ANNEXURE G

Frequently Asked Questions: National Treasury Funding for ERP & VEP

<u>Funding Responsibilities</u>

1. Which costs associated with the ERP and VEP will be funded centrally by National Treasury (NT)?

National Treasury will centrally fund the following three items:

- The cost of the **pension penalty waiver** (for the ERP, ages 55-59).
- The cost associated with the **additional financial incentive** (for both the ERP and VEP).

2. What costs must the department cover from its own baseline budget?

Departments are responsible for funding the following costs from within their own baselines:

- Pro-rata Service Bonus.
- Balance of Capped Leave.
- Unused current annual/vacation leave.
- Resettlement Costs, where applicable.
- All other costs associated with the programme

3. How is the NT-funded financial incentive calculated?

The incentive is calculated differently for the two groups:

- **Incentivised ERP (Ages 55-59):** Two weeks' basic salary for each of the first twenty (20) completed years of pensionable service, plus one week's basic salary for each completed year of pensionable service thereafter.
- **Voluntary Exit Incentive (Ages 60-63):** Two weeks' basic salary for each of the first ten (10) completed years of pensionable service, plus one week's basic salary for each completed year of pensionable service thereafter.

4. For which financial years is this central funding available?

The central funding provision from National Treasury is available for the 2025/26 and 2026/27 financial years.

5. How will departments receive this funding?

Funding for departments will be managed through the division of revenue process. The approved funds will be allocated as a **ring-fenced allocations** with specific conditions attached. Provincial Treasuries must submit the consolidated approved cases to NT.

Funding Conditions and Savings

6. What are the conditions for receiving this funding from National Treasury?

Funding is provided on the condition that the savings realised from the ERP are **utilised for the realignment of human resource planning** and to assist departments in managing their compensation of employees spending pressures.

7. Do departments have to surrender the savings from these exits back to the National Revenue Fund?

No. Departments and government components will not be expected to surrender any savings realised from the ERP process.

8. What happens if a department receives NT funding but fails to use the savings as required?

If a department fails to use the realised savings to deal with its spending pressures, **National Treasury will institute steps to recover the funds** allocated. This recovery will be done from the department's MTEF baseline through the budget process.

9. Can a department run the ERP without applying for NT funding?

Yes. Departments that do not wish to comply with the NT funding conditions may implement the ERP by **bearing all the associated costs** (including the pension penalty and incentive) from their own baselines.

10. To realise savings, are there any conditions on replacing posts that become vacant?

Yes. If replacements are necessary, departments are urged to:

- Prioritise employees for exit who are at the **top-end scales** of salary notches (salary notch level 8 and above) to realise savings.
- Make new appointments on the **first salary notches** when filling vacancies that emanate from the exit exercise.

Application and Monitoring Process (NT-Specific)

11. Will all departments that apply receive funding?

Not necessarily. Priority for funding will be given to those departments that are experiencing significant pressures within their compensation budgets.

12. What must a department submit to National Treasury to apply for funding?

Departments must submit a comprehensive motivation and an ERP plan. This submission must detail:

- The number of eligible employees and their remuneration costs.
- Estimated savings from the ERP and the **planned utilisation** of those savings.

- A cost-benefit analysis for each case.
- An assessment of net savings.
- A list of posts that exited and a list of vacant posts that are filled.

13. When must departments submit their lists of approved cases to NT for funding?

There are two phases for submission:

- **For the 2025/2026 financial year:** Departments must submit names of approved cases to NT from **1 December 2025**.
- **For the 2026/2027 financial year:** Departments must submit names of approved cases to NT after the closure of the application process, from **1 October 2026**.

14. How will National Treasury monitor the implementation and use of funds?

Departments are required to:

- Provide frequent updates to the relevant Treasury Budget Analyst.
- Submit a **full progress report to NT on a quarterly basis**.

ERP Budgeted allocations

15. How much has National Treasury budgeted for the ERP and what does it cover?

National Treasury has budgeted **R5.5 billion** for the entire ERP over 2025/26 and 2026/27. The R5.5 billion covers the financial incentives to eligible employees. Separate to this, the National Treasury will also cover the cost associated with the pension penalties however, these cost will be settled on behalf of affected departments directly with the GEPF.

16. Will National Treasury provide further funding as it relates to the ERP?

Given the current ERP in its current form, the provisional funding only allows for a target of 15 000 eligible employees. Any further funding as it relates to the ERP will depend on the successful achievement of the programme objectives and will have to be evaluated at a later stage.