30 monitored;
- (c) the extent that the allocation achieved its objectives and outputs; and
- (d) any non-compliance with this Act and the steps taken to address the non-compliance.

(3) The 2020/21 financial statements of a provincial department receiving an allocation in Schedule 4, 5 or 7 must, in addition to any requirement of any other 35 legislation—

- (a) indicate the total amount of all allocations received;
- (b) indicate the total amount of allocations received that were budgeted to be transferred to municipalities and public entities, including— 40
 - (i) the amounts transferred to municipalities and public entities, respectively; and
 - (ii) the reasons for any discrepancies;
- (c) indicate the total amount of actual expenditure on each Schedule 5 or 7 allocation; and 45
- (d) certify that all transfers of allocations in Schedules 4, 5 and 7 to the province were deposited into the primary bank account of the province.

(4) The 2020/21 annual report of a provincial department receiving an allocation in Schedule 4, 5 or 7 must, in addition to any requirement of any other legislation—

- (a) indicate the extent that the provincial department complied with this Act; 50
- (b) indicate the steps taken to address non-compliance with this Act;
- (c) indicate the extent that the allocation achieved its objectives and outputs;
- (d) contain any other information that may be specified in the framework for the allocation; and
- (e) contain such other information as the National Treasury may determine. 55

(5) The 2020/21 financial statements and annual report of a municipality receiving an allocation in Schedule 4, 5 or 7 must be prepared in accordance with the Municipal Finance Management Act.

(6) To facilitate the monitoring of performance and the audit of the allocations for the 2020/21 financial year, the National Treasury may determine the format in which receiving officers must report on conditional allocations to municipalities in terms of sections 11(2)(c) and 12(2)(c).

Part 3

5

Matters relating to Schedule 4 to 7 allocations

Publication of allocations and frameworks

16. (1) The National Treasury must, within 14 working days after this Act takes effect, publish by notice in the *Gazette*—

- (a) the conditional allocations per municipality for Part B of Schedule 5 allocations; 10
- (b) the indicative conditional allocations per province for Part A of Schedule 6 allocations and per municipality for Part B of Schedule 6 allocations; and
- (c) the framework for each conditional allocation in Schedules 4 to 7.

(2) For purposes of correcting an error or omission in an allocation or framework published in terms of subsection (1)(a) or (c), the National Treasury must— 15

- (a) on its initiative and after consultation with the relevant transferring officer; or
 - (b) at the written request of the relevant transferring officer,
- by notice in the *Gazette*, amend the affected allocation or framework.

(3) The National Treasury may, after consultation with the relevant transferring officer and by notice in the *Gazette*, amend an indicative conditional allocation in Schedule 6 published in terms of subsection (1)(b). 20

(4) Before amending a framework in terms of subsection (2), the National Treasury must submit the proposed amendment to Parliament for comment for a period of 14 days when Parliament is in session. 25

(5) An amendment of an allocation or framework in terms of subsection (2) or (3) takes effect on the date of publication of the notice in the *Gazette*.

Expenditure in terms of purpose and subject to conditions

17. (1) Despite any other legislation to the contrary, an allocation referred to in Schedules 4 to 7 may only be used for the purpose stipulated in the Schedule concerned and in accordance with the applicable framework. 30

(2) (a) A framework may provide for components within a conditional allocation that are subject to specific conditions.

(b) A transferring officer may shift funds from one component to another—

- (i) after consulting the relevant receiving officer; 35
- (ii) with the approval of the National Treasury; and
- (iii) in accordance with the applicable appropriation legislation.

(c) The National Treasury must publish a notice in the *Gazette* of a shift of funds in terms of paragraph (b).

(3) A receiving officer may not allocate any portion of a Schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of state agree on the obligations of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and the National Treasury of the agreed payment schedule and— 40

(a) the allocation— 45

- (i) is approved in the budget for the receiving provincial department or municipality; or

(ii) if not already so approved—

- (aa) the receiving officer notifies the National Treasury that the purpose of the allocation is not to artificially inflate the expenditure estimates of the relevant provincial department or municipality and indicates the reasons for the allocation; and 50
- (bb) the National Treasury approves the allocation; or

(b) the allocation is for the payment for goods or services procured in accordance with the procurement prescripts applicable to the relevant province or municipality and, if it is an advance payment, paragraph (a)(ii) applies with the necessary changes. 55

(4) The receiving officer must submit a copy of the agreement envisaged in subsection (3) to the transferring officer and the National Treasury before payment is made.

(5) For purposes of the implementation of a Schedule 6 allocation to a municipality—

- (a) Eskom Holdings Limited may receive funds directly from the transferring officer of the Department of Energy; or 5
- (b) a water board, as defined in section 1 of the Water Services Act, 1997 (Act No. 108 of 1997), may receive funds directly from the transferring officer of the Department of Water and Sanitation.

(6) (a) For purposes of the Human Settlements Development Grant, a receiving officer and a municipality with level one or two accreditation or functions assigned in terms of section 126 of the Constitution to administer all aspects, including financial administration of a national housing programme (herein called “assigned functions”) as at 1 April 2020, must, by the date determined by the National Treasury—

- (i) enter into a payment schedule; and 15
- (ii) submit, through the relevant provincial treasury, the payment schedule to the National Treasury.

(b) If a municipality receives accreditation after 1 April 2020, the National Treasury may approve that paragraph (a) applies to that municipality.

(c) If the transfer of the Human Settlements Development Grant to a municipality with assigned functions is withheld or stopped in terms of section 18 or 19, the receiving officer must request the National Treasury to amend the payment schedule in terms of section 24. 20

(7) If a function, which is partially or fully funded by a conditional allocation to a province, is assigned to a municipality, as envisaged in section 10 of the Municipal Systems Act— 25

- (a) the funds from the conditional allocation for the province for the function must be stopped in terms of section 19 and reallocated in terms of section 20 to the municipality, which has been assigned the function;
- (b) if possible, the province must finalise any project or fulfil any contract regarding the function before the date the function is assigned and, if not finalised, the province must notify the relevant municipality and the National Treasury; 30
- (c) any project or contract regarding the function not finalised or fulfilled at the date at which the function is assigned, must be subjected to an external audit and the province and the municipality must enter into an agreement to complete the project or fulfil the contract through ceding it to the municipality; 35
- (d) money that is retained by the province for any contract related to the function that is not ceded to the municipality must be spent by 31 March 2021 and shall not be available in terms of section 30 of the Public Finance Management Act or section 22(2); 40
- (e) the receiving officer of the province must, within seven days after the function is assigned, submit to the transferring officer and the National Treasury a list of liabilities that are attached to the function, but that were not transferred to the municipality, to provide for the adjustment of the applicable allocations; and 45
- (f) the receiving officer of the municipality must, within one month from the date of the stopping of funds in paragraph (a), submit to the transferring officer a revised plan for its planned expenditure. 50

Withholding of allocations

18. (1) Subject to subsections (2) and (3), a transferring officer may withhold the transfer of a Schedule 4 or 5 allocation, or any portion thereof, for a period not exceeding 30 days, if—

- (a) the province or municipality does not comply with any provision of this Act; 55
- (b) roll-overs of conditional allocations approved by the National Treasury in terms of section 22 have not been spent; or
- (c) a satisfactory explanation is not given for significant under-expenditure on previous transfers during the 2020/21 financial year.

(2) If an allocation is withheld in terms of subsection (1), it suspends the applicable payment schedule, approved in terms of section 23(3), until it is amended in terms of section 24.

(3) The amount withheld in terms of this section in the case of the Health Professions Training and Development Grant or the National Tertiary Services Grant listed in Part A of Schedule 4 may not exceed five per cent of the next transfer as contained in the relevant payment schedule. 5

(4) A transferring officer must, at least seven working days before withholding an allocation in terms of subsection (1)—

(a) give the relevant receiving officer— 10

(i) notice of the intention to withhold the allocation;

(ii) an opportunity to submit written representations as to why the allocation should not be withheld; and

(iii) the period within which to submit written representations; and

(b) inform the relevant provincial treasury and the National Treasury, and in respect of any conditional allocation to a municipality, also the provincial department responsible for local government of the withholding. 15

(5) A notice envisaged in subsection (4)(a)(i) must include the reasons for withholding the allocation and the intended duration of the withholding to inform the amendment of the payment schedule in terms of section 24. 20

(6) (a) The National Treasury may instruct, or approve a request from, the transferring officer to withhold an allocation in terms of subsection (1) for a period longer than 30 days, but not exceeding 120 days, if the withholding shall—

(i) facilitate compliance with this Act; or

(ii) minimise the risk of under-spending by the relevant provincial department or municipality. 25

(b) When requesting the withholding of an allocation in terms of this subsection, a transferring officer must submit to the National Treasury proof of compliance with subsection (4) and any representations received from the receiving officer.

(c) The transferring officer must again comply with subsection (4) when the National Treasury instructs, or approves a request by, the transferring officer in terms of paragraph (a). 30

Stopping of allocations

19. (1) Despite section 18, the National Treasury may, in its discretion or on request of a transferring officer or a receiving officer, stop the transfer of a Schedule 4 or 5 allocation, or a portion thereof, to a province or municipality— 35

(a) in the case of—

(i) a province, if a serious or persistent material breach of this Act, as envisaged in section 216(2) of the Constitution, occurs; or

(ii) a municipality, if— 40

(aa) a serious or persistent material breach of this Act, as envisaged in section 216(2) of the Constitution, read with section 38(1)(b)(i) of the Municipal Finance Management Act, occurs; or

(bb) a breach or failure to comply, as envisaged in section 38(1)(b)(ii) of the Municipal Finance Management Act, occurs; 45

(b) if the National Treasury anticipates that a province or municipality shall substantially underspend on the allocation, or any programme, partially or fully funded by the allocation, in the 2020/21 financial year; or

(c) for purposes of the assignment of a function from a province to a municipality, as envisaged in section 10 of the Municipal Systems Act. 50

(2) The National Treasury must, before stopping an allocation in terms of subsection (1)(a)(i) or (b)—

(a) comply with the procedures in section 18(4)(a); and

(b) inform the relevant provincial treasury of its intention to stop the allocation.

(3) The National Treasury must, before stopping an allocation in terms of subsection (1)(a)(ii), comply with the applicable provisions of section 38 of the Municipal Finance Management Act. 55

(4) The National Treasury must give notice in the *Gazette* of the stopping of an allocation in terms of this section and include in the notice the effective date of, and reason for, the stopping. 60

(5) (a) If—

- (i) an allocation, or any portion thereof, is stopped in terms of subsection (1)(a) or (b); and
- (ii) the relevant transferring officer certifies, in writing, to the National Treasury that the payment of an amount in terms of a statutory or contractual obligation is overdue and the allocation, or a portion thereof, was intended for payment of the amount,

the National Treasury may, by notice in the *Gazette*, approve that the allocation, or any portion thereof, be used to pay that amount partially or fully.

(b) The utilisation of funds envisaged in this subsection is a direct charge against the National Revenue Fund.

Reallocation of funds

20. (1) When a Schedule 4 or 5 allocation, or a portion thereof, is stopped in terms of section 19(1)(a) or (b), the National Treasury may, after consultation with the transferring officer and the relevant provincial treasury, determine the portion of the allocation to be reallocated, as the same type of allocation as it was allocated originally, to one or more provinces or municipalities, on condition that the allocation must be spent by the end of the 2020/21 financial year.

(2) (a) When a Schedule 4 or 5 allocation, or a portion thereof, is stopped in terms of section 19(1)(c), the National Treasury must, after consultation with the transferring officer and the relevant provincial treasury, determine the portion of the allocation to be reallocated, as the same type of allocation as it was allocated originally, to the affected municipalities, on condition that the allocation must be spent by the end of the 2020/21 financial year.

(b) The portion of the allocation reallocated in terms of paragraph (a) is, with effect from the date of the notice in the *Gazette* in terms of subsection (4)(a), regarded as having been converted to an allocation in Part B of the same Schedule it appears before the reallocation.

(3) (a) If the transferring officer of a Schedule 6 allocation indicates, in writing, to the National Treasury that a portion of the allocation is likely to be underspent, or needs to be reprioritised to meet a priority, the National Treasury may, at the request of the transferring officer, determine that the portion be reallocated, as the same type of allocation as it was allocated originally, to a provincial department of another province or to another municipality.

(b) Before requesting a reallocation, the transferring officer must notify the affected provincial department or municipality of the proposed reallocation and give the provincial department or municipality at least 14 days to provide comments and propose changes.

(c) When making a request in terms of paragraph (a), the transferring officer must submit to the National Treasury comments and proposed changes provided by the affected provincial department or municipality in terms of paragraph (b).

(d) The reallocated portion must, as far as possible, be spent by the end of the 2020/21 financial year.

(e) The reallocated portion is regarded as having been converted to an allocation to the relevant provincial department or municipality with effect from the date of the notice in the *Gazette* in terms of subsection (4)(a).

(4) (a) The National Treasury must—

- (i) give notice in the *Gazette* of a reallocation in terms of subsection (1), (2) or (3); and
- (ii) provide a copy of the notice to the transferring officer and each affected receiving officer.

(b) The reallocation of a portion of an allocation not spent by the end of the 2020/21 financial year is eligible for a roll-over in terms of section 22(2).

(5) (a) When an intervention in terms of section 100 or 139 of the Constitution or section 137, 139 or 150 of the Municipal Finance Management Act takes place, the National Treasury may, despite subsection (1) and on such conditions as it may determine, authorise in relation to—

- (i) section 100 of the Constitution, the transferring officer to spend an allocation stopped in terms of section 19 on behalf of the relevant province;
- (ii) section 139 of the Constitution or section 137 or 139 of the Municipal Finance Management Act, the intervening province to spend an allocation stopped in terms of section 19 on behalf of the relevant municipality; or

(iii) section 150 of the Municipal Finance Management Act, the relevant transferring officer to spend an allocation stopped in terms of section 19 on behalf of the relevant municipality.

(b) An allocation that is spent by the transferring officer or intervening province referred to in paragraph (a) must, for the purposes of this Act, be regarded as a Schedule 6 allocation from the date on which the authorisation is given. 5

(6) (a) On a joint request by the transferring officer and the National Disaster Management Centre, established by section 8 of the Disaster Management Act, 2002 (Act No. 57 of 2002), the National Treasury may approve that a conditional allocation in Schedule 4, 5 or 6, or a portion thereof, be reallocated to pay for the alleviation of the impact of a declared disaster or the reconstruction or rehabilitation of infrastructure damage caused by a declared disaster. 10

(b) Before the National Treasury approves a reallocation, the receiving officer of the conditional allocation in Schedule 4 or 5 or the transferring officer of a Schedule 6 allocation must confirm that the affected funds are not committed in terms of any statutory or contractual obligation. 15

(c) The reallocated funds must be used in the 2020/21 financial year in the same sphere that the allocation was originally made and for the same functional area that the original allocation relates to.

(d) The transferring officer must, after consultation with the National Disaster Management Centre and with the approval of the National Treasury, determine the conditions for spending the reallocated funds. 20

(e) Subsection (4) applies, with the necessary changes, to a reallocation in terms of this subsection to another province or municipality.

Conversion of allocations

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21. (1) If satisfied that the relevant provincial department or municipality has demonstrated the capacity to implement projects, the National Treasury may, at the request of the transferring officer and after consultation with the receiving officer, convert any portion of—

(a) an allocation listed in Part B of Schedule 6 to one listed in Part B of Schedule 5; 30

(b) the School Infrastructure Backlogs Grant to the Education Infrastructure Grant; or

(c) the National Health Insurance Indirect Grant listed in Part A of Schedule 6 to the Health Facility Revitalisation Grant, HIV, TB, Malaria and Community Outreach Grant, Statutory Human Resources, Training and Development Grant or the National Health Insurance Grant listed in Part A of Schedule 5. 35

(2) The National Treasury may, after consultation with the relevant transferring officer, receiving officer and provincial treasury, convert any portion of an allocation listed in Part B of Schedule 5 to one listed in Part B of Schedule 6, if it is satisfied that— 40

(a) the conversion shall prevent under-expenditure or improve the level of service delivery in respect of the allocation in question;

(b) the affected national or provincial department or municipality has demonstrated the capacity to implement projects;

(c) the transferring officer has made a demonstrable effort to strengthen the capacity of the receiving officer to implement the allocation, but the receiving officer is still not capable of meeting all the requirements of the allocation; and 45

(d) there is a history of poor performance in the previous two financial years for the relevant allocation to the receiving officer, including withholding and stopping of allocations. 50

(3) If satisfied that a municipality has failed to follow the applicable procurement prescripts, the National Treasury may, at the request of the transferring officer or in its discretion, after consultation with the relevant transferring officer and receiving officer, convert any portion of an allocation listed in Part B of Schedule 5 to one listed in Part B of Schedule 6. 55

(4) (a) Any portion of an allocation, except the School Infrastructure Backlogs Grant, converted in terms of subsections (1), (2) or (3) must—

(i) be used for the same province or municipality to which the allocation was originally made; and

- (ii) if—
 - (aa) possible, be used to implement the same project or projects that were planned if the allocation had not been converted; or
 - (bb) not possible, the receiving officer must sign an agreement that defines any new project to be funded, before it is implemented. 5
- (b) The School Infrastructure Backlogs Grant must be used—
 - (i) for the same province to which the allocation was originally made; and
 - (ii) to implement the same project or projects that were planned if the allocation had not been converted.
- (5) The National Treasury must— 10
 - (a) give notice in the *Gazette* of a conversion in terms of subsection (1), (2) or (3); and
 - (b) provide a copy of the notice to the transferring officer and each affected receiving officer.
- (6) A conversion in terms of subsection (1), (2) or (3) takes effect on the date of publication of the notice in terms of subsection (5)(a). 15
- (7) If an allocation listed in Part B of Schedule 7 is insufficient for a declared disaster or housing emergency referred to in section 26(3)(a), the National Treasury may, after consultation with, or on the request of, the relevant transferring officer, convert any portion of— 20
 - (a) the Provincial Disaster Relief Grant listed in Part A of Schedule 7 to the Municipal Disaster Relief Grant listed in Part B of Schedule 7;
 - (b) the Municipal Disaster Relief Grant listed in Part B of Schedule 7 to the Provincial Disaster Relief Grant listed in Part A of Schedule 7;
 - (c) the Provincial Emergency Housing Grant listed in Part A of Schedule 7 to the Municipal Emergency Housing Grant listed in Part B of Schedule 7; or 25
 - (d) the Municipal Emergency Housing Grant listed in Part B of Schedule 7 to the Provincial Emergency Housing Grant listed in Part A of Schedule 7.
- (8) The National Treasury must—
 - (a) in the notice published in terms of section 26(3)(c), include notification of the conversion in terms of subsection (7) and the effective date referred to in subsection (9); and 30
 - (b) provide a copy of the notice to the transferring officer.
- (9) A conversion in terms of subsection (7) takes effect on the date that the National Treasury approves it. 35

Unspent conditional allocations

22. (1) Despite a provision to the contrary in the Public Finance Management Act or the Municipal Finance Management Act, any conditional allocation, or a portion thereof, that is not spent at the end of the 2020/21 financial year reverts to the National Revenue Fund, unless the roll-over of the allocation is approved in terms of subsection (2). 40
- (2) The National Treasury may, at the request of a transferring officer, receiving officer or provincial treasury, approve a roll-over of a conditional allocation to the 2021/22 financial year if the unspent funds are committed to identifiable projects.
- (3) (a) The receiving officer must ensure that any funds that must revert to the National Revenue Fund in terms of subsection (1), are paid into that Fund by the date determined by the National Treasury. 45
- (b) The receiving officer must—
 - (i) in the case of a provincial department, request the roll-over of unspent funds through its provincial treasury; and 50
 - (ii) inform the transferring officer of all processes regarding the request.
- (4) (a) The National Treasury may, subject to paragraphs (b) and (c), offset any funds that must revert to the National Revenue Fund in terms of subsection (1), but not paid into that Fund by the date determined in terms of subsection (3)(a)—
 - (i) in respect of a province, against future transfers of conditional allocations to that province; or 55
 - (ii) in respect of a municipality, against future transfers of the equitable share or conditional allocations to that municipality.
- (b) Before any funds are offset in terms of paragraph (a), the National Treasury must give the relevant transferring officer, province or municipality— 60

- (i) notice of the intention to offset amounts against future allocations, the intended amount to be offset against allocations, the intended date for the offsetting and the reasons for the offsetting; and
- (ii) an opportunity, within 14 days of receipt of the notice, to—
 - (aa) propose an alternative date for offsetting; 5
 - (bb) make written submissions why the full or a part of the amount should not be offset; or
 - (cc) propose an alternative date or dates by which the amount, or portions thereof, must be paid into the National Revenue Fund.
- (c) The National Treasury must— 10
 - (i) accept the date or dates proposed in terms of paragraph (b)(ii)(aa) or (cc) or determine a different date or dates; or
 - (ii) accept or reject the submissions made in terms of paragraph (b)(ii)(bb).
- (5) (a) The National Treasury may amend the amount of the equitable share or a conditional allocation offset in terms of subsection (4). 15
- (b) If the amendment envisaged in paragraph (a) results in an underpayment to a municipality—
 - (i) in respect of the equitable share of the municipality, the department responsible for local government must, despite section 5(3), transfer the difference to the municipality within 10 days; or 20
 - (ii) in respect of a conditional allocation of the municipality, the transferring officer must, despite the payment schedule envisaged in section 23(3), transfer the difference to the municipality within 10 days.
- (c) If the amendment in terms of paragraph (a) results in an overpayment to a municipality, section 25 applies. 25

CHAPTER 4

MATTERS RELATING TO ALL ALLOCATIONS

Payment requirements

- 23.** (1) (a) The National Treasury must, after consultation with the provincial treasury, determine the payment schedule for the transfer of a province's equitable share allocation. 30
- (b) In determining the payment schedule, the National Treasury must take into account the monthly expenditure commitments of provinces and seek to minimise risk and debt servicing costs for national and provincial government.
- (c) Despite paragraph (a), the National Treasury may advance funds to a province in respect of its equitable share, or a portion thereof, which has not yet fallen due for transfer in terms of the payment schedule— 35
- (i) for cash management purposes relating to the corporation for public deposits account or when an intervention in terms of section 100 of the Constitution takes place; and 40
 - (ii) on such conditions as it may determine.
- (d) Any advance in terms of paragraph (c) must be offset against transfers to the province, which would otherwise become due in terms of the payment schedule.
- (2) (a) The National Treasury must, after consultation with the national department responsible for local government, determine the amount of a municipality's equitable share allocation to be transferred on each date referred to in section 5(3). 45
- (b) If an amount less than the amount approved in terms of paragraph (a) is paid to a municipality, the difference must, despite section 5(3), be paid within 10 days after it comes to the attention of the national department responsible for local government.
- (c) Despite paragraph (a), the National Treasury may approve a request or direct that the equitable share, or a portion thereof, which has not yet fallen due for transfer in terms of section 5(3), be advanced to a municipality— 50
- (i) after consultation with the national department responsible for local government; and
 - (ii) for purposes of cash management in the municipality or an intervention in terms of section 139 of the Constitution or section 137, 139 or 150 of the Municipal Finance Management Act; and 55
 - (iii) on such conditions as the National Treasury may determine.

(d) Any advance in terms of paragraph (c) must be offset against transfers to the municipality, which would otherwise become due in terms of section 5(3).

(3) (a) Subject to section 28(1), the National Treasury must, within 14 days after this Act takes effect, approve the payment schedule for the transfer of an allocation listed in Schedule 4 or 5 to a province or municipality.

(b) The transferring officer of a Schedule 4 or 5 allocation must submit a payment schedule to the National Treasury for approval before the first transfer is made.

(c) Before the submission of a payment schedule in terms of paragraph (b), the transferring officer must, in relation to a Schedule 4 or 5 allocation, consult the relevant receiving officer.

(4) The transferring officer of a Schedule 4 or 5 allocation must provide the receiving officer and the relevant provincial treasury with a copy of the approved payment schedule before making the first transfer in terms thereof.

(5) The transfer of a Schedule 4 or 5 allocation to a municipality must accord with the financial year of the municipality.

(6) Each transfer of an equitable share or a conditional allocation to a municipality in terms of this Act must be made through a payment system provided by the National Treasury.

Amendment of payment schedule

24. (1) (a) Subject to subsection (2), a transferring officer of a Schedule 4 or 5 allocation must, within seven days of the withholding or stopping of an allocation in terms of section 18 or 19, submit an amended payment schedule to the National Treasury for approval.

(b) No transfers may be made until the National Treasury has approved the amended payment schedule.

(2) For purposes of better management of debt and cash-flow or addressing financial mismanagement or financial misconduct or slow or accelerated expenditure, the National Treasury may amend any payment schedule for an allocation listed in Schedule 2, 4 or 5, after notifying, in the case of—

(a) an allocation to a province, its provincial treasury;

(b) an allocation to a municipality, the national department responsible for local government;

(c) a Schedule 4 or 5 allocation, the relevant transferring officer.

(3) The amendment of a payment schedule in terms of subsection (1) or (2) must take into account—

(a) the monthly expenditure commitments of provinces or municipalities;

(b) the revenue at the disposal of provinces or municipalities; and

(c) the minimisation of risk and debt servicing costs for all three spheres of government.

(4) The transferring officer must immediately inform the receiving officer of any amendment to a payment schedule in terms of subsection (1) or (2).

Transfers made in error or fraudulently

25. (1) Despite any other legislation to the contrary, the transfer of an allocation that is an overpayment to a province, municipality or public entity, made in error or fraudulently, is regarded as not legally due to that province, municipality or public entity, as the case may be.

(2) The responsible transferring officer must, without delay, recover an overpayment referred to in subsection (1), unless an instruction has been issued in terms of subsection (3).

(3) The National Treasury may instruct that the recovery referred to in subsection (2) be effected by setoff against future transfers to the affected province, municipality or public entity in terms of a payment schedule.

New allocations during financial year and Schedule 7 allocations

26. (1) If further allocations are made to provinces or municipalities, as envisaged in section 6(3), the National Treasury must, before the transfer of any funds to a province or municipality, by notice in the *Gazette* and as applicable—

(a) amend any allocation or framework published in terms of section 16;

- (b) publish the allocation per municipality for any new Part B of Schedule 5 allocation or the indicative allocation per municipality for any new Part B of Schedule 6 allocation; or
 - (c) publish a framework for any new Schedule 4, 5, 6 or 7 allocation.
- (2) Section 16(2) to (5) applies, with the necessary changes, to allocations and frameworks published in terms of subsection (1). 5
- (3) (a) The transferring officer may, with the approval of the National Treasury, make one or more transfers of a Schedule 7 allocation to a province or municipality for—
- (i) a declared disaster within the period envisaged in section 27(5), 41(5) or 55(5) of the Disaster Management Act, 2002 (Act No. 57 of 2002); or 10
 - (ii) a housing emergency within 100 days after the date of the declaration of a housing emergency.
- (b) The transferring officer must notify the relevant provincial treasury and the National Treasury within 14 days of a transfer of a Schedule 7 allocation to a province or municipality. 15
- (c) The National Treasury must, within 21 days after the end of the 100-day period envisaged in paragraph (a), by notice in the *Gazette*, publish all transfers of a Schedule 7 allocation made for a declared disaster.
- (d) Despite any other legislation to the contrary, the National Treasury may approve that funds allocated in Schedule 7 be used at any time. 20
- (e) The funds approved in terms of paragraph (d) must be included either in the provincial adjustments appropriation legislation, municipal adjustments budgets or other appropriation legislation.

Preparations for 2021/22 financial year and 2022/23 financial year

- 27.** (1) (a) A category C municipality that receives a conditional allocation in terms of this Act must, using the indicative conditional allocations to that municipality for the 2021/22 financial year and the 2022/23 financial year as set out in Column B of the Schedules to this Act, by 2 October 2020— 25
- (i) agree on the provisional allocations and the projects to be funded from those allocations in the 2021/22 financial year and the 2022/23 financial year with each category B municipality within the category C municipality's area of jurisdiction; and 30
 - (ii) submit to the transferring officer—
 - (aa) the provisional allocations referred to in subparagraph (i); and
 - (bb) the projects referred to in subparagraph (i), listed per municipality. 35
- (b) If a category C municipality and a category B municipality cannot agree on the allocations and projects referred to in paragraph (a), the category C municipality must request the relevant transferring officer to facilitate agreement.
- (c) The transferring officer must take all necessary steps to facilitate agreement as soon as possible, but no later than 60 days after receiving a request referred to in paragraph (b). 40
- (d) Any proposed amendment or adjustment of the allocations that is intended to be published in terms of section 30(3)(b) must be agreed with the relevant category B municipality, the transferring officer and the National Treasury, before publication and the submission of the allocations referred to in paragraph (a)(ii). 45
- (e) If agreement is not reached between the category C municipality and the category B municipality on the provisional allocations and projects referred to in paragraph (a) before 2 October 2020, the National Treasury, after consultation with the relevant provincial treasury, must determine the provisional allocations and provide those provisional allocations to the affected municipalities and the transferring officer. 50
- (f) (i) The transferring officer must submit the final allocations, based on the provisional allocations referred to in paragraphs (a)(i) and (ii) and (e), to the National Treasury by 30 November 2020.
- (ii) If the transferring officer fails to submit the allocations referred to in subparagraph (i) by 30 November 2020, the National Treasury may determine the appropriate allocations, taking into consideration the indicative allocations for the 2021/22 financial year. 55
- (2) (a) The transferring officer of a conditional allocation, using the indicative conditional allocations for the 2021/22 financial year and the 2022/23 financial year, as set out in Column B of the affected Schedules to this Act, must, by 28 September 2020, submit to the National Treasury— 60

- (i) the provisional allocations to each province or municipality in respect of new conditional allocations to be made in the 2021/22 financial year;
 - (ii) any amendments to the indicative allocations for each province or municipality set out in Column B of the affected Schedules in respect of existing conditional allocations; 5
 - (iii) the draft frameworks for the allocations referred to in subparagraphs (i) and (ii); and
 - (iv) electronic copies of any guidelines, business plan templates and other documents referred to in the draft frameworks referred to in subparagraph (iii). 10
- (b) A transferring officer must consult the accounting officer of a national or provincial department, other than the transferring or receiving officer, on a duty in the draft framework, before submission to the National Treasury in terms of paragraph (a). 10
- (c) When a document, referred to in a draft framework, that is submitted in terms of paragraph (a)(iii), is amended, the transferring officer must immediately provide the National Treasury and each receiving officer with electronic copies of the revised 15 document.
- (d) The National Treasury must approve any proposed amendment or adjustment for the 2021/22 financial year of the allocation criteria of an existing conditional allocation before the submission of the provisional allocations and draft frameworks.
- (e) The transferring officer must, under his or her signature, submit to the National Treasury, by 30 November 2020, the final allocations and frameworks based on the 20 provisional allocations and frameworks.
- (f) If the transferring officer fails to comply with paragraph (a) or (e), the National Treasury may determine the appropriate draft or final allocations and frameworks, taking into consideration the indicative allocations for the 2021/22 financial year. 25
- (g) (i) The National Treasury may amend final allocations and frameworks in order to ensure equitable and stable allocations and fair and consistent conditions.
- (ii) The National Treasury must give notice, in writing, to the transferring officer of the intention to amend allocations and frameworks and invite the transferring officer to submit written comments within seven days after the date of the notification. 30
- (h) The draft and final allocations and frameworks must be submitted in the format determined by the National Treasury.
- (3) The National Treasury may instruct transferring officers, accounting officers of the provincial treasuries and receiving officers to submit to it such plans and information for any conditional allocation, as it may determine, at specified dates before the start of the 35 2021/22 financial year.
- (4) (a) For purposes of the Education Infrastructure Grant or Health Facility Revitalisation Grant in the 2021/22 financial year, the receiving officer of the relevant provincial department must, in the format and on the date determined by the National Treasury, submit to the transferring officer, the relevant provincial treasury and the 40 National Treasury—
- (i) a user asset management plan for all infrastructure programmes for a period of at least 10 years;
 - (ii) an infrastructure programme management plan, including a construction procurement strategy for infrastructure programmes and projects envisaged to 45 commence within the period for the medium term expenditure framework; and
 - (iii) a document that outlines how the infrastructure delivery management system must be implemented in the province and is approved by the Executive Council of the province before or after the commencement of this Act.
- (b) The receiving officer of the relevant provincial department must review the 50 document, referred to in paragraph (a)(iii), and if any substantive change is made to the document during the 2020/21 financial year, the amended document must be approved by the Executive Council of the province before submission to the National Treasury within 14 days after such approval.
- (5) (a) Any category B municipality may apply to qualify for the Integrated Urban 55 Development Grant, by submitting an application to the Department of Cooperative Governance by 24 July 2020.
- (b) The Department of Cooperative Governance must determine the form of the application, including the minimum qualifying conditions.
- (c) The Department of Cooperative Governance must submit, by 2 October 2020, to 60 the National Treasury for approval, a list of any proposed additional qualifying municipalities and any municipalities that have failed to meet the qualifying conditions to continue to qualify for approval.

(d) A municipality that is informed by the Department of Cooperative Governance that it will qualify for the Integrated Urban Development Grant, must submit to the National Treasury—

- (i) by 26 March 2021, a first draft of its three-year capital programme and the 10-year Capital Expenditure Framework to the Department of Cooperative Governance; and 5
- (ii) by 31 May 2021, the final versions of its three-year capital programme and the 10-year Capital Expenditure Framework, which must be evaluated by the Department of Cooperative Governance after consultation with relevant stakeholders. 10

Transfers before commencement of Division of Revenue Act for 2021/22 financial year

28. (1) Despite the Division of Revenue Act for the 2021/22 financial year not having commenced on 1 April 2021, the National Treasury may determine that an amount, not exceeding 45 per cent of the total amount of each— 15

- (a) equitable share in terms of section 4(1), be transferred to the relevant province;
- (b) equitable share in terms of section 5(1), be transferred to the relevant municipality;
- (c) allocation made in terms of section 7(1) or 8(1), as the case may be, be transferred to the relevant province or municipality. 20

(2) An amount transferred in terms of subsection (1)(c) is, with the necessary changes, subject to the applicable framework for the 2020/21 financial year and the other requirements of this Act, as if it is an amount of an allocation for the 2020/21 financial year. 25

CHAPTER 5

DUTIES AND POWERS OF MUNICIPALITIES, PROVINCIAL TREASURIES AND NATIONAL TREASURY

Duties of municipalities

29. (1) (a) In addition to the requirements of the Municipal Finance Management Act, the accounting officer of a category C municipality must, within 10 days after this Act takes effect, submit to the National Treasury, the relevant provincial treasury and all category B municipalities within that municipality's area of jurisdiction, the budget, as tabled in accordance with section 16 of the Municipal Finance Management Act, for the 2020/21 financial year, the 2021/22 financial year and the 2022/23 financial year, except if submitted in terms of any other legislation before the end of the 10-day period. 30 35

(b) The budget must indicate all allocations from its equitable share and conditional allocations to be transferred to each category B municipality within the category C municipality's area of jurisdiction and disclose the criteria for allocating funds between the category B municipalities. 40

(2) A category C municipality that is providing a municipal service must, before implementing any capital project for water, electricity, roads or any other municipal service, consult the category B municipalities within whose area of jurisdiction the project must be implemented, and agree, in writing, which municipality is responsible for the operational and maintenance costs and the collection of user fees. 45

(3) A category C municipality must ensure that it does not duplicate a function currently performed by a category B municipality and must transfer funds for the provision of services, including basic services, to the relevant category B municipality that is providing municipal services, despite the fact that—

- (a) the category C municipality retains the function in terms of the Municipal Structures Act; and 50
- (b) a service delivery agreement for the provision of services by the category B municipality on behalf of the category C municipality has not been concluded.

(4) A category B municipality which is not authorised to perform a function in terms of the Municipal Structures Act may not extend the scope or type of services that it currently provides, without— 55

- (a) entering into a service delivery agreement with the category C municipality which is authorised to perform the function in terms of the Municipal Structures Act; or
 - (b) obtaining authorisation to perform the function in terms of the Municipal Structures Act. 5
- (5) (a) A category C municipality and a category B municipality must, before the commencement of a financial year, agree to a payment schedule in respect of the allocations, referred to in subsection (1)(b), to be transferred to the category B municipality in that financial year, and the category C municipality must submit the payment schedule to the National Treasury before the commencement of the financial year. 10
- (b) A category C municipality must make transfers in accordance with the payment schedule submitted in terms of paragraph (a).
- (6) (a) The National Treasury may withhold or stop any allocation to the category C municipality and reallocate the allocation to the relevant category B municipalities if a category C municipality fails to— 15
- (i) make allocations referred to in subsection (1)(b);
 - (ii) reach an agreement envisaged in subsection (2); or
 - (iii) submit a payment schedule in accordance with subsection (5)(a).
- (b) The following provisions apply to the withholding or stopping of an allocation in accordance with paragraph (a): 20
- (i) Section 216 of the Constitution;
 - (ii) in the case of withholding an allocation, section 18(4)(a), with the necessary changes; and
 - (iii) in the case of stopping an allocation, section 19(2)(a), (3), (4) and (5) with the necessary changes. 25
- (c) If an allocation is stopped in terms of this subsection, the National Treasury may, after consultation with the transferring officer, determine that a portion of the allocation that will not be spent, be reallocated to one or more municipalities, on condition that the allocation must be spent by the end of the 2020/21 financial year or the 2021/22 financial year. 30
- (7) A municipality must ensure that any allocation made to it in terms of this Act, or by a province or another municipality, that is not reflected in its budget as tabled in accordance with section 16 of the Municipal Finance Management Act, is reflected in its budget to be considered for approval in accordance with section 24 of the Municipal Finance Management Act. 35

Duties and powers of provincial treasuries

- 30.** (1) A provincial treasury must reflect allocations listed in Part A of Schedule 5 to the province separately in the appropriation Bill of the province.
- (2) (a) A provincial treasury must, on the same day that its budget is tabled in the provincial legislature, or a date not later than 14 days after this Act takes effect and approved by the National Treasury, publish, by notice in the *Gazette*— 40
- (i) the indicative allocation per municipality for every allocation to be made by the province to municipalities from the province's own funds and from conditional allocations to the province; 45
 - (ii) the indicative allocation to be made per school and per hospital in the province in the format determined by the National Treasury;
 - (iii) the indicative allocation to any national or provincial public entity for the implementation of a programme funded by an allocation in Part A of Schedule 5 on behalf of a province or for assistance provided to the province in implementing the programme; 50
 - (iv) the envisaged division of the allocation envisaged in subparagraphs (i) and (ii), in respect of each municipality, school and hospital, for the 2021/22 financial year and the 2022/23 financial year; and
 - (v) the conditions and other information in respect of the allocations, referred to in subparagraphs (i), (ii) and (iii), to facilitate performance measurement and the use of required inputs and outputs. 55
- (b) The allocations referred to in paragraph (a) must be regarded as final when the provincial appropriation Act takes effect.
- (c) If the provincial legislature amends its appropriation Bill, the provincial treasury must publish amended allocations and budgets, by notice in the *Gazette*, within 14 days 60

after the appropriation Act takes effect, and those allocations and budget must be regarded as final.

(d) Allocations to municipalities in terms of subsection (2)(a) must be consistent with the terms of any agreement concluded between the province and a municipality.

(3) (a) Despite subsection (2) or any other legislation, a provincial treasury may, in accordance with a framework determined by the National Treasury, amend the allocations referred to in subsection (2) or make additional allocations to municipalities that were not published in terms of subsection (2). 5

(b) Any amendments to the allocations published in terms of subsection (2)(a) or (c) must be published, by notice in the *Gazette*, not later than 5 February 2021 and takes effect on the date of publication. 10

(4) A provincial treasury must, as part of its report in terms of section 40(4)(b) and (c) of the Public Finance Management Act, in the format determined by the National Treasury, report on—

(a) actual transfers received by the province from national departments and actual expenditure on such transfers, excluding Schedule 4 allocations, up to the end of that month; and 15

(b) actual transfers made by the province to municipalities and public entities and actual expenditure by municipalities and public entities on such transfers, based on the latest information available from municipalities and public entities at the time of reporting. 20

(5) (a) A provincial treasury must—

(i) ensure that a payment schedule, or any amendment thereof, is agreed between each provincial department and receiving institution envisaged in subsection (2)(a); 25

(ii) ensure that transfers are made promptly to the relevant receiving officer in terms of the agreed payment schedule; and
(iii) submit the payment schedules to the National Treasury within 14 days after this Act takes effect and any amended payment schedule, agreed to, within 14 days of it being agreed to. 30

(b) If a provincial department and receiving institution do not agree to a payment schedule in time for submission to the National Treasury, the provincial treasury must, after consultation with the transferring officer, determine the payment schedule.

(6) If a provincial treasury fails to make a transfer in terms of subsection (5)(a), the relevant receiving officer may request the provincial treasury to immediately make the transfer or to provide written reasons, within three working days, as to why the transfer has not been made. 35

(7) If a provincial treasury fails to make the transfer requested by the receiving officer or provide reasons in terms of subsection (6), or the receiving officer disputes the reasons provided by the provincial treasury as to why the transfer has not been made, the receiving officer may request the National Treasury to investigate the matter. 40

(8) On receipt of a request in terms of subsection (7), the National Treasury must—

(a) consult the transferring officer on the matter;
(b) investigate the matter, assess any reasons given by the provincial treasury as to why the transfer was not made; 45

(c) direct the provincial treasury to immediately effect the transfer or provide reasons to the receiving officer, confirming why the provincial treasury was correct in not making the transfer; and

(d) advise the provincial treasury and the receiving officer as to what steps must be taken to ensure the transfer. 50

Duties and powers of National Treasury

31. (1) The National Treasury must, within 14 days after this Act takes effect, submit a notice to all transferring officers containing the details of the primary bank accounts of each province and municipality.

(2) The National Treasury must, together with the statement envisaged in section 32(2) of the Public Finance Management Act, publish a report on actual transfers of all allocations listed in Schedules 4, 5, 6 and 7 or made in terms of section 26. 55

(3) The National Treasury may include in a report on the equitable share and conditional allocations in terms of this Act, any report it publishes—

(a) that aggregates statements published by provincial treasuries envisaged in section 71(7) of the Municipal Finance Management Act; and 60

(b) in respect of municipal finances.

CHAPTER 6

GENERAL

Liability for costs incurred in violation of principles of cooperative governance and intergovernmental relations

32. (1) An organ of state involved in an intergovernmental dispute regarding any provision of this Act or any division of revenue matter or allocation must, before approaching a court to resolve such dispute, make every effort to settle the dispute with the other organ of state concerned, including exhausting all mechanisms provided for the settlement of disputes in relevant legislation. 5

(2) If a dispute is referred back by a court in accordance with section 41(4) of the Constitution, due to the court not being satisfied that the organ of state approaching the court has complied with subsection (1), the expenditure incurred by that organ of state in approaching the court must be regarded as fruitless and wasteful. 10

(3) The amount of any such fruitless and wasteful expenditure must, in terms of the applicable procedures in the Public Finance Management Act or the Municipal Finance Management Act, be recovered, without delay, from every person who caused the organ of state not to comply with subsection (1). 15

Irregular expenditure

33. Expenditure of an allocation in Part B of Schedule 4 or Part B of Schedule 5 contrary to this Act is irregular expenditure in terms of the Municipal Finance Management Act, except if it is unauthorised expenditure in terms of the Municipal Finance Management Act. 20

Financial misconduct

34. (1) Despite any other legislation to the contrary, any wilful or negligent non-compliance with a provision of this Act constitutes financial misconduct. 25

(2) Section 84 of the Public Finance Management Act or section 171 of the Municipal Finance Management Act, as the case may be, applies in respect of financial misconduct envisaged in subsection (1).

Delegations and assignments

35. (1) The Minister may, in writing, delegate any of the powers entrusted to, and assign any of the duties imposed on, the National Treasury in terms of this Act, to an official of the National Treasury. 30

(2) A delegation or assignment in terms of subsection (1) to an official of the National Treasury—

- (a) is subject to any limitations or conditions that the Minister may impose; 35
- (b) may authorise that official to sub-delegate, in writing, the delegated power or assigned duty, to any other official of the National Treasury; and
- (c) does not divest the National Treasury of the responsibility concerning the exercise of the delegated power or the performance of the assigned duty.

(3) The Minister may vary or revoke any decision taken by an official as a result of a delegation or assignment, subject to any rights that may have vested as a consequence of the decision. 40

(4) A Member of the Executive Council responsible for finance in a province may, in writing, delegate any power entrusted to, and assign any duty imposed on, the provincial treasury in terms of this Act, to an official of the provincial treasury. 45

(5) (a) A transferring officer may, in writing, delegate any power entrusted to, and assign any duty imposed on, the transferring officer in terms of this Act, to an official in his or her department.

(b) A copy of the written delegation must be submitted to the National Treasury.

(6) Subsections (2) and (3) apply, with the necessary changes, to a delegation or assignment in terms of subsection (4) or (5). 50

Departures

36. (1) The Minister may, if good grounds exist, approve a departure from a provision of a framework, a regulation made under section 37 or a condition imposed in terms of this Act.

(2) For purposes of subsection (1), good grounds include the fact that the provision of the framework, regulation or condition—

- (a) cannot be implemented in practice;
- (b) impedes the achievement of any object of this Act;
- (c) impedes an immediate response to a declared disaster; or
- (d) undermines the financial viability of the affected national or provincial department or municipality.

(3) Any departure approved in terms of subsection (1) must set out the period and conditions of the departure, if any, and must be published, by notice in the *Gazette*.

Regulations

37. The Minister may, by notice in the *Gazette*, make regulations regarding—

- (a) anything which must or may be prescribed in terms of this Act; or
- (b) any ancillary or incidental administrative or procedural matter that is necessary to prescribe for the proper implementation or administration of this Act.

Transitional measures for municipal election in 2021

38. (1) (a) A releasing municipality must continue to spend its allocations for the 2020/21 financial year made in terms of this Act, in that particular area or municipality, as if that area was not transferred to a receiving municipality, unless the affected municipalities have entered into an agreement that ensures that the transferred area or municipality is not negatively affected.

(b) The transferring officer of an allocation made in terms of this Act and the receiving municipality must monitor that the releasing municipality complies with paragraph (a).

(c) The releasing municipality must, at the request of the transferring officer, the receiving municipality or the National Treasury, demonstrate compliance with paragraph (a).

(2) (a) Sections 18 and 19 apply, with the necessary changes, where a releasing municipality fails to comply with subsection (1)(a) or (c) in respect of a Schedule 4, 5, 6 or 7 allocation.

(b) The National Treasury may, where it withholds or stops an allocation in terms of paragraph (a), after consultation with the transferring officer, determine that a portion of the allocation be reallocated to the receiving municipality.

(3) The National Treasury may, where a releasing municipality fails to comply with subsection (1)(a) or (c), reallocate a portion of the releasing municipality's equitable share allocation, referred to in section 5, to the receiving municipality.

(4) (a) The allocations referred to in sections 5(2) and 8(2) are subject to adjustments required following a redetermination in terms of section 21(1)(b) of the Municipal Demarcation Act.

(b) The transferring officer of a Schedule 4, 5, 6 or 7 allocation must, by 2 October 2020, inform the National Treasury of any adjustments to the allocations, referred to in section 8(2), that must be reflected in the Division of Revenue Act for the 2021/22 financial year.

Repeal of laws and savings

39. (1) Subject to subsection (2)—

- (a) the Division of Revenue Act, 2019 (Act No. 16 of 2019), except sections 16 and 26, is hereby repealed;
- (b) sections 16 and 26 of the Division of Revenue Act, 2019, is hereby repealed with effect from 1 July 2020 or the date that this Act takes effect, whichever is the later date; and
- (c) the Division of Revenue Amendment Act, 2019 (Act No. 30 of 2019), is hereby repealed.

(2) Any repeal referred to in subsection (1) does not affect—

- (a) any duty to be performed in terms of any provision of an Act, referred to in subsection (1), after the end of the 2020/21 financial year; and
- (b) any obligation in terms of any provision of an Act, referred to in subsection (1), the execution of which is outstanding.

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(3) Any framework published in terms of section 16 of the Division of Revenue Act, 2019, as amended in terms of section 16 or 26 of that Act, applies to funds of a conditional allocation approved for roll-over in terms of section 22(2) of that Act, if that conditional allocation does not continue to exist in terms of this Act.

Short title and commencement

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40. This Act is called the Division of Revenue Act, 2020, and takes effect on 1 April 2020 or the date of publication in the *Gazette*, whichever is the later date.

SCHEDULE 1

EQUITABLE DIVISION OF REVENUE RAISED NATIONALLY AMONG THE THREE SPHERES OF GOVERNMENT

Spheres of Government	Column A	Column B	
	2020/21	Forward Estimates	
		2021/22	2022/23
	R'000	R'000	R'000
National ^{1,2}	1 152 839 556	1 195 617 107	1 245 458 677
Provincial	538 471 528	573 989 526	607 553 532
Local	74 683 326	81 061 819	87 212 717
TOTAL	1 765 994 410	1 850 668 452	1 940 224 926

1. National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations

2. The direct charges for the provincial equitable share are netted out

SCHEDULE 2

DETERMINATION OF EACH PROVINCE'S EQUITABLE SHARE OF THE PROVINCIAL SPHERE'S SHARE OF REVENUE RAISED NATIONALLY (as a direct charge against the National Revenue Fund)

Province	Column A	Column B	
	2020/21	Forward Estimates	
		2021/22	2022/23
	R'000	R'000	R'000
Eastern Cape	71 415 216	75 305 964	78 841 455
Free State	30 017 344	31 897 379	33 656 505
Gauteng	112 117 907	121 121 075	129 907 803
KwaZulu-Natal	111 441 977	117 754 878	123 544 256
Limpopo	62 328 931	66 255 935	69 935 348
Mpumalanga	44 104 988	46 996 147	49 723 869
Northern Cape	14 289 699	15 207 395	16 068 179
North West	37 547 835	40 174 440	42 682 098
Western Cape	55 207 631	59 276 313	63 194 019
TOTAL	538 471 528	573 989 526	607 553 532

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number Municipality			National Financial Year		
			Column A	Column B	
			2020/21	Forward Estimates	
				2021/22	2022/23
			R'000	R'000	R'000
EASTERN CAPE					
A	BUF	Buffalo City	911 042	981 171	1 048 587
A	NMA	Nelson Mandela Bay	1 106 936	1 201 603	1 295 866
B	EC101	Dr Beyers Naude	96 607	103 110	109 007
B	EC102	Blue Crane Route	56 696	60 236	63 330
B	EC104	Makana	99 851	107 063	113 728
B	EC105	Ndlambe	103 801	111 768	119 194
B	EC106	Sundays River Valley	86 469	94 033	101 329
B	EC108	Kouga	136 649	150 022	163 410
B	EC109	Kou-Kamma	52 718	56 484	59 973
C	DC10	Sarah Baartman District Municipality	97 175	101 142	104 555
Total: Sarah Baartman Municipalities			729 966	783 858	834 526
B	EC121	Mbhashe	263 748	279 464	291 831
B	EC122	Mnquma	273 742	290 003	302 775
B	EC123	Great Kei	45 063	47 733	49 881
B	EC124	Amahlathi	111 895	118 561	123 832
B	EC126	Ngqushwa	87 420	92 636	96 776
B	EC129	Raymond Mhlaba	184 086	195 049	203 662
C	DC12	Amathole District Municipality	896 469	964 525	1 028 814
Total: Amathole Municipalities			1 862 423	1 987 971	2 097 571
B	EC131	Inxuba Yethemba	45 400	48 213	50 649
B	EC135	Intsika Yethu	168 126	178 161	186 083
B	EC136	Emalahleni	130 818	138 633	144 805
B	EC137	Engcobo	156 738	166 082	173 466
B	EC138	Sakhisizwe	71 988	76 251	79 634
B	EC139	Enoch Mgijima	191 323	203 392	213 293
C	DC13	Chris Hani District Municipality	581 707	623 631	663 051
Total: Chris Hani Municipalities			1 346 100	1 434 363	1 510 981
B	EC141	Elundini	161 277	170 913	178 602
B	EC142	Senqu	158 517	167 916	175 347
B	EC145	Walter Sisulu	62 095	66 483	70 407
C	DC14	Joe Gqabi District Municipality	293 252	314 763	335 102
Total: Joe Gqabi Municipalities			675 141	720 075	759 458
B	EC153	Ngquza Hill	273 573	291 465	306 094
B	EC154	Port St Johns	162 406	172 772	181 212
B	EC155	Nyandeni	277 708	294 965	308 848
B	EC156	Mhlontlo	194 734	206 378	215 544
B	EC157	King Sabata Dalindyebo	352 763	377 773	399 136
C	DC15	O.R. Tambo District Municipality	918 991	989 529	1 057 177
Total: O.R. Tambo Municipalities			2 180 175	2 332 882	2 468 011
B	EC441	Matatiele	249 823	266 230	279 732
B	EC442	Umzimvubu	230 629	244 645	255 820
B	EC443	Mbizana	278 139	297 788	314 306
B	EC444	Ntabankulu	129 512	137 251	143 374
C	DC44	Alfred Nzo District Municipality	598 038	643 993	688 074
Total: Alfred Nzo Municipalities			1 486 141	1 589 907	1 681 306
Total: Eastern Cape Municipalities			10 297 924	11 031 830	11 696 306

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number Municipality		National Financial Year		
		Column A	Column B	
		2020/21	Forward Estimates	
			2021/22	2022/23
FREE STATE				
A	MAN Mangaung	800 260	871 988	943 947
B	FS161 Letsemeng	68 088	73 040	77 614
B	FS162 Kopanong	90 615	96 636	102 073
B	FS163 Mohokare	73 785	79 609	85 029
C	DC16 Xhariep District Municipality	45 384	47 491	49 284
Total: Xhariep Municipalities		277 872	296 776	314 000
B	FS181 Masilonyana	127 950	138 071	147 413
B	FS182 Tokologo	58 153	62 150	65 755
B	FS183 Tswelopele	79 046	84 452	89 287
B	FS184 Matjhabeng	543 954	587 652	629 693
B	FS185 Nala	129 393	137 550	144 696
C	DC18 Lejweleputswa District Municipality	133 411	138 815	143 459
Total: Lejweleputswa Municipalities		1 071 907	1 148 690	1 220 303
B	FS191 Setsoto	205 715	220 555	234 090
B	FS192 Dihlabeng	178 773	194 640	210 052
B	FS193 Nketoana	104 537	112 905	120 743
B	FS194 Maluti-a-Phofung	645 037	694 684	739 927
B	FS195 Phumelela	80 750	86 704	92 160
B	FS196 Mantsopa	88 721	95 421	101 612
C	DC19 Thabo Mofutsanyana District Municipality	121 089	126 971	131 992
Total: Thabo Mofutsanyana Municipalities		1 424 622	1 531 880	1 630 576
B	FS201 Moqhaka	222 134	240 334	257 581
B	FS203 Ngwathe	208 102	224 759	240 265
B	FS204 Metsimaholo	202 505	224 427	246 754
B	FS205 Mafube	103 074	111 181	118 715
C	DC20 Fezile Dabi District Municipality	159 223	164 199	168 582
Total: Fezile Dabi Municipalities		895 038	964 900	1 031 897
Total: Free State Municipalities		4 469 699	4 814 234	5 140 723

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

			National Financial Year		
			Column A	Column B	
				Forward Estimates	
Number	Municipality		2020/21	2021/22	2022/23
GAUTENG					
A	EKU	City of Ekurhuleni	3 830 583	4 229 656	4 634 258
A	JHB	City of Johannesburg	5 183 056	5 744 050	6 316 631
A	TSH	City of Tshwane	2 924 283	3 244 640	3 572 306
B	GT421	Emfuleni	835 994	906 282	975 358
B	GT422	Midvaal	118 071	130 883	144 048
B	GT423	Lesedi	148 231	164 956	181 957
C	DC42	Sedibeng District Municipality	276 984	285 906	293 770
Total: Sedibeng Municipalities			1 379 280	1 488 027	1 595 133
B	GT481	Mogale City	449 128	495 630	542 724
B	GT484	Merafong City	221 510	241 058	260 129
B	GT485	Rand West City	331 821	363 446	394 706
C	DC48	West Rand District Municipality	215 078	223 207	230 349
Total: West Rand Municipalities			1 217 537	1 323 341	1 427 908
Total: Gauteng Municipalities			14 534 739	16 029 714	17 546 236

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number Municipality		National Financial Year		
		Column A 2020/21	Column B	
			Forward Estimates	
			2021/22	2022/23
KWAZULU-NATAL				
A	ETH eThekweni	3 444 498	3 761 365	4 081 245
B	KZN212 uMdoni	141 339	151 750	160 713
B	KZN213 uMzumbhe	138 576	146 870	153 402
B	KZN214 uMuziwabantu	96 882	103 127	108 269
B	KZN216 Ray Nkonyeni	222 794	241 479	258 493
C	DC21 Ugu District Municipality	501 357	544 241	586 156
Total: Ugu Municipalities		1 100 948	1 187 467	1 267 033
B	KZN221 uMshwathi	108 748	116 351	122 881
B	KZN222 uMngeni	73 356	80 521	87 609
B	KZN223 Mpofana	37 857	40 329	42 456
B	KZN224 iMpendle	37 709	39 912	41 704
B	KZN225 Msunduzi	593 405	646 107	698 437
B	KZN226 Mkhambathini	67 330	72 423	76 881
B	KZN227 Richmond	74 914	80 644	85 676
C	DC22 uMgungundlovu District Municipality	572 040	622 264	670 870
Total: uMgungundlovu Municipalities		1 565 359	1 698 551	1 826 514
B	KZN235 Okhahlamba	132 687	141 230	148 223
B	KZN237 iNkosi Langalibalele	189 165	202 995	214 844
B	KZN238 Alfred Duma	249 124	266 805	281 960
C	DC23 uThukela District Municipality	466 180	504 064	540 872
Total: uThukela Municipalities		1 037 156	1 115 094	1 185 899
B	KZN241 eNdumeni	50 969	55 616	60 058
B	KZN242 Nquthu	145 889	155 352	163 094
B	KZN244 uMsinga	175 125	187 688	198 381
B	KZN245 uMvoti	138 440	150 190	160 820
C	DC24 uMzinyathi District Municipality	383 967	418 111	451 835
Total: uMzinyathi Municipalities		894 390	966 957	1 034 188
B	KZN252 Newcastle	403 064	435 540	466 146
B	KZN253 eMadlangeni	32 255	34 255	35 912
B	KZN254 Dannhauser	97 142	103 113	107 906
C	DC25 Amajuba District Municipality	173 757	187 340	200 009
Total: Amajuba Municipalities		706 218	760 248	809 973

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number Municipality		National Financial Year		
		Column A 2020/21	Column B	
			Forward Estimates	
			2021/22	2022/23
B	KZN261 eDumbe	79 348	84 593	88 952
B	KZN262 uPhongolo	146 625	157 973	167 875
B	KZN263 Abaqulusi	160 312	173 368	185 006
B	KZN265 Nongoma	164 354	175 298	184 263
B	KZN266 Ulundi	173 458	184 888	194 176
C	DC26 Zululand District Municipality	502 849	545 612	587 467
Total: Zululand Municipalities		1 226 946	1 321 732	1 407 739
B	KZN271 uMhlabyalingana	179 108	193 654	206 505
B	KZN272 Jozini	195 084	209 586	222 009
B	KZN275 Mtubatuba	178 082	193 514	207 354
B	KZN276 Big Five Hlabisa	116 077	125 324	133 428
C	DC27 uMkhanyakude District Municipality	449 981	492 492	534 946
Total: uMkhanyakude Municipalities		1 118 332	1 214 570	1 304 242
B	KZN281 uMfolozi	140 635	151 624	161 162
B	KZN282 uMhlathuze	396 870	434 729	472 093
B	KZN284 uMlalazi	197 968	211 770	223 352
B	KZN285 Mthonjaneni	83 914	88 932	92 888
B	KZN286 Nkandla	102 419	108 512	113 298
C	DC28 King Cetshwayo District Municipality	557 703	604 126	648 591
Total: King Cetshwayo Municipalities		1 479 509	1 599 693	1 711 384
B	KZN291 Mandeni	181 342	196 779	210 674
B	KZN292 KwaDukuza	185 879	206 429	227 041
B	KZN293 Ndwedwe	158 224	169 850	179 768
B	KZN294 Maphumulo	95 897	101 583	106 088
C	DC29 iLembe District Municipality	566 794	623 486	680 793
Total: iLembe Municipalities		1 188 136	1 298 127	1 404 364
B	KZN433 Greater Kokstad	65 878	70 583	74 772
B	KZN434 uBuhlebezwe	117 008	124 413	130 440
B	KZN435 uMzimkhulu	202 075	216 297	228 300
B	KZN436 Dr Nkosazana Dlamini Zuma	134 138	143 296	150 952
C	DC43 Harry Gwala District Municipality	372 340	402 448	431 617
Total: Harry Gwala Municipalities		891 439	957 037	1 016 081
Total: KwaZulu-Natal Municipalities		14 652 931	15 880 841	17 048 662

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number Municipality		National Financial Year		
		2020/21	Column B	
			Forward Estimates	
			2021/22	2022/23
LIMPOPO				
B	LIM331 Greater Giyani	307 293	329 500	348 361
B	LIM332 Greater Letaba	297 936	319 717	338 315
B	LIM333 Greater Tzaneen	413 949	446 738	475 585
B	LIM334 Ba-Phalaborwa	162 853	176 158	188 021
B	LIM335 Maruleng	133 584	143 659	152 370
C	DC33 Mopani District Municipality	998 515	1 086 980	1 174 382
Total: Mopani Municipalities		2 314 130	2 502 752	2 677 034
B	LIM341 Musina	158 173	175 415	192 196
B	LIM343 Thulamela	474 987	510 894	542 097
B	LIM344 Makhado	385 034	414 791	440 745
B	LIM345 Collins Chabane	395 677	424 494	449 128
C	DC34 Vhembe District Municipality	1 084 112	1 183 312	1 282 220
Total: Vhembe Municipalities		2 497 983	2 708 906	2 906 386
B	LIM351 Blouberg	197 240	209 308	219 002
B	LIM353 Molemole	150 787	159 829	167 051
B	LIM354 Polokwane	1 007 763	1 102 819	1 196 245
B	LIM355 Lepele-Nkumpi	265 947	283 550	297 995
C	DC35 Capricorn District Municipality	634 374	683 887	730 787
Total: Capricorn Municipalities		2 256 111	2 439 393	2 611 080
B	LIM361 Thabazimbi	102 404	112 526	122 869
B	LIM362 Lephalale	164 011	182 473	201 258
B	LIM366 Bela-Bela	99 226	108 671	117 958
B	LIM367 Mogalakwena	467 724	501 940	532 639
B	LIM368 Modimolle-Mookgophong	117 790	126 359	134 312
C	DC36 Waterberg District Municipality	135 060	140 801	145 873
Total: Waterberg Municipalities		1 086 215	1 172 770	1 254 909
B	LIM471 Ephraim Mogale	155 455	167 042	177 013
B	LIM472 Elias Motsoaledi	289 039	311 289	330 501
B	LIM473 Makhuduthamaga	285 383	304 684	320 692
B	LIM476 Fetakgomo Tubatse	452 557	493 141	529 587
C	DC47 Sekhukhune District Municipality	837 796	914 812	991 426
Total: Sekhukhune Municipalities		2 020 230	2 190 968	2 349 219
Total: Limpopo Municipalities		10 174 669	11 014 789	11 798 628

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

			National Financial Year		
			Column A	Column B	
Number	Municipality	2020/21	Forward Estimates		
			2021/22	2022/23	
MPUMALANGA					
B	MP301	Chief Albert Luthuli	335 197	362 008	386 601
B	MP302	Msukaligwa	189 302	208 574	227 892
B	MP303	Mkhondo	256 438	280 313	303 305
B	MP304	Dr Pixley ka Isaka Seme	128 034	137 682	146 501
B	MP305	Lekwa	129 306	141 102	152 689
B	MP306	Dipaleseng	78 171	85 097	91 702
B	MP307	Govan Mbeki	314 264	347 754	382 276
C	DC30	Gert Sibande District Municipality	300 489	309 612	317 684
Total: Gert Sibande Municipalities			1 731 201	1 872 142	2 008 650
B	MP311	Victor Khanye	105 840	116 544	127 207
B	MP312	Emalahleni	401 151	447 740	496 445
B	MP313	Steve Tshwete	226 033	255 256	286 357
B	MP314	Emakhazeni	68 629	74 580	80 300
B	MP315	Thembisile Hani	438 292	475 975	511 112
B	MP316	Dr JS Moroka	405 169	433 841	459 052
C	DC31	Nkangala District Municipality	367 222	378 924	389 314
Total: Nkangala Municipalities			2 012 336	2 182 860	2 349 787
B	MP321	Thaba Chweu	157 048	172 695	188 327
B	MP324	Nkomazi	618 310	671 913	722 123
B	MP325	Bushbuckridge	848 071	913 887	973 645
B	MP326	City of Mbombela	794 688	872 206	948 979
C	DC32	Ehlanzeni District Municipality	264 278	276 019	286 319
Total: Ehlanzeni Municipalities			2 682 395	2 906 720	3 119 393
Total: Mpumalanga Municipalities			6 425 932	6 961 722	7 477 830

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

			National Financial Year		
			Column A	Column B	
				Forward Estimates	
Number	Municipality		2020/21	2021/22	2022/23
NORTHERN CAPE					
B	NC061	Richtersveld	18 384	19 891	21 338
B	NC062	Nama Khoi	51 221	55 116	58 842
B	NC064	Kamiesberg	24 179	25 748	27 135
B	NC065	Hantam	26 371	28 238	30 002
B	NC066	Karoo Hoogland	24 142	26 119	28 011
B	NC067	Khâi-Ma	20 307	21 858	23 315
C	DC6	Namakwa District Municipality	50 725	52 494	54 047
Total: Namakwa Municipalities			215 329	229 464	242 690
B	NC071	Ubuntu	37 172	40 055	42 736
B	NC072	Umsobomvu	53 538	58 133	62 501
B	NC073	Emthanjeni	48 135	51 836	55 333
B	NC074	Kareeberg	26 124	28 133	29 991
B	NC075	Renosterberg	26 420	28 384	30 184
B	NC076	Thembelihle	27 102	29 036	30 801
B	NC077	Siyathemba	35 417	38 227	40 867
B	NC078	Siyancuma	52 642	55 933	58 826
C	DC7	Pixley Ka Seme District Municipality	53 097	55 475	57 523
Total: Pixley Ka Seme Municipalities			359 647	385 212	408 762
B	NC082	!Kai !Garib	91 919	100 348	108 717
B	NC084	!Kheis	26 816	28 465	29 906
B	NC085	Tsantsabane	42 497	46 483	50 448
B	NC086	Kgatelopele	24 294	26 480	28 630
B	NC087	Dawid Kruiper	91 546	99 200	106 766
C	DC8	Z.F. Mgcawu District Municipality	72 110	74 953	77 441
Total: Z.F. Mgcawu Municipalities			349 182	375 929	401 908
B	NC091	Sol Plaatjie	205 072	222 738	240 251
B	NC092	Dikgatlong	91 591	98 899	105 669
B	NC093	Magareng	49 355	52 718	55 697
B	NC094	Phokwane	111 534	119 058	125 734
C	DC9	Frances Baard District Municipality	124 299	128 237	131 682
Total: Frances Baard Municipalities			581 851	621 650	659 033
B	NC451	Joe Morolong	150 978	160 820	169 328
B	NC452	Ga-Segonyana	174 760	191 781	208 236
B	NC453	Gamagara	41 942	47 584	53 688
C	DC45	John Taolo Gaetsewe District Municipality	93 279	97 316	100 828
Total: John Taolo Gaetsewe Municipalities			460 959	497 501	532 080
Total: Northern Cape Municipalities			1 966 968	2 109 756	2 244 473

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

Number	Municipality	National Financial Year		
		Column A	Column B	
		2020/21	Forward Estimates	
			2021/22	2022/23
NORTH WEST				
B	NW371 Moretele	363 948	390 061	413 191
B	NW372 Madibeng	770 767	855 477	941 140
B	NW373 Rustenburg	756 697	849 268	946 933
B	NW374 Kgetlengrivier	99 852	109 572	119 136
B	NW375 Moses Kotane	459 989	494 249	525 083
C	DC37 Bojanala Platinum District Municipality	352 817	368 010	381 822
Total: Bojanala Platinum Municipalities		2 804 070	3 066 637	3 327 305
B	NW381 Ratlou	133 828	142 849	150 366
B	NW382 Tswaing	123 571	132 672	140 615
B	NW383 Mafikeng	279 142	302 732	324 034
B	NW384 Ditsobotla	137 063	148 290	158 480
B	NW385 Ramotshere Moiloa	187 061	201 498	214 068
C	DC38 Ngaka Modiri Molema District Municipality	829 868	904 326	977 616
Total: Ngaka Modiri Molema Municipalities		1 690 533	1 832 367	1 965 179
B	NW392 Naledi	56 283	60 481	64 266
B	NW393 Mamusa	59 874	64 313	68 201
B	NW394 Greater Taung	206 229	218 869	228 976
B	NW396 Lekwa-Teemane	53 596	57 735	61 447
B	NW397 Kagisano-Molopo	128 914	136 930	143 401
C	DC39 Dr Ruth Segomotsi Mompati District Municipality	388 696	419 334	448 816
Total: Dr Ruth Segomotsi Mompati Municipalities		893 592	957 662	1 015 107
B	NW403 City of Matlosana	466 536	507 100	546 940
B	NW404 Maquassi Hills	138 115	149 006	159 126
B	NW405 JB Marks	284 490	314 334	344 731
C	DC40 Dr Kenneth Kaunda District Municipality	193 845	200 517	206 385
Total: Dr Kenneth Kaunda Municipalities		1 082 986	1 170 957	1 257 182
Total: North West Municipalities		6 471 181	7 027 623	7 564 773

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL
GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY**

			National Financial Year		
			Column A	Column B	
				Forward Estimates	
Number	Municipality		2020/21	2021/22	2022/23
WESTERN CAPE					
A	CPT	City of Cape Town	3 081 195	3 377 636	3 678 073
B	WC011	Matzikama	60 792	65 619	70 360
B	WC012	Cederberg	53 069	57 445	61 703
B	WC013	Bergrivier	48 940	53 419	57 950
B	WC014	Saldanha Bay	96 832	106 683	116 809
B	WC015	Swartland	102 195	114 293	126 977
C	DC1	West Coast District Municipality	96 113	99 762	102 975
Total: West Coast Municipalities			457 941	497 221	536 774
B	WC022	Witzenberg	101 915	112 056	122 389
B	WC023	Drakenstein	164 466	179 913	195 507
B	WC024	Stellenbosch	149 804	165 076	180 699
B	WC025	Breede Valley	127 591	138 199	148 698
B	WC026	Langeberg	85 039	91 683	98 193
C	DC2	Cape Winelands District Municipality	238 441	245 245	251 263
Total: Cape Winelands Municipalities			867 256	932 172	996 749
B	WC031	Theewaterskloof	103 419	112 072	120 517
B	WC032	Overstrand	117 318	129 473	141 839
B	WC033	Cape Agulhas	32 155	34 741	37 276
B	WC034	Swellendam	34 118	37 037	39 931
C	DC3	Overberg District Municipality	74 636	77 695	80 349
Total: Overberg Municipalities			361 646	391 018	419 912
B	WC041	Kannaland	29 803	31 659	33 315
B	WC042	Hessequa	47 294	51 021	54 680
B	WC043	Mossel Bay	101 192	110 140	119 023
B	WC044	George	163 760	179 113	194 607
B	WC045	Oudtshoorn	78 568	84 323	89 768
B	WC047	Bitou	104 346	116 545	129 003
B	WC048	Knysna	94 039	102 822	111 529
C	DC4	Garden Route District Municipality	162 480	167 939	172 733
Total: Garden Route Municipalities			781 482	843 562	904 658
B	WC051	Laingsburg	17 704	19 000	20 192
B	WC052	Prince Albert	22 985	24 842	26 595
B	WC053	Beaufort West	67 109	72 374	77 322
C	DC5	Central Karoo District Municipality	31 965	33 485	34 811
Total: Central Karoo Municipalities			139 763	149 701	158 920
Total: Western Cape Municipalities			5 689 283	6 191 310	6 695 086
Unallocated					
National Total			74 683 326	81 061 819	87 212 717

SCHEDULE 4, PART A

ALLOCATIONS TO PROVINCES TO SUPPLEMENT THE FUNDING OF PROGRAMMES OR FUNCTIONS FUNDED FROM PROVINCIAL BUDGETS

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates 2021/22	2022/23
Basic Education (Vote 16)	Education Infrastructure Grant	To help accelerate construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in education including district and circuit accommodation; to enhance capacity to deliver infrastructure in education; to address damages to infrastructure; to address achievement of the targets set out in the minimum norms and standards for school infrastructure.	General conditional allocation to provinces	Eastern Cape	R'000	R'000	R'000
				1 544 114	1 564 562	1 637 342	
				Free State	840 429	815 981	853 938
				Gauteng	1 497 757	1 515 249	1 585 734
				KwaZulu-Natal	1 996 182	2 045 473	2 140 622
				Limpopo	1 256 364	1 258 454	1 316 994
				Mpumalanga	1 094 681	1 086 456	1 136 994
				Northern Cape	597 268	557 306	583 229
				North West	1 090 010	1 081 487	1 131 794
				Western Cape	1 091 162	1 082 712	1 133 077
				Unallocated	-	702 618	735 302
				TOTAL	11 007 967	11 710 298	12 255 026
Health (Vote 18)	National Tertiary Services Grant	Ensure the provision of tertiary health services in South Africa; to compensate tertiary facilities for the additional costs associated with the provision of these services.	General conditional allocation to provinces	Eastern Cape	1 080 846	1 128 688	1 174 292
				Free State	1 209 781	1 257 214	1 308 011
				Gauteng	5 025 579	5 222 622	5 433 637
				KwaZulu-Natal	2 015 775	2 094 811	2 179 450
				Limpopo	445 200	464 898	483 682
				Mpumalanga	135 793	141 778	147 507
				Northern Cape	402 404	420 303	437 286
				North West	326 867	341 329	355 120
				Western Cape	3 426 618	3 560 969	3 704 846
				Unallocated	-	61 611	69 670
				TOTAL	14 068 863	14 694 223	15 293 501
				Transport (Vote 40)	(a) Provincial Roads Maintenance Grant	To supplement provincial investments for road infrastructure maintenance (routine, periodic and special maintenance); to ensure that all roads are classified as per the Road Infrastructure Strategic Framework for South Africa and the technical recommendations for highways, and the Road Classification and Access Management guidelines; to implement and maintain road asset management systems; to supplement provincial projects for the repair of roads and bridges damaged by unforeseen incidents including natural disasters; to improve road safety with a special focus on pedestrian safety in rural areas.	General conditional allocation to provinces
Free State	1 447 285	1 284 503	1 345 759				
Gauteng	745 007	661 213	692 745				
KwaZulu-Natal	2 076 547	1 842 991	1 930 879				
Limpopo	1 294 756	1 149 130	1 203 929				
Mpumalanga	1 042 917	925 616	969 757				
Northern Cape	1 230 754	1 092 326	1 144 417				
North West	1 059 163	940 035	984 863				
Western Cape	1 067 344	947 296	992 470				
Unallocated	-	1 648 265	1 726 867				
TOTAL	11 593 174	11 937 511	12 506 785				
	(b) Public Transport Operations Grant	To provide supplementary funding towards public transport services provided by provincial departments of transport.	Nationally assigned function to provinces				
				Free State	297 410	313 768	312 430
				Gauteng	2 599 291	2 742 249	2 730 550
				KwaZulu-Natal	1 246 362	1 314 912	1 309 303
				Limpopo	402 035	424 147	422 338
				Mpumalanga	676 941	714 173	711 127
				Northern Cape	60 524	63 854	63 581
				North West	124 415	131 258	130 698
				Western Cape	1 073 596	1 132 644	1 127 813
				TOTAL	7 749 581	7 720 808	7 090 437

SCHEDULE 4, PART B

ALLOCATIONS TO MUNICIPALITIES TO SUPPLEMENT THE FUNDING OF FUNCTIONS FUNDED FROM MUNICIPAL BUDGETS

Vote	Name of allocation	Purpose	City	Column A		Column B	
				2020/21		Forward Estimates	
						2021/22	2022/23
Human Settlements (Vote 33)	Urban Settlements Development Grant	To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development; to provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading informal settlements.	Buffalo City	R'000	761 354	R'000	R'000
			City of Cape Town		1 481 604		496 166
			City of Ekurhuleni		1 967 505		965 545
			City of Johannesburg		1 848 287		1 282 202
			City of Tshwane		1 602 161		1 204 509
			eThekweni		1 962 647		1 051 557
			Mangaung		754 593		1 279 036
			Nelson Mandela Bay		903 720		491 759
			TOTAL		11 281 871		7 352 273
National Treasury (Vote 8)	Integrated City Development Grant	To provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focussing their use of available infrastructure investment and regulatory instruments; to support metropolitan municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation.	Buffalo City		8 317		13 776
			City of Cape Town		65 944		65 970
			City of Ekurhuleni		53 577		56 064
			City of Johannesburg		74 754		78 225
			City of Tshwane		51 512		51 532
			eThekweni		46 464		61 324
			Mangaung		6 450		13 673
			Nelson Mandela Bay		10 481		20 322
			TOTAL		317 499		360 886
						7 404 711	7 352 273
							13 776
							65 970
							56 064
							78 225
							51 532
							61 324
							13 673
							20 322
							360 886

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	
						2021/22	2022/23
Agriculture, Land Reform and Rural Development (Vote 29)	(a) Comprehensive Agricultural Support Programme Grant	To provide effective agricultural support services, promote and facilitate agricultural development by targeting beneficiaries of land reform, restitution and redistribution, and other black producers who have acquired land through private means and are engaged in value-adding enterprises domestically, or involved in export; to revitalise agricultural colleges into centres of excellence.	Conditional allocation		R'000	R'000	R'000
					239 838	254 455	261 770
					176 167	188 030	194 610
					100 108	106 583	110 028
					206 446	219 645	226 604
					233 558	247 733	254 794
					157 303	167 672	173 296
					122 944	130 812	134 954
					174 271	186 109	192 737
					111 555	118 856	122 797
	TOTAL				1 522 190	1 619 895	1 671 590
	(b) Ilima/Letsema Projects Grant	To assist vulnerable South African farming communities to achieve an increase in agricultural production and invest in infrastructure that unlocks agricultural production within strategically identified grain, livestock, horticulture and aquaculture production areas.	Conditional allocation		67 955	76 002	78 252
					68 442	76 547	78 812
					30 928	34 590	35 614
					73 233	81 905	84 328
					70 480	78 827	81 160
					57 374	64 169	66 068
					62 615	70 030	72 103
					67 324	75 297	77 526
					50 464	56 440	58 111
					548 815	613 807	631 974
	(c) Land Care Programme Grant: Poverty Relief and Infrastructure Development	To promote sustainable use and management of natural resources by engaging in community based initiatives that support the pillars of sustainability (social, economic and environmental), leading to greater productivity, food security, job creation and better well-being for all.	Conditional allocation		12 371	12 813	13 104
					8 378	8 866	9 116
					4 787	5 016	5 219
					12 701	13 022	13 385
					12 970	13 416	13 703
					10 044	10 274	10 462
					7 615	8 097	8 325
					8 508	9 082	9 353
					5 045	5 451	5 732
					82 419	86 037	88 399

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	
						2021/22	2022/23
					R'000	R'000	R'000
Basic Education (Vote 16)	(a) HIV and AIDS (Life Skills Education) Grant	To support South Africa's HIV prevention strategy by: providing comprehensive sexuality education and access to sexual and reproductive health services to learners; supporting the provision of employee health and wellness programmes for educators; to mitigate the impact of HIV and TB by providing a caring, supportive and enabling environment for learners and educators; to reduce the vulnerability of children to HIV, TB and sexually transmitted infections, with a particular focus on orphaned children and girls.	Conditional allocation	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	44 878 11 853 36 869 62 450 28 137 19 994 5 849 16 791 19 878 246 699	47 017 12 295 38 565 65 555 29 475 21 259 6 113 17 505 20 758 258 542	47 423 12 701 38 971 65 961 29 881 21 665 6 527 17 911 21 164 262 204
	(b) Learners With Profound Intellectual Disabilities Grant	To provide the necessary support, resources and equipment to identified care centres and schools for the provision of education to children with severe to profound intellectual disabilities.	Conditional allocation	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	27 768 26 670 33 715 32 586 32 432 29 020 13 760 18 414 28 499 242 864	28 503 28 140 35 024 34 543 34 523 31 561 14 380 19 372 30 176 256 222	29 742 29 240 36 512 35 863 35 679 32 513 14 650 20 372 31 175 265 746
	(c) Maths, Science and Technology Grant	To provide support and resources to schools, teachers and learners in line with the Curriculum Assessment Policy Statements for the improvement of mathematics, science and technology teaching and learning at selected public schools.	Conditional allocation	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape TOTAL	50 497 37 337 57 106 65 701 46 860 41 417 27 012 39 453 35 479 400 862	53 244 39 426 60 185 69 208 49 426 43 711 28 586 41 649 37 474 422 909	55 311 40 801 62 598 71 974 51 301 45 300 29 418 43 134 38 651 438 488
	(d) National School Nutrition Programme Grant	To provide nutritious meals to targeted schools.	Conditional allocation	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape Unallocated TOTAL	1 376 343 431 851 905 006 1 717 512 1 369 485 734 414 202 614 516 114 412 548 - 7 665 887	1 423 153 446 019 945 042 1 804 538 1 438 041 765 417 210 611 536 321 428 739 127 460 8 125 341	1 494 311 468 320 992 294 1 894 765 1 509 943 803 688 221 142 563 137 450 176 118 688 8 516 464

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	2022/23
					R'000	2021/22	R'000
Health (Vote 18)	(a) HIV, TB, Malaria and Community Outreach Grant	To enable the health sector to develop and implement an effective response to HIV and AIDS; to enable the health sector to develop and implement an effective response to TB; to ensure provision of quality community outreach services through Ward Based Primary Health Care Outreach Teams; to improve efficiencies of the Ward Based Primary Health Care Outreach Teams programme by harmonising and standardising services and strengthening performance monitoring; prevention and protection of health workers from exposure to hazards in the work place; to enable the health sector to develop and implement an effective response to support the effective implementation of the National Strategic Plan on Malaria Elimination 2019 – 2023; to enable the health sector to prevent cervical cancer by making available Human Papillomavirus vaccinations for grade five school girls in all public and special schools and progressive integration of Human Papillomavirus into the integrated school health programme.	Conditional allocation	Eastern Cape	2 667 462	3 036 536	3 196 500
				Free State	1 472 363	1 675 705	1 764 160
				Gauteng	5 256 234	5 984 105	6 300 297
				KwaZulu-Natal	6 453 923	7 344 739	7 733 217
				Limpopo	2 179 020	2 455 343	2 584 749
				Mpumalanga	2 205 714	2 501 300	2 633 030
				Northern Cape	656 487	743 193	782 487
				North West	1 628 527	1 848 241	1 945 969
				Western Cape	1 867 472	2 120 970	2 232 870
				Unallocated	-	220 710	231 304
	TOTAL				24 387 202	27 930 842	29 404 583
	(b) Health Facility Revitalisation Grant	To help accelerate construction, maintenance, upgrading and rehabilitation of new and existing infrastructure in health including, health technology, organisational development systems and quality assurance; to enhance capacity to deliver health infrastructure; to accelerate the fulfilment of the requirements of occupational health and safety.	Conditional allocation	Eastern Cape	669 533	658 646	696 431
				Free State	586 745	569 368	602 032
				Gauteng	968 210	980 733	1 036 996
				KwaZulu-Natal	1 271 414	1 307 702	1 382 723
				Limpopo	742 473	528 577	552 826
				Mpumalanga	423 922	393 783	416 374
				Northern Cape	409 404	441 494	466 822
				North West	597 158	580 598	613 906
				Western Cape	698 793	690 199	729 795
				Unallocated	-	506 928	536 008
	TOTAL				6 367 652	6 658 028	7 033 913
	(c) National Health Insurance Grant	To expand the healthcare service benefits through the strategic purchasing of services from healthcare providers.	Nationally assigned function to provinces	Eastern Cape	45 262	47 025	48 758
				Free State	21 496	22 334	23 157
				Gauteng	53 674	55 764	57 820
				KwaZulu-Natal	55 290	57 444	59 559
				Limpopo	32 066	33 314	34 542
				Mpumalanga	21 104	21 925	22 733
				Northern Cape	19 276	20 027	20 765
				North West	21 192	22 017	22 828
				Western Cape	19 480	20 239	20 985
				TOTAL	288 840	300 089	311 147
	(d) Statutory Human Resources, Training and Development Grant	To appoint statutory positions in the health sector for systematic realisation of the human resources for health strategy and the phase-in of National Health Insurance; support provinces to fund service costs associated with clinical training and supervision of health science trainees on the public service platform.	Conditional allocation	Eastern Cape	366 523	382 244	396 392
				Free State	237 019	245 279	254 361
				Gauteng	1 336 008	1 382 650	1 433 845
				KwaZulu-Natal	593 830	615 010	637 762
				Limpopo	232 171	242 052	251 008
				Mpumalanga	189 495	197 562	204 873
				Northern Cape	125 465	130 906	135 753
				North West	192 723	200 986	208 424
				Western Cape	881 370	912 513	946 285
				Unallocated	-	24 250	25 149
	TOTAL				4 154 604	4 333 452	4 493 852

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	
						2021/22	2022/23
Human Settlements (Vote 33)	(a) Human Settlements Development Grant	To provide funding for the progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements; to provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.	Conditional allocation	Eastern Cape	R'000	R'000	R'000
				Free State	1 803 294	1 491 219	1 542 022
				Gauteng	950 798	786 254	813 041
				KwaZulu-Natal	4 625 447	3 824 974	3 955 283
				Limpopo	3 379 057	2 463 505	2 547 432
				Mpumalanga	1 060 622	877 072	906 953
				North West	1 081 044	893 960	924 416
				Northern Cape	319 888	264 528	273 541
				Western Cape	1 493 031	1 234 648	1 276 712
				TOTAL	16 620 732	13 413 593	13 870 574
	(b) Informal Settlements Upgrading Partnership Grant for Provinces	To provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.	Conditional allocation	Eastern Cape	-	432 428	458 151
				Free State	-	228 001	241 563
				Gauteng	-	1 109 179	1 175 155
				KwaZulu-Natal	-	714 375	756 868
				Limpopo	-	254 336	269 465
				Mpumalanga	-	259 233	274 653
				Northern Cape	-	76 709	81 272
				North West	-	358 028	379 324
				Western Cape	-	457 429	484 638
				TOTAL	-	3 889 718	4 121 089
	(c) Title Deeds Restoration Grant	To provide funding for the eradication of the pre-2014 title deeds registration backlog.	Conditional allocation	Eastern Cape	64 254	-	-
				Free State	33 860	-	-
				Gauteng	164 795	-	-
				KwaZulu-Natal	106 146	-	-
				Limpopo	37 790	-	-
				Mpumalanga	38 483	-	-
				Northern Cape	11 383	-	-
				North West	53 160	-	-
				Western Cape	67 952	-	-
				TOTAL	577 823	-	-

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	
						2021/22	2022/23
					R'000	R'000	R'000
Public Works and Infrastructure (Vote 13)	(a) Expanded Public Works Programme Integrated Grant for Provinces	To incentivise provincial departments to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; other economic and social infrastructure; tourism and cultural industries; sustainable land based livelihoods; waste management.	Conditional allocation	Eastern Cape	107 789	-	-
				Free State	24 085	-	-
				Gauteng	53 887	-	-
				KwaZulu-Natal	104 494	-	-
				Limpopo	25 379	-	-
				Mpumalanga	27 907	-	-
				Northern Cape	21 634	-	-
				North West	29 604	-	-
				Western Cape	25 983	-	-
				Unallocated	-	439 910	455 740
				TOTAL	420 762	439 910	455 740
	(b) Social Sector Expanded Public Works Programme Incentive Grant for Provinces	To incentivise provincial social sector departments, identified in the social sector Expanded Public Works Programme log-frame, to increase job creation by focusing on the strengthening and expansion of social sector programmes that have employment potential.	Conditional allocation	Eastern Cape	55 202	-	-
				Free State	39 572	-	-
				Gauteng	51 087	-	-
				KwaZulu-Natal	78 881	-	-
				Limpopo	59 073	-	-
				Mpumalanga	34 934	-	-
				Northern Cape	22 638	-	-
				North West	29 246	-	-
				Western Cape	42 950	-	-
				Unallocated	-	431 536	447 058
				TOTAL	413 583	431 536	447 058
Social Development (Vote 19)	Early Childhood Development Grant	To increase the number of poor children accessing subsidised early childhood development services through partial care facilities; to support early childhood development providers delivering an early childhood development programme to meet basic health and safety requirements for registration; to pilot the construction of new low-cost early childhood development centres.	Conditional allocation	Eastern Cape	134 142	150 366	172 974
				Free State	55 768	53 010	57 703
				Gauteng	135 229	148 461	166 961
				KwaZulu-Natal	193 437	215 165	246 758
				Limpopo	127 724	130 331	146 231
				Mpumalanga	80 872	84 620	95 254
				Northern Cape	24 085	21 601	24 196
				North West	76 740	86 945	101 924
				Western Cape	87 152	91 285	101 631
				Unallocated	-	74 877	78 286
				TOTAL	915 149	1 056 661	1 191 918

SCHEDULE 5, PART A
SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of allocation	Purpose	Type of allocation	Province	Column A	Column B	
					2020/21	Forward Estimates	
						2021/22	2022/23
					R'000	R'000	R'000
Sports, Arts and Culture (Vote 37)	(a) Community Library Services Grant	To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.	Conditional allocation	Eastern Cape	166 506	179 114	188 627
				Free State	167 082	178 575	188 036
				Gauteng	166 781	177 703	187 127
				KwaZulu-Natal	181 072	195 377	204 875
				Limpopo	143 221	150 410	159 423
				Mpumalanga	162 410	174 860	183 493
				Northern Cape	167 162	178 659	188 123
				North West	138 733	150 709	158 325
				Western Cape	186 126	198 666	208 973
				TOTAL	1 479 093	1 584 073	1 667 002
	(b) Mass Participation and Sport Development Grant	To facilitate sport and active recreation participation and empowerment in partnership with relevant stakeholders.	Conditional allocation	Eastern Cape	64 626	66 804	69 140
				Free State	94 147	97 785	100 743
				Gauteng	87 879	93 473	97 172
				KwaZulu-Natal	88 023	92 203	95 884
				Limpopo	58 363	60 519	62 554
				Mpumalanga	46 532	48 318	49 769
				Northern Cape	31 547	32 113	32 573
				North West	42 009	43 881	45 120
				Western Cape	83 491	85 711	87 517
				TOTAL	596 617	620 807	640 472

SCHEDULE 5, PART B

SPECIFIC-PURPOSE ALLOCATIONS TO MUNICIPALITIES

Vote	Name of allocation	Purpose	Column A	Column B	
			2020/21	Forward Estimates	
			R'000	2021/22	2022/23
			R'000	R'000	R'000
RECURRENT GRANTS					
Cooperative Governance (Vote 3)	Municipal Systems Improvement Grant	To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.	-	-	-
	(a) Infrastructure Skills Development Grant	To recruit unemployed graduates into municipalities to be trained and professionally registered, as per the requirements of the relevant statutory councils within the built environment.	153 192	161 618	167 571
National Treasury (Vote 8)	(b) Local Government Financial Management Grant	To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.	544 862	574 829	596 005
	Expanded Public Works Programme Integrated Grant for Municipalities	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.	748 039	789 982	819 088
TOTAL			1 446 093	1 526 429	1 582 664

SCHEDULE 5, PART B
SPECIFIC-PURPOSE ALLOCATIONS TO MUNICIPALITIES

Vote	Name of allocation	Purpose	Column A	Column B	
			2020/21	Forward Estimates	
			R'000	2021/22	2022/23
INFRASTRUCTURE GRANTS					
Cooperative Governance (Vote 3)	(a) Integrated Urban Development Grant	To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure; to ensure that public investments are spatially aligned and to promote the sound management of the assets delivered.	948 031	1 015 025	1 075 368
	(b) Municipal Infrastructure Grant	To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.	14 671 101	15 936 791	16 852 001
Human Settlements (Vote 33)	Informal Settlements Upgrading Partnership Grant for Municipalities	To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to upgrading of informal settlements.	-	3 945 447	4 180 530
Mineral Resources and Energy (Vote 34)	(a) Energy Efficiency and Demand Side Management Grant	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.	217 994	229 983	243 291
	(b) Integrated National Electrification Programme (Municipal) Grant	To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.	1 858 752	2 003 157	2 118 668
National Treasury (Vote 8)	Neighbourhood Development Partnership Grant (Capital)	To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships and rural towns.	559 442	566 611	593 074
Transport (Vote 40)	(a) Public Transport Network Grant	To provide funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network and to support the planning, regulation, control, management and operations of fiscally and financially sustainable municipal public transport network services.	6 445 848	6 796 572	7 119 154
	(b) Rural Roads Asset Management Systems Grant	To assist district municipalities to set up Road Asset Management Systems, and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.	108 436	114 401	121 033
Water and Sanitation (Vote 41)	(a) Regional Bulk Infrastructure Grant	To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.	2 005 605	2 156 025	2 280 772
	(b) Water Services Infrastructure Grant	Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.	3 445 165	3 620 327	3 701 019
TOTAL			30 260 374	36 384 339	38 284 910

SCHEDULE 6, PART A

ALLOCATIONS-IN-KIND TO PROVINCES FOR DESIGNATED SPECIAL PROGRAMMES

Vote	Name of allocation	Purpose	Column A	Column B	
			2020/21	Forward Estimates	
			R'000	2021/22	2022/23
Agriculture, Land Reform and Rural Development (Vote 29)	Ilima/Letsame Indirect Grant	To assist vulnerable South African farming communities to achieve an increase in agricultural production and invest in infrastructure that unlocks agricultural production within strategically identified grain, livestock, horticulture and aquaculture production areas.	35 857	R'000	R'000
Basic Education (Vote 16)	School Infrastructure Backlogs Grant	Eradication of all inappropriate school infrastructure; provision of water, sanitation and electricity to schools.	1 736 413	2 295 101	2 424 189
Health (Vote 18)	National Health Insurance Indirect Grant	To create an alternative track to improve spending, performance as well as monitoring and evaluation on infrastructure in preparation for National Health Insurance; to enhance capacity and capability to deliver infrastructure for National Health Insurance; to accelerate the fulfilment of the requirements of occupational health and safety; expand the alternative models for the dispensing and distribution of chronic medication; develop and roll-out new health information systems in preparation for National Health Insurance; enable the health sector to address the deficiencies in the primary healthcare facilities systematically to yield fast results through the implementation of the Ideal Clinic programme; to expand the healthcare service benefits through the strategic purchasing of services from healthcare providers.	2 287 864	2 529 308	2 651 879
TOTAL			4 060 134	4 824 409	5 076 068

SCHEDULE 6, PART B

ALLOCATIONS-IN-KIND TO MUNICIPALITIES FOR DESIGNATED SPECIAL PROGRAMMES

Vote	Name of allocation	Purpose	Column A	Column B	
			2020/21	Forward Estimates	
			R'000	2021/22	2022/23
				R'000	R'000
Cooperative Governance (Vote 3)	Municipal Systems Improvement Grant	To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation.	128 248	135 302	140 331
Mineral Resources and Energy (Vote 34)	Integrated National Electrification Programme (Eskom) Grant	To implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure in Eskom licenced areas.	3 001 483	2 994 257	3 688 162
National Treasury (Vote 8)	Neighbourhood Development Partnership Grant (Technical Assistance)	To plan, catalyse, and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's under-served neighbourhoods, generally townships and rural towns.	62 702	94 501	105 784
Water and Sanitation (Vote 41)	(a) Regional Bulk Infrastructure Grant	To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.	3 856 833	3 274 930	3 455 050
	(b) Water Services Infrastructure Grant	Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.	578 806	729 692	771 336
TOTAL			7 628 072	7 228 682	8 160 663

SCHEDULE 7, PART A

UNALLOCATED PROVISIONS FOR PROVINCES FOR DISASTER RESPONSE

Vote	Name of allocation	Purpose	Column A	Column B		
			2020/21	Forward Estimates		
				2021/22	2022/23	
Cooperative Governance (Vote 3)	Provincial Disaster Relief Grant	To provide for the immediate release of funds for disaster response.	R'000	R'000	R'000	
			138 489	146 106	152 984	
Human Settlements (Vote 33)	Provincial Emergency Housing Grant	To provide funding to provinces for provision of temporary shelter assistance to households affected by disasters or a housing emergency; to provide funding to provinces to repair the damage to housing for low-income households following a disaster or housing emergency if the costs of repairs are less than the cost of relocation and provision of temporary shelter.	294 899	311 118	325 764	
TOTAL			433 388	457 224	478 748	

SCHEDULE 7, PART B

UNALLOCATED PROVISIONS FOR MUNICIPALITIES FOR DISASTER RESPONSE

Vote	Name of allocation	Purpose	Column A	Column B		
			2020/21	Forward Estimates		
				2021/22	2022/23	
Cooperative Governance (Vote 3)	Municipal Disaster Relief Grant	To provide for the immediate release of funds for disaster response.	R'000	R'000	R'000	
			353 940	373 407	390 985	
Human Settlements (Vote 33)	Municipal Emergency Housing Grant	To provide funding to municipalities for provision of temporary shelter assistance to households affected by disasters or a housing emergency; to provide funding to municipalities to repair the damage to housing for low-income households following a disaster or housing emergency if the costs of repairs are less than the cost of relocation and provision of temporary shelter.	158 792	167 526	175 412	
TOTAL			512 732	540 933	566 397	

MEMORANDUM ON THE OBJECTS OF THE DIVISION OF REVENUE BILL, 2020

1. BACKGROUND

- 1.1 Section 214(1) of the Constitution of the Republic of South Africa, 1996, (“the Constitution”), requires that an Act of Parliament must provide for—
 - (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
 - (b) the determination of each province’s equitable share of the provincial share of that revenue; and
 - (c) any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and for any conditions on which those allocations may be made.
- 1.2 Section 10 of the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997), requires that, as part of the process of the enactment of the Act of Parliament referred to in paragraph 1.1, each year when the annual budget is introduced, the Minister of Finance must introduce in the National Assembly a Division of Revenue Bill (“the Bill”), for the financial year to which that budget relates.
- 1.3 The Intergovernmental Fiscal Relations Act, 1997, requires that the Bill be accompanied by a memorandum explaining—
 - (a) how the Bill takes account of each of the matters listed in section 214(2)(a) to (j) of the Constitution;
 - (b) the extent to which account was taken of any recommendations of the Financial and Fiscal Commission (“the FFC”), that were submitted to the Minister of Finance or were raised during consultations with the FFC; and
 - (c) any assumptions or formulae used in arriving at the respective shares of the three spheres of government and the division of the provincial share between the nine provinces.
- 1.4 In terms of section 7(4) of the Money Bills and Related Matters Act, 2009 (Act No. 9 of 2009), when tabling the budget, a report must also be tabled that responds to the recommendations made in the reports by the Parliamentary Committees on Finance on the proposed fiscal framework in the Medium Term Budget Policy Statement and the reports by the Committees on Appropriations regarding the proposed division of revenue and the conditional grant allocations to provinces and local government as contained in the Medium Term Budget Policy Statement. The report must explain how the Bill and the national budget give effect to, or the reasons for not taking into account, the recommendations contained in the Committee reports.
- 1.5 The memorandum referred to in paragraph 1.3 is attached to this Memorandum and will also be attached as “Annexure W1” to the Budget Review, and the report referred to in paragraph 1.4 will be tabled with the budget.
- 1.6 The Bill is introduced in compliance with the Constitution, the Intergovernmental Fiscal Relations Act, 1997, and the Money Bills and Related Matters Act, 2009, as set out in paragraphs 1.1 to 1.4.
- 1.7 The allocations contemplated in section 214(1) of the Constitution are set out in the following Schedules to the Bill:
 - *Schedule 1* contains the equitable shares of the three spheres of government;
 - *Schedule 2* sets out provincial equitable share allocations;
 - *Schedule 3* sets out local government equitable share allocations per municipality;

- *Schedules 4 to 7* deal with conditional allocations for provinces and municipalities, including allocations to supplement funding of functions funded from provincial and municipal budgets, specific purpose allocations, allocations-in-kind (indirect transfers to provinces and local government) and the release of funds to provinces and municipalities for immediate response to a disaster.

2. SUMMARY OF BILL

The following is a brief summary of the Bill:

- **Clause 1** contains definitions;
- **Clause 2** sets out the objects of the Bill, which are to provide for the equitable division of revenue raised nationally among the three spheres of government and to promote predictability and certainty in respect of allocations to provinces and municipalities as well as transparency and accountability in the resource allocation process;
- **Clause 3** provides for the equitable division of anticipated revenue raised nationally among the national, provincial and local spheres of government, which is set out in Schedule 1;
- **Clause 4** provides for each province's equitable share, which is set out in Schedule 2, and that it must be transferred in terms of a payment schedule;
- **Clause 5** provides for each municipality's equitable share of revenue, which is set out in Schedule 3 and that it must be transferred on dates specified in clause 5 in amounts as determined in terms of clause 23(2);
- **Clause 6** determines what must happen if actual revenue raised falls short or is in excess of anticipated revenue for the financial year, and allows for additional conditional and unconditional allocations to be made from the national government's portion of the equitable share or excess revenue;
- **Clause 7** provides for conditional allocations to provinces in Part A of Schedules 4 to 7;
- **Clause 8** provides for conditional allocations to municipalities in Part B of Schedules 4 to 7;
- **Clauses 9 and 10** set out the duties of a transferring national officer in respect of Schedules 4, 5 and 6 allocations;
- **Clauses 11 and 12** set out the duties of a receiving officer in respect of Schedules 4, 5 and 7 allocations;
- **Clauses 13 and 14** set out the additional duties of a receiving officer in respect of infrastructure conditional allocations to provinces and to metropolitan municipalities;
- **Clause 15** prescribes the duties in respect of annual financial statements and annual reports for the 2020/21 financial year;
- **Clause 16** requires the publication of certain allocations and all conditional grant frameworks in the *Government Gazette*;
- **Clause 17** requires that spending must only be in accordance with the purpose and subject to the conditions set out in the frameworks for Schedules 4 to 7 allocations, and sets out funding related arrangements if a function partially or fully funded by a conditional grant is assigned by a province to a municipality;
- **Clauses 18 and 19** provide for the withholding and stopping of allocations;
- **Clause 20** provides for the reallocation of funds;

- *Clause 21* provides for the possible conversion of certain allocations in order to prevent under-spending on the allocation, if the affected national or provincial department has demonstrated the capacity to implement projects;
- *Clause 22* provides for the management of unspent conditional allocations;
- *Clauses 23 and 24* provide for payment schedules and their amendment;
- *Clause 25* provides for the recovery of any allocation transferred in error or fraudulently;
- *Clause 26* provides for new allocations during a financial year and the use of funds allocated in Schedule 7;
- *Clause 27* provides for preparations for the 2021/22 and 2022/23 financial years;
- *Clause 28* deals with transfers before the commencement of the Division of Revenue Act for the 2021/22 financial year and the conditions attached to such transfers;
- *Clause 29* sets out the duties of municipalities;
- *Clause 30* sets out the duties and powers of provincial treasuries;
- *Clause 31* sets out the duties and powers of the National Treasury;
- *Clauses 32 to 38* provide for general matters such as liability for costs incurred in violation of principles of co-operative governance and intergovernmental relations, irregular expenditure, financial misconduct, delegations and assignments, departures, the power of the Minister of Finance to make regulations and the transitional measures for the municipal election in 2021;
- *Clause 39* provides for the repeal of laws;
- *Clause 40* provides for the short title and commencement.

3. ORGANISATIONS AND INSTITUTIONS CONSULTED

The following institutions were consulted on the Bill—

- Financial and Fiscal Commission;
- South African Local Government Association; and
- National and provincial departments.

4. FINANCIAL IMPLICATIONS TO THE STATE

This memorandum outlines the proposed division of revenue between the three spheres of government, and the financial implications to the State are the total amounts provided for in the Schedules to the Bill.

5. CONSTITUTIONAL IMPLICATIONS

The Bill gives effect to section 214 of the Constitution.

6. PARLIAMENTARY PROCEDURE

- 6.1 The State Law Advisers and the National Treasury are of the opinion that this Bill must be dealt with in accordance with the procedure prescribed by section 76(1) of the Constitution, since it provides for legislation envisaged in Chapter 13 of the Constitution, and it includes provisions affecting the financial interests of the provincial sphere of government, as contemplated in section 76(4)(b) of the Constitution.

- 6.2 Chapter 4 of the Constitution provides for the procedures that Bills must follow in Parliament. Section 76 of the Constitution provides for parliamentary procedure for ordinary Bills affecting the provinces. In terms of section 76(3) a Bill must be dealt with in accordance with the procedure established by either section 76(1) or (2) if it falls within a functional area listed in Schedule 4.
- 6.3 In *Tongoane and Others v Minister for Agriculture and Land Affairs and Others*, 2010 (8) BCLR 741 (CC) at paragraphs 70 and 72, the Constitutional Court stated that the test for determining how a Bill is to be tagged must be broader than that for determining legislative competence. Whether a Bill is a section 76 Bill is determined in two ways. First by the explicit list of legislative matters in section 76(3), and second by whether the provisions of a Bill in substantial measure fall within a concurrent legislative competence.
- 6.4 This test compels us to consider the substance, purpose and effect of the subject matter of the proposed Bill.
- 6.5 As already pointed out, the Bill provides for legislation envisaged in Chapter 13 of the Constitution. Furthermore, the Bill includes provisions affecting the financial interests of the provincial sphere of government as contemplated in section 76(4)(b) of the Constitution. We are therefore of the opinion that the Bill must be dealt with in accordance with the procedure envisaged by section 76(1) of the Constitution.
- 6.6 The State Law Advisers are of the opinion that it is not necessary to refer this Bill to the National House of Traditional Leaders in terms of section 18(1)(a) of the Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003), since it does not contain provisions pertaining to customary law or the customs of traditional communities.

DIVISION OF REVENUE ATTACHMENTS

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ANNEXURE W1

Explanatory memorandum to the division of revenue

■ Background

Section 214(1) of the Constitution requires that every year a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities. This process takes into account the powers and functions assigned to each sphere, fosters transparency and is at the heart of constitutional cooperative governance.

The Intergovernmental Fiscal Relations Act (1997) prescribes the steps for determining the equitable sharing and allocation of nationally raised revenue. Sections 9 and 10(4) of the act set out the consultation process to be followed with the Financial and Fiscal Commission (FFC), including considering recommendations made regarding the division of revenue.

This explanatory memorandum to the 2020 Division of Revenue Bill fulfils the requirement set out in section 10(5) of the Intergovernmental Fiscal Relations Act that the bill be accompanied by an explanatory memorandum detailing how it takes account of the matters listed in sections 214(2)(a) to (j) of the Constitution, government's response to the FFC's recommendations, and any assumptions and formulas used in arriving at the respective divisions among provinces and municipalities. This memorandum complements the discussion of the division of revenue in Chapter 6 of the *Budget Review*. It has six sections:

- Part 1 lists the factors that inform the division of resources between national, provincial and local government.
- Part 2 describes the 2020 division of revenue.
- Part 3 sets out how the FFC's recommendations on the 2020 division of revenue have been taken into account.
- Part 4 explains the formula and criteria for dividing the provincial equitable share and conditional grants among provinces.
- Part 5 sets out the formula and criteria for dividing the local government equitable share and conditional grants among municipalities.
- Part 6 summarises issues that will form part of subsequent reviews of provincial and local government fiscal frameworks.

The Division of Revenue Bill and its underlying allocations are the result of extensive consultation between national, provincial and local government. The Budget Council deliberated on the matters discussed in this memorandum at several meetings during the year. The approach to local government allocations was discussed with organised local government at technical meetings with the South African Local Government

Association (SALGA), culminating in meetings of the Budget Forum (made up of the Budget Council and SALGA). The division of revenue, and the government priorities that underpin it, was agreed for the next three years at a Cabinet meeting in October 2019.

Part 1: Constitutional considerations

Section 214 of the Constitution requires that the annual Division of Revenue Act be enacted after factors in sub-sections (2)(a) to (j) are taken into account. The constitutional principles considered in the division of revenue are briefly noted below.

National interest and the division of resources

The national interest is captured in governance goals that benefit the nation. The National Development Plan sets out a long-term vision for the country's development, including for economic development, environmental sustainability and building a capable and developmental state. It also sets goals for specific provincial and local government functions, including basic education, health, agriculture, human settlements, electricity, water and sanitation. In the June 2019 State of the Nation Address, the President set out the following seven priorities for this administration:

1. Economic transformation and job creation
2. Education, skills and health
3. Consolidating the social wage through reliable and quality basic services
4. Spatial integration, human settlements and local government
5. Social cohesion and safe communities
6. Building a capable, ethical and developmental state
7. A better Africa and world.

These priorities have informed deliberations in the budget process on how resources will be allocated between the different spheres of government. They will also form the basis of the next five-year implementation plan for the National Development Plan, which is expected to be published by the Department of Planning, Monitoring and Evaluation in 2020.

In the 2019 *Medium Term Budget Policy Statement* (MTBPS), the Minister of Finance outlined how the resources available to government over the 2020 medium-term expenditure framework (MTEF) period would be allocated to help achieve government's goals in a difficult economic environment. Chapter 4 of the 2019 MTBPS and Chapters 5 and 6 of the 2020 *Budget Review* discuss how funds have been allocated across the three spheres of government based on these priorities. The framework for each conditional grant also notes how the grant is linked to the seven priorities.

Provision for debt costs

The resources shared between national, provincial and local government include proceeds from national government borrowing used to fund public spending. National government provides for the resulting debt costs to protect the country's integrity and credit reputation. Chapter 7 of the 2020 *Budget Review* provides a more detailed discussion.

National government's needs and interests

The Constitution assigns exclusive and concurrent powers and functions to each sphere of government. National government is solely responsible for functions that serve the national interest and are best centralised. National and provincial government have concurrent responsibility for a range of functions. Provincial and local government receive equitable shares and conditional grants to enable them to provide basic services and perform their functions. Functions may shift between spheres of government to better meet the country's needs, which is then reflected in the division of revenue. Changes continue to be made to

various national transfers to provincial and local government to improve their efficiency, effectiveness and alignment with national strategic objectives.

Provincial and local government basic services

Provinces and municipalities are responsible for providing education, health, social development, housing, roads, electricity and water, and municipal infrastructure services. They have the autonomy to allocate resources to meet basic needs and respond to provincial and local priorities, while giving effect to national objectives. The division of revenue provides equitable shares to provinces and local government to enable them to meet their basic service obligations. In addition, conditional grants are provided to enable them to improve and expand services.

Over half of non-interest spending is allocated to provinces and local government. These allocations also grow at a faster rate than those to national departments over the 2020 MTEF period, reflecting the priority placed on health, education and basic services, as well as the rising costs of these services as a result of population growth and higher bulk electricity and water costs.

Fiscal capacity and efficiency

National government has primary revenue-raising powers, with it collecting most of the largest taxes such as income taxes, value-added tax, fuel levies and customs and excise duties. The difference between the assignment of revenue-raising powers and spending responsibilities between the spheres of government is compensated for through the transfer of nationally raised revenue to provinces and local government.

Provinces have limited tax-raising powers. Licences for vehicles and gambling are their largest sources of own tax revenue. Provincial functions such as basic education, public healthcare and social welfare do not lend themselves to self-funding or cost recovery. Due to their limited revenue-raising ability, and their responsibility to implement costly services at no or low fees to most recipients, provinces receive a larger share of nationally raised revenue than local government.

Municipalities are assigned significant own revenue-raising powers, including the collection of property rates, which is a tax equivalent to more than 1 per cent of gross domestic product (GDP) and is worth slightly more than nationally collected revenue from customs duties. Municipalities also provide services such as electricity and water, the costs of which can be recovered through tariffs. As a result, local government finances most of its expenditure through property rates, user charges and fees. However, the ability of individual municipalities to raise revenue varies greatly – rural municipalities raise significantly less revenue than large urban and metropolitan municipalities. The design of the local government fiscal framework acknowledges that, as a result of their lower own revenue capacity, many rural municipalities will depend on transfers for most of their funding. The local government equitable share formula incorporates a revenue adjustment factor that considers the fiscal capacity of each recipient municipality (full details of the formula are provided in Part 5 of this annexure). The equitable share also provides funding to enable all municipalities to provide free basic water, electricity, sanitation and waste management services to poor households. To support the expansion of these services, local government's share of nationally raised revenue has increased from 3 per cent in 2000/01 to 8.8 per cent over the 2020 MTEF period.

The mechanisms for allocating funds to provinces and municipalities are regularly reviewed to improve their efficiency. To maximise the impact of allocations, many provincial and local government conditional grants consider the recipient's efficiency in using previous allocations. The reductions in planned transfers over the 2020 MTEF period also took account of past performance of conditional grants, both in terms of their spending levels and their efficiency in meeting their objectives with the funds that were spent.

Developmental needs

Developmental needs are accounted for at two levels. First, in the determination of the division of revenue, which continues to grow the provincial and local government shares of nationally raised revenue faster than inflation, and second, in the formulas used to divide national transfers among municipalities and provinces. Developmental needs are built into the equitable share formulas for provincial and local government and

included in specific conditional grants, such as the *municipal infrastructure grant*, which allocates funds according to the number of households in a municipality without access to basic services. Various infrastructure grants and the capital budgets of provinces and municipalities aim to boost economic and social development.

Economic disparities

The equitable share and infrastructure grant formulas redistribute funds towards poorer provinces and municipalities (parts 4 and 5 of this annexure provide statistics illustrating this). Through the division of revenue, government continues to invest in economic infrastructure (such as roads) and social infrastructure (such as schools, hospitals and clinics) to stimulate economic development, create jobs, and address economic and social disparities.

Obligations in terms of national legislation

The Constitution gives provincial governments and municipalities the power to determine priorities and allocate budgets. National government is responsible for developing policy, fulfilling national mandates, setting national norms and standards for provincial and municipal functions, and monitoring the implementation of concurrent functions.

The 2020 MTEF, through the division of revenue, continues to fund the delivery of provincial, municipal and concurrent functions through a combination of conditional and unconditional grants.

Predictability and stability

Provincial and local government equitable share allocations are based on estimates of nationally raised revenue. If this revenue falls short of estimates within a given year, the equitable shares of provinces and local government will not be reduced. Allocations are assured (voted, legislated and guaranteed) for the first year and are transferred according to a payment schedule. To contribute to longer-term predictability and stability, estimates for a further two years are published with the annual proposal for appropriations. Adjusted estimates as a result of changes to data underpinning the equitable share formulas and revisions to the formulas themselves are phased in to ensure minimal disruption.

Flexibility in responding to emergencies

Government has a contingency reserve for emergencies and unforeseeable events. In addition, four conditional grants for disasters and housing emergencies allow government to swiftly allocate and transfer funds to affected provinces and municipalities in the immediate aftermath of a disaster. Sections 16 and 25 of the Public Finance Management Act (1999) provide for the allocation of funds to deal with emergency situations. Section 30(2) deals with adjustment allocations for unforeseeable and unavoidable expenditure. Section 29 of the Municipal Finance Management Act (2003) allows a municipal mayor to authorise unforeseeable and unavoidable expenditure in an emergency.

Part 2: The 2020 division of revenue

The central fiscal objectives over the MTEF period are to stabilise the growth of debt as a share of GDP and to strictly adhere to the planned expenditure ceiling (see Chapter 3 of the 2020 *Budget Review*). However, the most important public spending programmes that help poor South Africans, contribute to growth and create jobs have been protected from major reductions. The 2020 division of revenue reprioritises existing funds to ensure these objectives are met.

Excluding debt-service costs and the contingency reserve, allocated expenditure shared across government amounts to R1.53 trillion in 2020/21, R1.59 trillion in 2021/22 and R1.65 trillion in 2022/23. The division of these funds between the three spheres takes into account government's spending priorities, each sphere's revenue-raising capacity and responsibilities, and input from various intergovernmental forums and the FFC.

The provincial and local equitable share formulas are designed to ensure fair, stable and predictable revenue shares, and to address economic and fiscal disparities.

Reductions to transfers

The fiscal objectives that determined the spending envelope are set out in Chapter 3 of the 2020 *Budget Review*. Reductions to previously announced spending levels were made across all three spheres of government to fit within the revised expenditure ceiling. The 2019 MTBPS announced that provincial transfers have been reduced by R20.3 billion over the MTEF period and transfers to local government have been reduced by R20.5 billion.

Following the 2019 MTBPS, further changes were made. In total, the provincial equitable share has been reduced by R7.3 billion through a 2 per cent reduction in all non-compensation spending per year and a R5.2 billion reduction in compensation of employees. Direct conditional grants to provinces have been reduced by a net R13.3 billion, as the reduction of R16.2 billion is partly offset by reprioritisations of R2.9 billion. The local government reductions comprise R3.2 billion from the local government equitable share and R16.8 billion in reductions to direct conditional grants.

All direct conditional grants have been lowered, except for the *early childhood development grant* and the *learners with profound intellectual disabilities grant*. To manage the impact on services, the amount reduced from each grant considers:

- Past spending and performance.
- Whether it funds salaries, medicines and food.
- Whether there has been significant real growth in allocations in recent years.

Larger reductions are also made to grants to urban municipalities, which have more capacity to offset the effect of cuts by increasing their own revenue investments. Parts 4 and 5 of this annexure set out in more detail how the changes to the baseline affect provincial and local government transfers.

The proposed changes to the wage bill discussed in Chapter 3 of the *Budget Review* are not yet reflected in the allocations to national and provincial departments shown in the Division of Revenue Bill. Once these changes are agreed in the Public Service Co-ordinating Bargaining Council, they will be implemented in the 2020/21 adjustment budget and 2020 MTBPS. This will reduce the national and provincial shares, and increase the local government share, of the division of revenue in relative terms.

Reprioritisations

To meet policy objectives while remaining within the revised expenditure ceiling, existing budgets need to be reprioritised to meet government's policy goals. Priorities over the 2020 MTEF period that are funded through reprioritisations in the division of revenue include:

- Increasing the per-child subsidy for early childhood development services from R15 per day to R17 per day in 2020/21, rising to R18.57 per day by 2022/23.
- Addressing shortfalls in the funding of community outreach services in the health sector.
- Supporting the continued rollout of free sanitary products to learners from low-income households.
- Repairing wastewater treatment infrastructure in the Vaal River System.

These reprioritisations complement baselines that provide R2.07 trillion to provinces and R426.4 billion to local government in transfers over the 2020 MTEF period. These transfers fund many core policy priorities, including basic education, health, social development, roads, housing and municipal services.

The fiscal framework

Table W1.1 presents the medium-term macroeconomic forecasts for the 2020 Budget. It sets out the growth assumptions and fiscal policy targets on which the fiscal framework is based.

Table W1.1 Medium-term macroeconomic assumptions

R billion/percentage of GDP	2019/20		2020/21		2021/22		2022/23
	2019 Budget	2020 Budget	2019 Budget	2020 Budget	2019 Budget	2020 Budget	2020 Budget
Gross domestic product	5 413.8	5 157.3	5 812.4	5 428.2	6 249.1	5 759.0	6 126.3
Real GDP growth	1.5%	0.6%	1.9%	0.9%	2.1%	1.4%	1.7%
GDP inflation	5.4%	4.2%	5.4%	4.3%	5.3%	4.6%	4.6%
National budget framework							
Revenue	1 403.5	1 344.8	1 505.1	1 398.0	1 632.9	1 484.3	1 580.9
Percentage of GDP	25.9%	26.1%	25.9%	25.8%	26.1%	25.8%	25.8%
Expenditure	1 658.7	1 682.3	1 769.6	1 766.0	1 900.5	1 850.7	1 940.2
Percentage of GDP	30.6%	32.6%	30.4%	32.5%	30.4%	32.1%	31.7%
Main budget balance¹	-255.2	-337.5	-264.4	-368.0	-267.6	-366.4	-359.3
Percentage of GDP	-4.7%	-6.5%	-4.5%	-6.8%	-4.3%	-6.4%	-5.9%

1. A positive number reflects a surplus and a negative number a deficit

Source: National Treasury

Table W1.2 sets out the division of revenue for the 2020 MTEF period after accounting for new policy priorities.

Table W1.2 Division of nationally raised revenue

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
R million		Outcome		Revised estimate	Medium-term estimates		
Division of available funds							
National departments	555 643	592 640	634 322	739 463	757 725	768 870	797 832
of which:							
Indirect transfers to provinces	3 636	3 813	3 909	3 941	4 060	4 824	5 076
Indirect transfers to local government	8 112	7 803	7 770	7 024	7 628	7 229	8 161
Provinces	500 384	538 553	571 954	612 817	649 256	691 951	730 690
Equitable share	410 699	441 331	470 287	505 554	538 472	573 990	607 554
Conditional grants	89 685	97 222	101 667	107 263	110 785	117 962	123 137
Local government	102 867	111 103	118 488	125 020	132 529	142 442	151 445
Equitable share	50 709	55 614	60 758	66 973	74 683	81 062	87 213
Conditional grants	40 934	43 704	45 262	44 879	43 819	46 198	48 147
General fuel levy sharing with metros	11 224	11 785	12 469	13 167	14 027	15 182	16 085
Provisional allocation not assigned to votes ¹	–	–	–	–	-7 786	-16 077	-34 887
Non-interest allocations	1 158 893	1 242 295	1 324 763	1 477 299	1 531 724	1 587 186	1 645 080
Percentage increase	3.9%	7.2%	6.6%	11.5%	3.7%	3.6%	3.6%
Debt-service costs	146 497	162 645	181 849	205 005	229 270	258 482	290 145
Contingency reserves	–	–	–	–	5 000	5 000	5 000
Main budget expenditure	1 305 390	1 404 940	1 506 613	1 682 304	1 765 994	1 850 668	1 940 225
Percentage increase	4.9%	7.6%	7.2%	11.7%	5.0%	4.8%	4.8%
Percentage shares							
National departments	47.9%	47.7%	47.9%	50.1%	49.2%	48.0%	47.5%
Provinces	43.2%	43.4%	43.2%	41.5%	42.2%	43.2%	43.5%
Local government	8.9%	8.9%	8.9%	8.5%	8.6%	8.9%	9.0%

1. Includes proposed compensation reductions, support to Eskom, amounts for Budget Facility for Infrastructure projects and other provisional allocations

Source: National Treasury

Table W1.3 shows how changes to the baseline are spread across government. The new focus areas and baseline reductions are accommodated by shifting savings to priorities.

Table W1.3 Changes over baseline

R million	2020/21	2021/22
National departments	24 597	-8 804
Provinces	-7 858	-9 049
Local government	-5 352	-7 056
Allocated expenditure	11 387	-24 910

Source: National Treasury

Table W1.4 sets out schedule 1 of the Division of Revenue Bill, which reflects the legal division of revenue between national, provincial and local government. In this division, the national share includes all conditional grants to provinces and local government in line with section 214(1) of the Constitution, and the allocations for each sphere reflect equitable shares only.

Table W1.4 Schedule 1 of the Division of Revenue Bill

R million	2020/21 Allocation	2021/22 Forward estimates	2022/23
National ¹	1 152 840	1 195 617	1 245 459
Provincial	538 472	573 990	607 554
Local	74 683	81 062	87 213
Total	1 765 994	1 850 668	1 940 225

1. National share includes conditional grants to provinces and local government, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations

Source: National Treasury

The 2020 *Budget Review* sets out in detail how constitutional considerations and government's priorities are taken into account in the division of revenue. It describes economic and fiscal policy considerations, revenue issues, debt and financing considerations, and expenditure plans. Chapter 6 focuses on provincial and local government financing.

Part 3: Response to the FFC's recommendations

Section 9 of the Intergovernmental Fiscal Relations Act requires the FFC to make recommendations regarding:

- a) "An equitable division of revenue raised nationally, among the national, provincial and local spheres of government;
- b) the determination of each province's equitable share in the provincial share of that revenue; and
- c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations should be made."

The act requires that the FFC table these recommendations at least 10 months before the start of each financial year. The FFC tabled its *Submission for the Division of Revenue 2020/21* to Parliament in May 2019. This year's theme is "reprioritising local government finances". The 2020/21 recommendations cover the following areas: local government financing framework, municipal government capacity building, local government sustainability, infrastructure management and efficiency, investment and developmental challenges in the local government sector.

Section 214 of the Constitution requires that the FFC's recommendations be considered before tabling the division of revenue. Section 10 of the Intergovernmental Fiscal Relations Act requires that the Minister of Finance table a Division of Revenue Bill with the annual budget in the National Assembly. The bill must be accompanied by an explanatory memorandum setting out how government has taken into account the FFC's

recommendations when determining the division of revenue. This part of the explanatory memorandum complies with this requirement.

The FFC's recommendations can be divided into three categories:

- Recommendations that apply directly to the division of revenue
- Recommendations that indirectly apply to issues related to the division of revenue
- Recommendations that do not relate to the division of revenue.

Government's responses to the first and second categories are provided below. Recommendations that do not relate to the division of revenue have been referred to the officials to whom they were addressed – the Minister of Cooperative Governance and Traditional Affairs and the President of SALGA – and they will respond directly to the FFC. All the FFC recommendations can be accessed at www.ffc.co.za.

■ Recommendations that apply directly and indirectly to the division of revenue

Chapter 2: Reviewing the Local Government Fiscal Framework

Supplementary revenue sources for local government

The FFC recommends the following: “The Minister of Finance should take steps (including piloting) to add the following supplementary revenue sources to the list of allowable taxes for different types of municipalities in a differentiated manner that could include the development charges, tourism levies, land value capture mechanisms, tourism levies and fire levies. Fire service levies in particular should be considered for the municipalities that are to be authorised for this function. The greater potential for expansion of own revenue sources in urban areas should be compensated for by changes to the division of revenue to increase transfers to rural areas.”

Government response

Government supports this recommendation. Additional revenue sources to municipalities should be fully explored. Government has prioritised various reforms to supplement the revenue sources of municipalities. These include:

- Amending the Municipal Fiscal Powers and Functions Act (2007) to ensure development charges are uniformly regulated. Government acknowledges that, despite their potential scope to generate substantial revenue and support the provision of infrastructure to unlock growth, development charges have not been fully explored due to lack of clarity on how they should be levied. The legislative amendments contained in the draft Municipal Fiscal Powers and Functions Amendment Bill, published for comment in January 2020, address this challenge.
- Updating the municipal borrowing policy framework to clarify the funding instruments that municipalities are allowed to use to leverage their borrowing. These include, among others, land value capture mechanisms, tax increment financing, project finance and the use of public-private partnerships.

Furthermore, the Municipal Fiscal Powers and Functions Act already allows municipalities to apply to the Minister of Finance to levy additional taxes such as the tourism levies and fire levies recommended by the FFC. The act also allows the Minister of Finance to introduce new municipal taxes on his own initiative. Applications from municipalities to implement new revenue sources provide a good mechanism for piloting new revenue sources like these as it ensures that the pilot municipalities are ready and willing to implement the new taxes. To be considered by the Minister of Finance, an application to introduce additional taxes must include the following:

- What the revenue from the proposed new municipal tax will be used for.

- Its compliance with section 229(2)(a) of the Constitution, which requires that municipal taxes not prejudice national economic policy.
- The tax base, the desired tax rate, people liable for the tax and tax relief measures.
- The tax collecting authority.
- Particulars of any consultations conducted, including consultations with, where applicable, a provincial government, organised local government and municipalities, and the outcomes of the consultations.

Government also agrees that future increases in own revenue collection in urban areas will create scope for government to reduce transfers to these municipalities and use those funds to increase transfers to rural municipalities that have less potential to increase their own revenues. This stance is reflected in the way reductions to transfers have been implemented in the 2020 MTEF, with larger reductions made to urban grants.

Land value capture

The FFC recommends that, “The Minister of Finance should proactively inform municipalities on various land value capture mechanisms that municipalities can take advantage of in order to supplement their current own revenue sources.”

Government response

Government views land value capture mechanisms as strategic funding tools for local government. These mechanisms should be used to augment municipal revenues to fund investment in infrastructure needed to support development. The National Treasury has called on municipalities to use all available options to increase their own revenues for several years in the *Budget Review* and the MTBPS.

Municipalities, including the City of Johannesburg and the City of Cape Town, are already implementing land value capture mechanisms such as tax incremental financing and development rights.

Government agrees that further information can enable more municipalities to take advantage of these mechanisms. It continues to research and analyse various land value capture mechanisms to better advise municipalities on their implementation.

Chapter 3: Municipal Government Capacity Building

Municipal functionality

The FFC recommends that, “The Minister of COGTA, the Minister of Finance and the President of SALGA jointly lead the development of a government-wide accepted definition of ‘municipal functionality’. The definition should be based on the six factors put forward by the Commission: maintenance and performance of systems, processes and practices in governance, service delivery, financial management, leadership, political management, and human resources. Further, they should ensure that the accepted indices for measuring dysfunctionality should be explicit. Indicators of dysfunctionality should be chosen carefully and should exclude factors that are outside the current control of municipality. This definition can be used across government, including in targeting capacity support grants and further differentiating conditional grants.”

Government response

Government supports the proposal of a collaborative process to better understand and define municipal functionality. The Minister of Finance has proposed that a special local government Budget Forum *lekgotla* be held in May or June 2020 to discuss issues affecting the structure of the local government fiscal framework. The proposed agenda for this *lekgotla* includes a discussion on municipal functionality, and officials from the Department of Cooperative Governance, SALGA, the National Treasury and the FFC will work together to prepare options on how municipal viability should be understood and measured.

Capacity building

The FFC recommends that, “Based on an assessment of the specific needs of a municipality, the Minister of Finance and Minister of COGTA jointly, and in consultation with provincial governments, should prioritise technical support for new systems, innovative business process redesign and change management.”

Government response

Government agrees with the recommendation. When new systems, innovative business process redesign and change management are introduced, technical support to local government is necessary. The new municipal Standard Chart of Accounts (mSCOA) is an example of prioritising technical support in implementing new systems. mSCOA significantly changed municipal financial management as it introduced a standard chart of accounts for the first time. This required changes to the way municipalities recorded transactions, so that transactions would be comparable across all municipalities. To facilitate this change, government provided mSCOA training and training manuals, guidelines and an interactive multimedia learning webpage, which is on the National Treasury Municipal Financial Management Act website (mfma.treasury.gov.za).

Government also invests more than R3 billion each year in capacity building and support to local government. In 2019/20, a review of the capacity building and support system of local government was announced. This review will identify overlaps, gaps and duplications and propose systematic measures to rectify them. The main work of the review is expected to be concluded during 2020.

Minimum competency

The FFC recommends that, “The Minister of Finance should conduct regular assessments of the minimum competency regulations to determine their impact and whether there are tangible improvements as a result of complying.”

Government response

Government agrees on the need to review the impact of its programmes and policies. Reviews should take place after an initiative has had sufficient time to have a measurable impact. The Municipal Regulations on Minimum Competency Levels were amended by the Minister of Finance, acting with the agreement of the Minister of Cooperative Governance and Traditional Affairs (COGTA), through a gazette published on 26 October 2018. As such, it is too soon to review the impact of the minimum competency regulations. Their impact will be reviewed in due course.

Chapter 4: Local Government Infrastructure Management and Efficiency

Local government infrastructure management and efficiency

The FFC recommends that, “The Minister of COGTA and the Minister of Finance jointly should, as part of the ongoing local government infrastructure grant reforms, strengthen the linkage between technical project planning processes and budgeting and foster smooth intergovernmental infrastructure coordination, including the following:

- (i) Time-bound plans for consolidating all municipal infrastructure grants into the respective existing sector-specific grants and thereby provide the key sector department with the authority to carry out their infrastructure support mandate;
- (ii) Clarification of roles and responsibilities especially in the delivery of water and electricity services between local municipalities and district municipalities on the one hand, and public entities, including the water authorities and Eskom respectively. With respect to specific local geographic areas, these roles and responsibilities must receive further expression in a Memorandum of Understanding. This will enable more direct targeting of funding for services in the Division of Revenue Act.”

Government response

Government acknowledges the need to consolidate municipal infrastructure grants and to strengthen the linkages between the technical project planning process and the budgeting. The review of local government infrastructure grants has identified consolidation and rationalisation in the number of grants received by each municipality as a key area for reforming the grant system. A number of reforms have been made to the infrastructure grant system in this regard. As early as 2015, two separate public transport grants to cities – one for capital and one for operational expenditures – were merged into a consolidated *public transport network grant*. This began the process of reducing duplication in the grant system. It also enhanced the link between capital investment and the sustainability of ongoing operational costs. This was followed by the rationalisation of four overlapping water and sanitation grants into two grants, each with direct and indirect components. The *regional bulk infrastructure grant* remains a stand-alone grant to fund large bulk-water and sanitation projects. The *municipal water infrastructure grant*, the *water services operating subsidy grant* and the *rural households infrastructure grant* were merged into one grant – the *water services infrastructure grant* – to fund construction and refurbishment of reticulation schemes and on-site services in rural municipalities. This responded to the concerns over duplication and fragmentation in water and sanitation grants. Most recently, the electrification funds for metropolitan municipalities from the *Integrated National Electrification Programme (municipal) grant* were shifted into the *urban settlements development grant*. This responds to several challenges noted by the Department of Mineral Resources and Energy with the grant, including problems in coordinating the timing of projects with the provision of other services and will help reduce the reporting burden for cities.

As the various grants in the system serve different purposes, the consolidation and rationalisation process requires extensive consultation before grants can be merged. Grant consolidation must not adversely affect projects already being implemented through one of the affected grants (for example, as a result of changed conditions in the merged grant). It is therefore not appropriate to set definitive timelines on when grants will be consolidated, but government is committed to achieving the vision of a differentiated grant system that recognises the varying contexts faced by different types of municipalities while reducing the number of separate grants each municipality receives.

Government also agrees that sector departments must carry out their infrastructure support and oversight mandates, whether this is for a sector-specific grant or as part of a consolidated grant that more holistically funds municipal infrastructure investment plans. The Division of Revenue Act (2019) includes new requirements that sector departments must be consulted on their responsibilities with respect to consolidated conditional grants before the draft frameworks are submitted to the National Treasury. This new requirement, which came into effect in preparing the 2020/21 conditional grant frameworks, should strengthen coordination between national departments.

Government agrees that greater clarity on roles and responsibilities in the delivery of water and electricity is needed. Sections 29(2) and (3) of the Division of Revenue Act make provision for district and local municipalities to agree on their respective roles and responsibilities in providing services. Section 29(2) requires that district municipalities providing a service must, before implementing any capital project for water, electricity, roads or other municipal service, consult the local municipalities within whose area of jurisdiction the project will be implemented. Section 29(3) requires that district municipalities ensure they do not duplicate any function provided by a local municipality and must transfer funds for the provision of services to the relevant local municipality providing the service. Section 29(5) requires that district and local municipalities must agree to a payment schedule for funds that must be transferred from the district municipality to the local municipality for functions they perform on behalf of the district municipality. However, the Division of Revenue Act can only allocate transfers to the municipality formally assigned the responsibility for a function. The conclusion of an agreement between the district and local municipalities allows for smoother transfers between them, but would not allow national government to transfer funds directly to a municipality that is not assigned the relevant function.

The Department of Mineral Resources and Energy is developing an electrification master plan, which will provide guidance on which areas should be electrified by Eskom and which by municipalities. However, the

final decision on whether electricity distribution licences are granted to municipalities or Eskom is determined by the National Energy Regulator of South Africa.

Infrastructure inspectorate

The FFC recommends that, “The Minister of COGTA should establish an infrastructure inspectorate through the Municipal Infrastructure Support Agency (MISA) to assess management performance processes and capacity within municipalities to implement grant-funded and non-grant-funded infrastructure projects on a continuous basis.”

The FFC also recommends that, “The MISA inspectorate should undertake infrastructure delivery management capability assessments, quality inspections of new and existing built infrastructure, project management and delivery audits and advise on alternative approaches, materials or technologies for infrastructure delivery through the development of infrastructure blueprints for various types of municipal facilities.”

Finally, the FFC recommends that, “The Minister of COGTA should align inspectorate assessments to the Division of Revenue Bill conditions for allocation, reporting and the disbursement of grants. This must be in line with the recently established Budget Facility for Infrastructure Programme criteria for appraising and budgeting for infrastructure projects.”

Government response

Government acknowledges the need for improved oversight of the implementation of municipal infrastructure projects. The infrastructure inspectorate proposed by the FFC would require significant institutional capacity to implement successfully. As a result, the decision of whether an inspectorate is the best mechanism through which to improve oversight, and whether this capacity should be located in MISA or another institution, needs to be considered carefully. The National Treasury has recommended to MISA that it ask the Department of Planning, Monitoring and Evaluation to conduct a formal review of MISA’s operational efficiency. This independent assessment will identify which activities are improving municipal infrastructure delivery and which are not. This will help us to identify where there is scope to reprioritise resources within MISA to fund new activities such as the work of the proposed inspectorate.

Developments in late 2019 are likely to affect MISA’s ability to implement significant new programmes in the short term. However, this recommendation will be considered further within government during 2020. In the meantime, government will continue to implement measures to review and strengthen municipal capacity building and to improve coordination and project management capacity, as described in the responses to other recommendations.

Shared project management capacity in district municipalities

The FFC recommends that, “The Minister of Finance, jointly with the Minister of COGTA, MECs for Finance and other provincial government departments, should within a district municipality area pull together the various project management resources present from GTAC, MISA, MIG administration and the respective municipal PMUs, to create a shared project management facility to improve the oversight capacity in respect of projects and to protect the financial interest of local government against contractor misconduct.”

Government response

Government agrees on the importance of improving the coordination of infrastructure delivery. President Ramaphosa launched pilots of the district development model in O.R. Tambo District Municipality, eThekweni Metropolitan Municipality and Waterberg District Municipality. The model aims to develop and implement One Plan for each district or metropolitan area that coordinates the efforts of different stakeholders within the respective municipality. This includes better coordination of project management capacity, as recommended by the FFC.

To complement efforts to improve project implementation, government is also investing in improved capacity to prepare projects. Sound project preparation will make implementation much smoother. Additional support and funding for project preparation is being made available through a new facility at the Development Bank of Southern Africa, established in support of the Infrastructure Fund. Government has also introduced dedicated grant funding for project preparation in metropolitan municipalities (this may be extended to other municipalities in future). From 2020/21, metropolitan municipalities will be funded for infrastructure project and programme preparation costs through the *integrated city development grant*, on condition that they meet certain requirements with respect to their project and programme preparation and authorisation processes and that they contribute funds from their own resources.

Part 4: Provincial allocations

Provincial government receives two forms of allocations from nationally raised revenue, the equitable share and conditional grants. Sections 214 and 227 of the Constitution require that an equitable share of nationally raised revenue be allocated to provincial government to provide basic services and perform its allocated functions. The equitable share is an unconditional transfer to provinces and constitutes their main source of revenue. Due to their limited revenue-raising abilities, provinces receive 43 per cent of nationally raised revenue. In addition, they receive conditional grants to help them fulfil their mandates. Transfers to provinces account for over 90 per cent of provincial revenue.

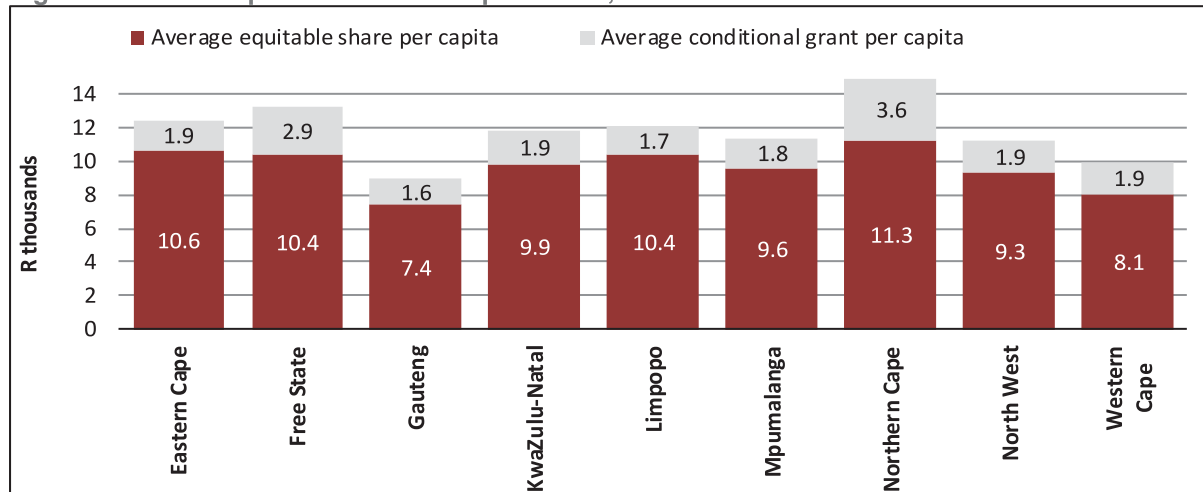
This section outlines national transfers to provinces for the 2020 MTEF period, including the fiscal consolidation measures announced in the 2019 MTBPS, as well as other changes that were effected after it was tabled, both to the equitable share and conditional grants. Having taken the revisions to the provincial fiscal framework into account, national transfers to provinces increase from R612.2 billion in 2019/20 to R649.3 billion in 2020/21. Over the MTEF period, provincial transfers will grow at an average annual rate of 6 per cent to R730.7 billion in 2022/23. Table W1.5 sets out the transfers to provinces for 2020/21. A total of R538.5 billion is allocated to the provincial equitable share and R110.8 billion to conditional grants.

Table W1.5 Total transfers to provinces, 2020/21

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	71 415	12 488	83 903
Free State	30 017	8 239	38 256
Gauteng	112 118	23 935	136 053
KwaZulu-Natal	111 442	22 011	133 453
Limpopo	62 329	9 890	72 219
Mpumalanga	44 105	8 312	52 417
Northern Cape	14 290	4 542	18 832
North West	37 548	7 743	45 291
Western Cape	55 208	13 191	68 398
Unallocated	–	433	433
Total	538 472	110 785	649 256

Source: National Treasury

The provincial fiscal framework takes account of the different pressures facing each province and allocates larger per capita allocations to poorer provinces, and provinces with smaller populations.

Figure W1.1 Per capita allocations to provinces, 2020/21

Source: National Treasury

Changes to provincial allocations

For the 2020 MTEF, revisions to the provincial fiscal framework reflect a combination of fiscal consolidation reductions and reprioritisations in order to respond to the fiscal pressures faced by government while ensuring that provinces are able to deliver on their mandates. Table W1.6 provides a summary of the changes to the provincial fiscal framework.

The proposed changes to the wage bill discussed in Chapter 3 of the *Budget Review* are not yet reflected in the allocations to provinces in this annexure. Once effected, they will result in reductions to the provincial equitable share in the 2020/21 adjustment budget. These reductions will be fully offset by lower compensation spending by provinces as a result of the revised wage agreement.

Table W1.6 Revisions to direct and indirect transfers to provincial government

R million	2020/21	2021/22	2022/23	MTEF total revision
Technical adjustments	-2 503	-2 669	-	-5 172
Direct transfers	-1 930	-1 997	666	-3 261
Provincial equitable share: grant reprioritisations	121	145	123	390
Provincial equitable share: CPI inflation adjustment	-2 503	-2 669	-	-5 172
Ilima/Letsema projects	-36	-	-	-36
Health facility revitalisation grant	199	6	-	205
HIV, TB, malaria and community outreach	223	456	475	1 154
Human papillomavirus vaccine	-223	-235	-244	-702
National health insurance grant: health professionals	289	300	311	900
Human settlements development	3 015	-	-	3 015
Informal settlements upgrading partnership	-3 015	-	-	-3 015
Indirect transfers	-573	-672	-666	-1 911
Ilima/Letsema indirect	36	-	-	36
National health insurance indirect	-609	-672	-666	-1 947
Additions to baselines	656	794	944	2 393
Direct transfers	656	794	944	2 393
Provincial equitable share	293	320	362	976
Early childhood development	362	473	582	1 418
Reductions to baselines	-6 930	-8 025	-9 295	-24 251
Direct transfers	-6 584	-7 846	-9 087	-23 517
Provincial equitable share	-2 349	-2 452	-2 524	-7 325
Comprehensive agricultural support programme	-154	-194	-233	-581
Ilima/Letsema projects	-31	-39	-48	-118
Land care programme: poverty relief and infrastructure development	-4	-5	-7	-17
Community library services	-105	-95	-83	-283
Education infrastructure	-459	-616	-775	-1 850
HIV and AIDS (life skills education)	-24	-27	-34	-85
Maths, science and technology	-12	-13	-14	-39
National school nutrition programme	-30	-40	-53	-123
HIV, TB, malaria and community outreach	-244	-278	-291	-812
Health facility revitalisation	-191	-206	-216	-612
Statutory human resources, training and development	-11	-67	-70	-147
National tertiary services	-	-148	-156	-304
Human settlements development	-2 331	-1 984	-2 402	-6 717
Informal settlements upgrading partnership	-	-432	-453	-885
Expanded public works programme integrated grants for provinces	-42	-49	-51	-142
Social sector expanded public works programme incentive for provinces	-41	-48	-50	-139
Mass participation and sport development	-57	-69	-75	-201
Provincial roads maintenance	-500	-1 084	-1 258	-2 841
Public transport operations	-	-	-295	-295
Indirect transfers	-346	-179	-208	-734
School infrastructure backlogs	-33	-44	-46	-123
National health insurance indirect	-314	-135	-162	-611
Total change to provincial government allocations				
Change to direct transfers	-7 858	-9 049	-7 477	-24 385
Change to indirect transfers	-920	-851	-874	-2 644
Net change to provincial government allocations	-8 778	-9 900	-8 351	-27 029

Source: National Treasury

Transfers to provincial governments are reduced by R27 billion over the 2020 MTEF period, of which direct transfers are reduced by R24.4 billion and indirect transfers are reduced by R2.6 billion.

The 2019 MTBPS announced a reduction of R7.3 billion in the provincial equitable share over the MTEF period, which is equivalent to 2 per cent of non-compensation expenditure funded by the equitable share. More recently, the effect of lower estimates of consumer price index inflation on projected compensation spending have allowed a further reduction of R2.5 billion in 2020/21 and R2.7 billion in 2021/22 from the provincial equitable share.

For the 2020 MTEF period, there are several increases to the provincial equitable share as a result of reprioritisations. To continue rolling out the Sanitary Dignity Programme, which was introduced in the 2019 MTEF period, R652 million has been added. A total of R398 million has been reprioritised from national government to provinces to continue to employ social workers in areas with high levels of gender-based violence, substance abuse and social problems affecting children, and an additional R315 million has been reprioritised to continue supporting non-profit organisations in implementing social behaviour change programmes to address social and structural drivers of HIV, TB and sexually transmitted infections. Further details of these allocations are contained in the provincial equitable share section, under the description of allocations made outside the formula. Where funds have been reprioritised from provincial conditional grants, these changes are reflected as technical adjustments in Table W1.6, while funds reprioritised from allocations to other spheres are shown as additions to the provincial fiscal framework.

Several technical adjustments to conditional grants are shown in Table W1.6. In the 2019/20 adjustment budget, an indirect *Ilima/Letsema grant* was created to fund the National Food and Nutrition Survey, conducted by the Human Sciences Research Council, which will benefit provinces and national government. This survey will establish a baseline for poverty and food security that can be used to improve the targeting of poverty-relief programmes. This indirect grant will continue in 2020/21 and R36 million has been shifted from the direct *Ilima/Letsema projects grant* to the newly created indirect component to complete the survey. The 2019/20 adjustment budget announced that the contracting of health professionals to implement national health insurance would shift from being funded through the *national health insurance indirect grant* to being funded through the direct *national health insurance grant*. This shift continues over the 2020 MTEF period, and R900 million is allocated to this grant over the three years. Funds for the completion of a project in Limpopo have been shifted from the *national health insurance indirect grant* to the direct *health facility revitalisation grant*. The introduction of a separate *informal settlements upgrading partnership grant* has been delayed until 2021/22, so the indicative baseline for this grant in 2020/21 has been shifted back to the *human settlements development grant*.

Over the 2020 MTEF period, R1.4 billion has been added to the *early childhood development grant* to increase the subsidy paid for children receiving early childhood development services and to provide for additional children to access these services. Several reprioritisations and technical changes to conditional grants that were announced in the 2019 MTBPS will be implemented over the 2020 MTEF period. These include a reprioritisation of R255 million over the MTEF period from the *comprehensive agricultural support grant* to the Department of Agriculture, Land Reform and Rural Development to support animal and plant health to sustain exports. The funds will be used to improve laboratory capacity, border control and inspections by the national department. Funds are also reprioritised out of the *human settlements development grant* to support efforts to address pollution in the Vaal River system.

Reductions to provincial conditional grants, made as part of the fiscal consolidation announced in the 2019 MTBPS, were determined taking account of the factors described in Part 2 of this annexure. The details are discussed under individual grants. The *provincial roads maintenance grant* has been reduced by R500 million in 2020/21 and this amount has been set aside as a provisional allocation to fund disaster recovery projects.

Including all of the additions, reductions and technical changes, the provincial equitable share grows at an average annual rate of 6.3 per cent over the MTEF period, while direct conditional grant allocations grow at an average annual rate of 4.7 per cent.

The provincial equitable share

The equitable share is the main source of revenue through which provinces are able to meet their expenditure responsibilities. To ensure that allocations are fair, the equitable share is allocated through a formula using objective data to reflect the demand for services across all nine provinces. For each year of the 2020 MTEF period, the following amounts are allocated to the provincial equitable share respectively: R538.5 billion, R574 billion and R607.6 billion.

The equitable share formula

The equitable share formula consists of six components that account for the relative demand of services and take into consideration the change of demographics in each of the provinces. The structure of the two largest components, education and health, is based on the demand and the need for education and health services. The other four components enable provinces to perform their other functions, taking into consideration population size of each province, the proportion of poor residents in each province, the level of economic activity and the costs associated with running a provincial administration. For the 2020 MTEF, the formula has been updated with data from Statistics South Africa's 2019 mid-year population estimates on population and age cohorts and the 2019 preliminary data published by the Department of Basic Education on school enrolment from the Learner Unit Record Information and Tracking System (LURITS) database. Data from the health sector, the 2018 General Household Survey for medical aid coverage and the Risk Equalisation Fund for the risk-adjusted capitation index is also used to update the formula. Allocation changes tend to mirror shifts in population across provinces, which result in changes in the relative demand for public services across these areas. The impact of these data updates on the provincial equitable shares will be phased in over three years (2020/21 – 2022/23).

The provincial equitable share formula continues to be reviewed. Further details of this review are discussed in Part 6.

Summary of the formula's structure

The formula's six components, shown in Table W1.7, capture the relative demand for services across provinces and take into account specific provincial circumstances. The components are neither indicative budgets nor guidelines as to how much should be spent on functions. Rather, the education and health components are weighted broadly in line with historical expenditure patterns to indicate relative need. Provincial executive councils determine the departmental allocations for each function, taking into account the priorities that underpin the division of revenue.

For the 2020 Budget, the formula components are set out as follows:

- An *education component* (48 per cent), based on the size of the school-age population (ages five to 17) and the number of learners (Grades R to 12) enrolled in public ordinary schools.
- A *health component* (27 per cent), based on each province's risk profile and health system caseload.
- A *basic component* (16 per cent), derived from each province's share of the national population.
- An *institutional component* (5 per cent), divided equally between the provinces.
- A *poverty component* (3 per cent), based on income data. This component reinforces the redistributive bias of the formula.
- An *economic activity component* (1 per cent), based on regional gross domestic product (GDP-R, measured by Statistics South Africa).

Table W1.7 Distributing the equitable shares by province, 2020 MTEF

	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted average
	48.0%	27.0%	16.0%	3.0%	1.0%	5.0%	100.0%
Eastern Cape	14.0%	12.3%	11.4%	14.9%	7.7%	11.1%	13.0%
Free State	5.3%	5.3%	4.9%	5.1%	5.0%	11.1%	5.5%
Gauteng	19.4%	24.0%	25.8%	18.7%	34.3%	11.1%	21.4%
KwaZulu-Natal	21.6%	20.5%	19.2%	21.8%	16.0%	11.1%	20.3%
Limpopo	12.7%	10.2%	10.2%	13.5%	7.3%	11.1%	11.5%
Mpumalanga	8.4%	7.5%	7.8%	9.3%	7.5%	11.1%	8.2%
Northern Cape	2.3%	2.1%	2.2%	2.2%	2.1%	11.1%	2.6%
North West	6.8%	6.7%	6.9%	8.2%	6.5%	11.1%	7.0%
Western Cape	9.5%	11.4%	11.6%	6.4%	13.6%	11.1%	10.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: National Treasury

Education component (48 per cent)

The education component has two sub-components, accounting for school-age population (five to 17 years) and enrolment data. Each element is assigned a weight of 50 per cent.

In 2018/19, the data source for enrolment numbers was changed as part of the review of the provincial equitable share, from the SNAP survey to the Department of Basic Education's data collection system, LURITS. The LURITS system allows data to be verified and learners' progress to be tracked throughout their school careers. It also allows for duplicates and repetitions to be detected, improving the integrity of the numbers that are reported. When the changes were implemented in the 2018 MTEF, the data was phased in over three years, with the 2018 MTEF and the 2019 MTEF enrolment numbers including data from the old SNAP survey. This phased approach is now complete, and from 2020/21 only the LURITS data is used to update learner enrolment numbers.

As a result of the review of the formula, the data used for the school-age population sub-component has also changed. From 2019/20, the use of Statistics South Africa's annual mid-year population estimates for the five-year-old to 17-year-old age cohort is being phased in. This data is updated yearly, unlike the 2011 Census data, which was used to update the school-age population previously. This will help limit the shocks of updating the sub-component after a lag between Census updates. This change is being phased in over three years, ending in 2021/22. In 2020/21, the data used to update the age cohort sub-component takes two thirds of its data from the mid-year population estimates and one third from the 2011 Census. From 2021/22, the data used comes only from the mid-year population estimates. Table W1.8 shows how this phase-in is calculated and the age cohort numbers used in the formula.

Table W1.8 Age-cohort sub-component, data phase-in, 2020 MTEF

	2011 Census Ages 5-17	Mid-year population estimates (MPYE): Ages 5-17			Blended data used in provincial equitable share formula	
		2018	2019	Change	2020/21 (1/3 Census, 2/3 MYPE)	2021/22 (MYPE data only)
Thousand						
Eastern Cape	1 856	1 865	1 881	16	1 873	1 881
Free State	657	725	714	-11	695	714
Gauteng	2 232	2 913	2 941	28	2 704	2 941
KwaZulu-Natal	2 759	2 959	2 924	-35	2 869	2 924
Limpopo	1 536	1 626	1 644	18	1 608	1 644
Mpumalanga	1 054	1 156	1 149	-7	1 117	1 149
Northern Cape	289	305	305	1	300	305
North West	825	993	990	-2	935	990
Western Cape	1 175	1 405	1 425	20	1 341	1 425
Total	12 383	13 945	13 974	28	13 443	13 974

Source: National Treasury

Table W1.9 shows the combined effect of updating the education component with new enrolment and age cohort data on the education component shares.

Table W1.9 Impact of changes in school enrolment on the education component share

	Age 5-17	School enrolment		Changes in enrolment data	Weighted average		Difference in weighted average
		2018 (phased-in)	2019 LURITS		2019 MTEF	2020 MTEF	
Thousand							
Eastern Cape	1 873	1 882	1 841	-40	14.5%	14.0%	-0.48%
Free State	695	696	714	18	5.3%	5.3%	-0.01%
Gauteng	2 704	2 360	2 440	80	18.7%	19.4%	0.74%
KwaZulu-Natal	2 869	2 852	2 841	-11	22.0%	21.6%	-0.46%
Limpopo	1 608	1 753	1 753	-0	12.9%	12.7%	-0.18%
Mpumalanga	1 117	1 069	1 095	26	8.4%	8.4%	-0.01%
Northern Cape	300	293	298	5	2.3%	2.3%	-0.02%
North West	935	832	852	21	6.6%	6.8%	0.11%
Western Cape	1 341	1 125	1 186	60	9.2%	9.5%	0.33%
Total	13 443	12 862	13 021	159	100.0%	100.0%	-

Source: National Treasury

Health component (27 per cent)

The health component uses a risk-adjusted capitation index and output data from public hospitals to estimate each province's share of the health component. These methods work together to balance needs (risk-adjusted capitation) and demands (output component).

The health component is presented in three parts below. Table W1.10 shows the shares of the risk-adjusted component, which accounts for 75 per cent of the health component.

Table W1.10 Risk-adjusted sub-component shares

Thousand	Mid-year population estimates	Insured population	Risk- adjusted index	Weighted population	Risk-adjusted shares		Change
	2019	2018			2019	2020	
Eastern Cape	6 712	10.0%	96.9%	5 851	11.9%	11.9%	0.05%
Free State	2 887	16.2%	103.3%	2 498	5.4%	5.1%	-0.32%
Gauteng	15 176	23.9%	105.4%	12 175	24.2%	24.8%	0.54%
KwaZulu-Natal	11 289	12.4%	98.9%	9 781	20.5%	19.9%	-0.59%
Limpopo	5 983	8.2%	91.6%	5 033	10.1%	10.2%	0.10%
Mpumalanga	4 592	12.6%	95.7%	3 841	7.8%	7.8%	0.05%
Northern Cape	1 264	16.1%	100.7%	1 068	2.2%	2.2%	0.02%
North West	4 027	13.5%	102.2%	3 561	7.2%	7.2%	0.09%
Western Cape	6 844	25.1%	104.0%	5 333	10.8%	10.9%	0.06%
Total	58 775	–	–	49 141	100.0%	100.0%	–

Source: National Treasury

The risk-adjusted sub-component estimates a weighted population in each province using the risk-adjusted capitation index, which is calculated using data from the Council for Medical Schemes' Risk Equalisation Fund. The percentage of the population with medical insurance, based on the 2018 General Household Survey, is deducted from the 2019 mid-year population estimates to estimate the uninsured population per province. The risk-adjusted index, which is an index of each province's health risk profile, is applied to the uninsured population to estimate the weighted population. Each province's share of this weighted population is used to estimate their share of the risk-adjusted sub-component. The column on the right in Table W1.10 shows the change in this sub-component between 2019 and 2020.

Table W1.11 Output sub-component shares

Thousand	Primary healthcare visits				Hospital workload patient-day equivalents			
	2017/18	2018/19	Average	Share	2017/18	2018/19	Average	Share
Eastern Cape	16 418	16 606	16 512	13.8%	4 328	4 388	4 358	13.5%
Free State	5 462	5 299	5 381	4.5%	1 976	2 126	2 051	6.3%
Gauteng	21 132	20 905	21 019	17.6%	7 315	7 467	7 391	22.9%
KwaZulu-Natal	28 403	28 525	28 464	23.8%	7 055	7 143	7 099	22.0%
Limpopo	14 858	14 336	14 597	12.2%	3 014	3 010	3 012	9.3%
Mpumalanga	9 160	9 253	9 207	7.7%	1 992	1 898	1 945	6.0%
Northern Cape	2 689	2 719	2 704	2.3%	563	573	568	1.8%
North West	7 455	7 446	7 450	6.2%	1 573	1 610	1 592	4.9%
Western Cape	14 140	14 083	14 111	11.8%	4 344	4 297	4 321	13.4%
Total	119 717	119 173	119 445	100.0%	32 161	32 512	32 336	100.0%

Source: National Treasury

The output sub-component (shown in Table W1.11) uses patient load data from the District Health Information Services. The average number of visits to primary healthcare clinics in 2017/18 and 2018/19 is calculated to estimate each province's share of this part of the output component, which makes up 5 per cent of the health component. For hospitals, each province's share of the total patient-day equivalents at public hospitals in 2017/18 and 2018/19 is used to estimate their share of this part of the output sub-component, making up 20 per cent of the health component. In total, the output component is 25 per cent of the health component.

Table W1.12 shows the updated health component shares for the 2020 MTEF period.

Table W1.12 Health component weighted shares

	Risk-adjusted	Primary healthcare	Hospital component	Weighted shares		Change
Weight	75.0%	5.0%	20.0%	2019	2020	
Eastern Cape	11.9%	13.8%	13.5%	12.3%	12.3%	-0.02%
Free State	5.1%	4.5%	6.3%	5.4%	5.3%	-0.07%
Gauteng	24.8%	17.6%	22.9%	23.6%	24.0%	0.47%
KwaZulu-Natal	19.9%	23.8%	22.0%	21.0%	20.5%	-0.53%
Limpopo	10.2%	12.2%	9.3%	10.1%	10.2%	0.08%
Mpumalanga	7.8%	7.7%	6.0%	7.4%	7.5%	0.00%
Northern Cape	2.2%	2.3%	1.8%	2.1%	2.1%	-0.00%
North West	7.2%	6.2%	4.9%	6.7%	6.7%	0.05%
Western Cape	10.9%	11.8%	13.4%	11.4%	11.4%	0.02%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	–

Source: National Treasury

Basic component (16 per cent)

The basic component derives from each province's share of the national population. This component constitutes 16 per cent of the total equitable share. For the 2020 MTEF, population data is drawn from the 2019 mid-year population estimates produced by Statistics South Africa. Table W1.13 shows how population changes have affected the basic component's revised weighted shares.

Table W1.13 Impact of the changes in population on the basic component shares

	Mid-year population estimates		Population change	% population change	Basic component shares		Change
Thousand	2018	2019			2019 MTEF	2020 MTEF	
Eastern Cape	6 523	6 712	190	2.9%	11.3%	11.4%	0.12%
Free State	2 954	2 887	-67	-2.3%	5.1%	4.9%	-0.21%
Gauteng	14 717	15 176	459	3.1%	25.5%	25.8%	0.33%
KwaZulu-Natal	11 385	11 289	-96	-0.8%	19.7%	19.2%	-0.51%
Limpopo	5 797	5 983	185	3.2%	10.0%	10.2%	0.14%
Mpumalanga	4 524	4 592	68	1.5%	7.8%	7.8%	-0.02%
Northern Cape	1 226	1 264	38	3.1%	2.1%	2.2%	0.03%
North West	3 979	4 027	48	1.2%	6.9%	6.9%	-0.04%
Western Cape	6 621	6 844	223	3.4%	11.5%	11.6%	0.17%
Total	57 726	58 775	1 049	–	100.0%	100.0%	–

Source: National Treasury

Institutional component (5 per cent)

The institutional component recognises that some costs associated with running a provincial government and providing services are not directly related to the size of a province's population or factors included in other components. It is therefore distributed equally between provinces, constituting 5 per cent of the total equitable share, of which each province receives 11.1 per cent. This component benefits provinces with smaller populations, especially the Northern Cape, the Free State and the North West, because the allocation per person for these provinces is much higher in this component.

Poverty component (3 per cent)

The poverty component introduces a redistributive element to the formula and is assigned a weight of 3 per cent. For this component, the poor population is defined as people who fall into the lowest 40 per cent of household incomes in the 2010/11 Income and Expenditure Survey. The estimated size of the poor population in each province is calculated by multiplying the proportion of people in that province who fall