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Inclusive growth and development

Introduction to the 2011 Budget

South Africans rightly want a faster pace of development and social progress. Though much has been done since 1994 to extend public services and dismantle barriers from the past, there is widespread frustration that poverty persists, inequality remains high and transformation is sluggish.

South Africans want a faster pace of development and social progress

Around the world there are related markers of discontent. The global financial crisis and subsequent recession have exposed vulnerabilities and structural imbalances in major economies. Income levels have diverged sharply in many countries. Anger over inequality has played a role in sparking social mobilisation in societies that have repressed dialogue and political participation for a generation. While rapid growth in leading emerging economies has raised living standards for many, it has heightened pressure on global resources. The international community confronts difficult questions about trade and financial flows, climate change, access to commodities, social mobility and remuneration trends.

Worldwide discontent fuelled by inequality

Access to opportunity in South Africa is no longer cast rigidly along racial lines, but for poor communities the barriers to progress still seem insurmountable. Marginalised communities around the world now have access to advanced information technology and aspire to a better life, yet stable earning opportunities, income security and modern infrastructure amenities remain out of reach for hundreds of millions of people.

The New Growth Path

We are living through a sea change in the world economy, and every nation has to chart its own course. For South Africa to achieve a more inclusive and equitable economic future, rapid progress is needed on

Every nation has to chart its own course several fronts. Government has set out five priorities: education, health care, fighting crime, rural development and creating jobs. These, in turn, are reflected in 12 outcomes adopted by Cabinet.

The Cabinet outcomes

• High-quality basic education • Improved health and life expectancy • Greater public protection and safety • More rapid employment creation and inclusive growth • A skilled and capable workforce • Efficient economic infrastructure networks • Vibrant rural communities and food security	• Sustainable human settlements and improved quality of household life • Responsive and accountable local government • Protection of environmental assets and natural resources • International cooperation for a better and safer world • A development-oriented public service and inclusive citizenship

'The creation of decent work is at the centre of our economic policies. We urge every sector and every business entity … to focus on job creation'
– President Jacob Zuma

This wide-ranging programme has been translated into detailed delivery agreements and targets for national and provincial departments, agencies and municipalities. While these commitments address government's broad mandate, the New Growth Path identifies a single encompassing objective of public policy: for the period ahead, employment creation will be the principal barometer of South Africa's progress.

Job creation is an outcome of business investment and a thriving enterprise economy, as well as government activities and the regulatory environment. The New Growth Path will mobilise the public and private sectors to meet the goal of creating 5 million jobs over the decade ahead. The 2011 Budget sets out a series of proposals to accelerate job creation, including a youth employment subsidy and a Jobs Fund. Several complementary aspects are elaborated on in this *Budget Review:*

- Education and skills development are the first priority in government expenditure allocations, boosted over the medium-term expenditure framework (MTEF) period through additional allocations for further education colleges, student financial assistance, school buildings and facilities, and learner support materials.
- Investment in infrastructure of more than R800 billion is planned over the next three years. Building the power plants, ports, pipelines, roads, water and sanitation infrastructure that the country needs is central to economic growth. Improved maintenance of roads and other facilities is also critical, and will contribute significantly to job creation.
- Social security reforms will be phased in over the period ahead. Proposals for alignment of social security arrangements and retirement savings arrangements will be tabled this year. Meanwhile, the 2011 Budget takes the first steps in implementing national health insurance (NHI) as part of the Minister of Health's 10-point plan for restructuring public health.
- In response to a request from Parliament, the National Treasury has prepared draft fiscal policy guidelines for consideration, based on the principles of stability over the business cycle, a sustainable public debt level and inter-generational fiscal equity.

Highlights of the 2011 Budget

Towards inclusive growth and equitable development

- South Africa's New Growth Path aims to create 5 million jobs over the decade ahead
- Education and skills development remain top priorities in government expenditure
- Investment in infrastructure of over R800 billion over the next three years
- Phased implementation of social security and national health insurance reform
- Key fiscal policy guidelines: stability over the business cycle, sustainability and inter-generational equity

Economic recovery and employment

- Economic growth of 3.4% is projected for 2011, increasing to 4.4% by 2013
- Consumer price inflation fell from 7.1% in 2009 to 4.3% in 2010, and is expected to rise to 5.5% by 2013
- The current account deficit is projected to rise from 3.2% in 2010 to 5% in 2013
- 63 000 formal non-agricultural jobs were created between April and October 2010, and unemployment fell from 25.3% in the 3rd quarter to 24% in the 4th quarter
- Job creation potential of 485 000 over the next three years in trade and construction sectors
- Investment incentives for manufacturing, with a special focus on job creation
- R9 billion Jobs Fund to co-finance employment initiatives with self-sustaining potential
- Youth employment subsidy to create net 178 000 jobs over three years
- Expansion of FET college and university enrolment, skills development and extension of learnership allowances proposed

Fiscal framework

- Additional R94.1 billion in government expenditure plans over the next three years
- Budget deficit of 5.3% projected in 2010/11, 4.8% in 2012/13 and 3.8% in 2013/14
- National government net loan debt projected to rise from R526 billion at the end of 2008/09 to over R1.4 trillion in 2013/14

Tax proposals

- Personal income tax relief of R8.1 billion
- A third rebate for individuals 75 years and older
- Conversion of medical tax deductions to tax credits
- Transfer duty relief
- General fuel levy increase of 10c a litre, and 8c a litre more for the Road Accident Fund
- Increases of 4.5%-10.3% in taxes on alcohol and tobacco products
- Taxation of gambling winnings

Additions to spending plans over the next three years

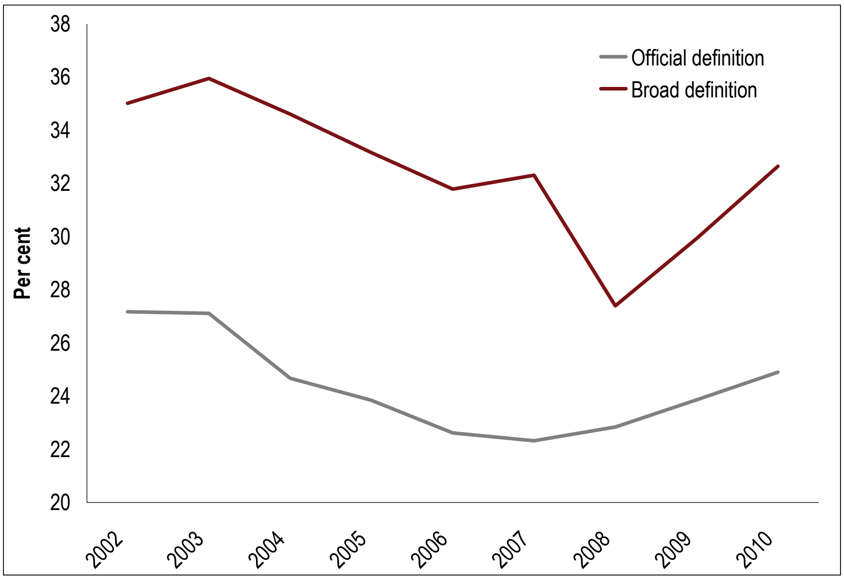
- R10 billion for job creation, small enterprise development, youth employment
- R10.4 billion for public transport, roads and rail infrastructure
- R9.5 billion to increase enrolment at further education colleges and promote skills development
- R8.2 billion for upgrading school facilities and improved learner support materials
- R7.9 billion to improve primary health care, revitalise hospitals and combat HIV and Aids
- R7.2 billion for human settlement upgrading, municipal services and water infrastructure
- R2.8 billion for rural development and emerging farmer support
- R8.9 billion for social security benefits and social grants; *old age* and *disability grants* increase by R60 to R1 140 a month and a further R20 to R1 160 a month for those over the age of 75; the *child support grant* will increase to R260 in April and R270 in October
- R1.8 billion for municipalities and provinces to deal with immediate disaster needs, and R600 million for post-recovery and reconstruction following the floods in early 2011.

How will South Africa create jobs?

Recession reversed five years of employment gains

Between 2003 and 2008 South Africa made steady progress in reducing the unemployment rate, but these gains were reversed during the 2009 recession.

Figure 1.1 Unemployment, 2002 – 2010



Source: Statistics South Africa

Only two out of five South Africans have regular work

There are 13.1 million South Africans who have regular work – just 41 per cent of the working-age population. Of these, just over 8 million have formal, non-agricultural employment. To achieve the average emerging markets employment ratio of 56 per cent, and taking into account population growth, South Africa would have to create 9 million jobs over the next 10 years. The unemployment rate is particularly high for young people. Half of the population between 18 and 25 is unemployed.

Economic growth is the principal driver of employment creation. National Treasury projections suggest that economic expansion of 4 per cent a year over the next three years would generate about 900 000 jobs, mainly in the trade, construction and business services sectors.

Sustainable growth depends on improved industrial and trade performance

But sustainable growth depends on improved industrial and trade performance – strengthening those sectors in which South Africa has competitive potential in global markets. Chapter 2 illustrates how South Africa's economic outlook is linked to global performance – higher commodity prices assist in sustaining export earnings, and in turn contribute to investment in mining and agricultural capacity. Further regulatory certainty needs to be created in the mining sector, and investment in commercial agriculture also depends on certainty of marketing arrangements and land rights.

Over the period ahead, a more stable and competitive currency is expected to enhance industrial competitiveness. Yet a weaker rand can only contribute so much. If South African industry and exports are to grow more rapidly, skills development, technology modernisation, and effective logistics investments are necessary building blocks of sectoral growth strategies.

Government is taking steps to ensure that the growth path is more inclusive

Steps are also required to ensure that the growth path is more inclusive. As South Africa's labour capacity is also its most underutilised productive resource, well-targeted initiatives focused on job creation will also contribute over time to enhancing the economy's growth capacity. Over the next three years, key employment initiatives will include the following:

- Investment in further education and training (FET) colleges – expansion of enrolment, curricular improvements and improved access to student financial assistance
- Stepped-up training for work-seekers under the auspices of Sector Education and Training Authorities and the National Skills Fund
- Expansion of public works programme activities, including community-based projects, and maintenance of roads and infrastructure
- Renewed tax incentives for manufacturing investment, with a focus on job-creation potential
- Increased investment in housing, and residential infrastructure and services
- Small enterprise development initiatives, including consolidated small business finance support and a focus on employment activation by the National Youth Development Agency
- A youth employment subsidy, implemented through the tax system
- A Jobs Fund to co-finance innovative public- and private-sector employment projects
- Initiatives to promote rural employment, and stepped up support for agricultural producers, particularly emerging farmers
- Support for renewable energy, environmental protection and "green" economy initiatives.

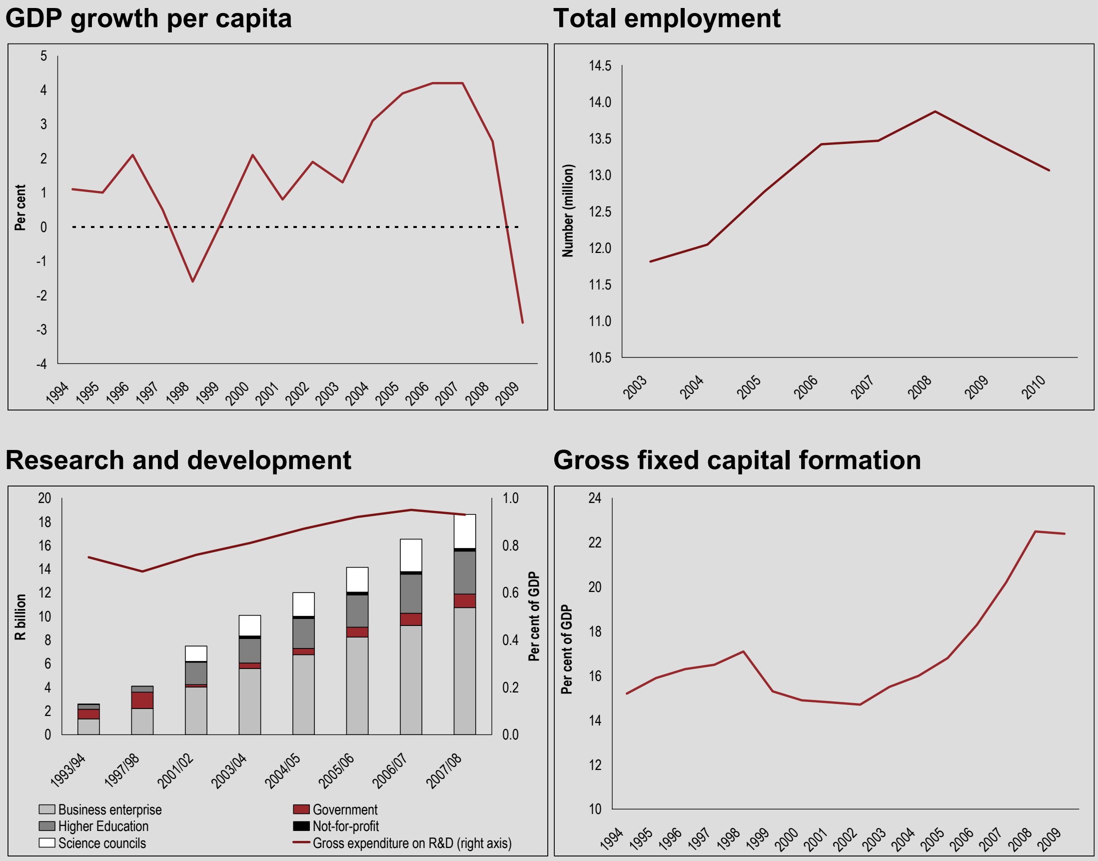
Employment – especially for youth – must be at the centre of economic development

For many years ahead, employment will have to be at the centre of South Africa's growth and development path – especially the creation of work and learning opportunities for young people. But the aim is not jobs for the sake of employment alone. South Africa's New Growth Path is about job creation that forms part of a broad framework for improving living conditions, greater social cohesion, a competitive and dynamic economy – and a more equal and inclusive society. Alongside job-creation initiatives, steps are therefore under way to improve income security and social protection of employees, and to construct an NHI system.

These are long-term objectives, yet they must proceed with vigour. Success rests on stronger economic growth, effective implementation, and sound fiscal and financial management of the economy.

Social and economic progress: key indicators

The 2010 *Development Indicators*, issued by the Presidency, provides a wide-ranging gauge of South Africa's social and economic progress. Though the 2009 recession brought significant setbacks in economic performance and employment, the *Indicators* show steady improvements over the past decade in most of the 10 categories measured.

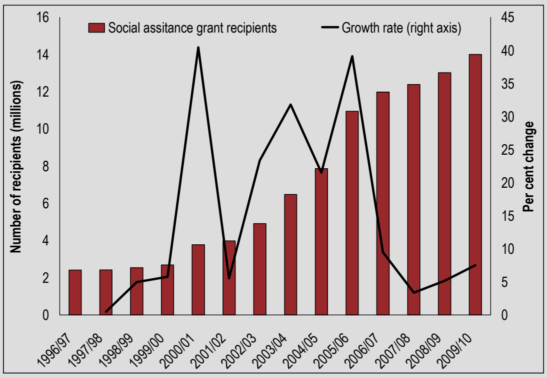


Source: 2010 Development Indicators

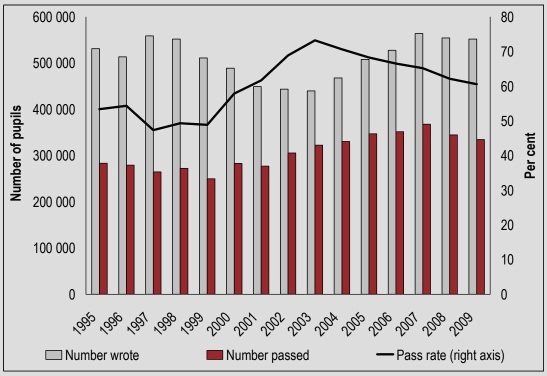
- In the *Economic growth and transformation* category, real per capita GDP growth was negative in 2009 for the first time in 10 years, and gross fixed capital formation declined as a percentage of GDP after seven years of strong growth. Government debt has declined from nearly 50 per cent of GDP in the late 1990s to 28 per cent in 2009/10. Expenditure on research and development has improved. The percentage of senior managers who are black or female has increased.
- Under *Employment*, the severity of the 2009 recession is evident, with nearly half of the jobs gained between 2003 and 2008 lost between December 2008 and June 2010.
- There is mixed progress in *Poverty and inequality*. Real income and poverty headcount indicators show improvements in living standards of the poor, explained in part by rising social grants transfers. The percentage of the population below a poverty line of R283 per month per person (2008 prices) fell from 38 per cent in 2000 to 22 per cent in 2008. Inequality between black and white South Africans has narrowed, but overall inequality remains high and may have widened.

  Under *Housing assets*, it is recorded that nearly 3 million housing units have been financed by the Department of Human Settlements and its predecessor since 1994. The percentage of households in formal dwellings has increased from an estimated 64 per cent in 1996 to

Social assistance

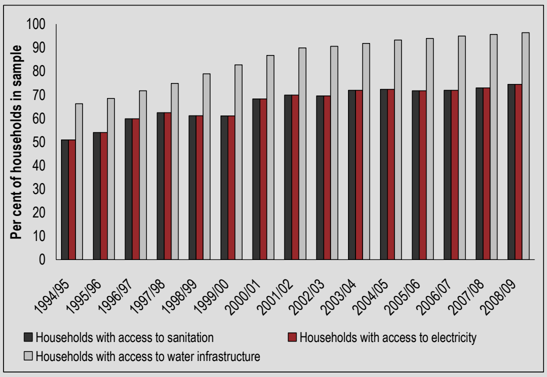


Number of passes at senior certificate level



Basic immunisation of children

Access to basic services



Source: 2010 Development Indicators

76 per cent in 2009. Access to clean water, electricity and sanitation has improved. Progress in land redistribution lags well behind targets.

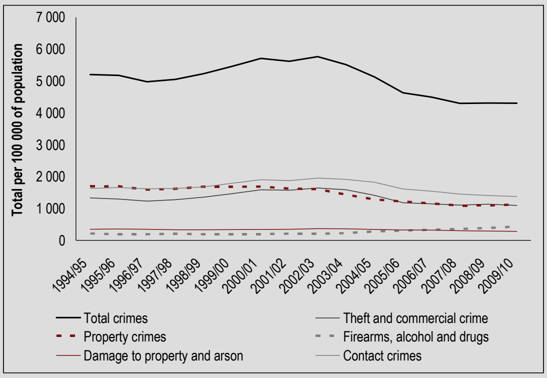
- *Health* shows significant gains in several indicators and deterioration in others. Child mortality and malnutrition have fallen and immunisation coverage has improved to over 95 per cent of children. HIV prevalence appears to have stabilised. The incidence of malaria has decreased. A steep rise in maternal mortality is evident, associated with HIV/Aids-related infections, hypertension and obstetric haemorrhage.

- *Education* – the learner-educator ratio in public ordinary schools has declined from 34 in 1999 to 31 in 2009, gender equity has been achieved in both primary and secondary schooling, and adult literacy has improved from under 70 per cent in 1998 to 76 per cent in 2008. Measures of language and numeracy achievement in grades 3 and 6, and senior certificate mathematics performance, indicate significant shortcomings in the quality of schooling.

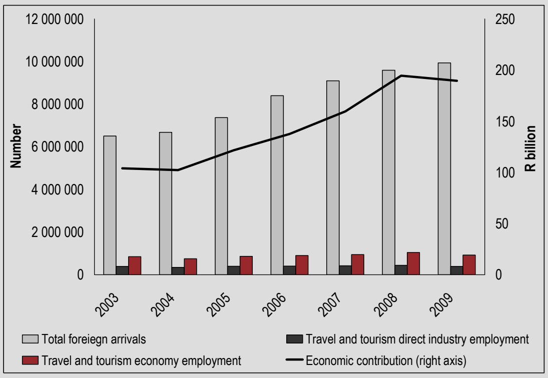
- Indicators of *Social cohesion* suggest that there has been some deterioration in voter participation. South Africans are broadly confident in the future and are positive about race relations, though both measures have deteriorated somewhat since 2005.

- *Safety and security* indicators show general reductions in the incidence of crime since 2002, with the exception of aggravated robberies. The court conviction rate has increased from 82 per cent in 2002/03 to 89 per cent in 2009/10.

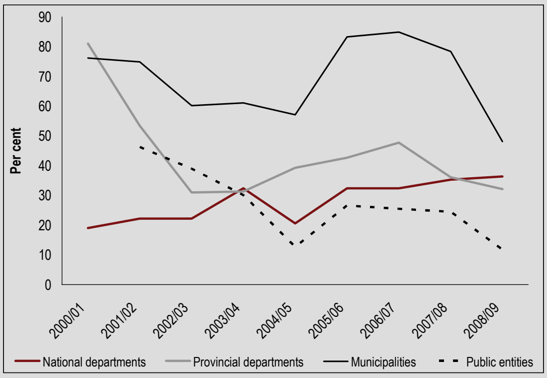
Crime



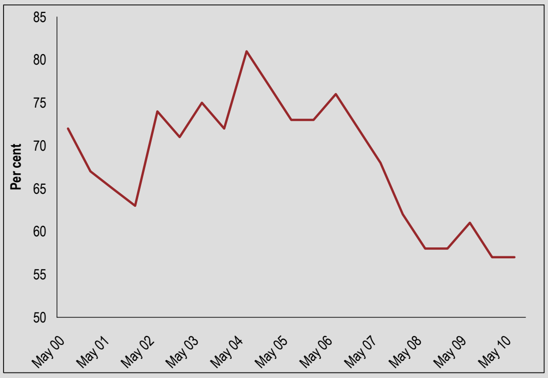
Tourist arrivals



Qualified audits across government



Public opinion on service delivery



Source: 2010 Development Indicators

- Indicators of progress in *International relations* include positive real GDP growth in sub-Saharan Africa, growth in the contribution of tourism to the economy and an increased number of diplomatic missions abroad. The number of democratic governments in Africa rose steadily between 1991 and 2006, but has since declined.
- Indicators of *Good governance* include growth in the size of the income tax register from just over 3 million in 1996/97 to about 8 million today, and some improvement in provincial and local government financial management evidenced in audit reports. Public opinion on the delivery of basic services has deteriorated since 2004.

Measures of development now reflected in ministerial and departmental performance agreements

The Department of Performance Monitoring and Evaluation will bring greater rigour and consistency to the measurement of service delivery, and identify corrective steps where needed.

Summary of the 2011 Budget Review

Economic outlook and employment

China, India and Brazil are driving global growth

A recovery in the global economy is well under way, driven by strong growth in China, India, Brazil and other emerging economies. The South African economy is benefitting from resulting growth in trade and buoyant commodity prices. GDP growth is projected to be 3.4 per cent in 2011, rising to 4.4 per cent in 2013.

Table 1.1 Macroeconomic outlook – summary

Real growth	2010	2011	2012	2013
Percentage	Estimate		Forecast	
Household consumption	4.6	4.2	4.3	4.5
Capital formation	-3.6	3.9	5.5	6.8
Exports	5.3	6.0	6.4	7.3
Imports	10.4	8.5	7.0	7.4
Gross domestic product	**2.7**	**3.4**	**4.1**	**4.4**
Consumer price inflation (CPI)	4.3	4.9	5.2	5.5
Balance of payments current account (percentage of GDP)	-3.2	-4.2	-4.9	-5.0

Chapter 2 explains how South Africa's economic recovery has progressed, and reviews developments in the balance of payments and sectoral output trends. Macroeconomic and fiscal policy aims to support stronger economic growth. Spending will be directed towards core social priorities and economic infrastructure. Interest rates have fallen and inflation has moderated, which should support growth in household consumption. Business confidence and private fixed-capital formation have also improved in recent months.

Fiscal and monetary policies support higher growth

The rand strengthened in 2010 but the exchange rate weakened in early 2011 in response to global capital movements and South Africa's accumulation of foreign exchange reserves. The weaker rand will boost exports, as long as inflation remains in check.

Government's New Growth Path includes policies to accelerate growth and employment, focusing on job-creation targets and sector-based initiatives. Jobs drivers include substantial public investment in infrastructure, expansion of labour-absorbing sectors such as agriculture and light manufacturing, "green economy" initiatives and support for rural development – and improving efficiency across the economy This emphasis on jobs is the cornerstone of the government's policies. Even though the economic recovery has led to an improvement in South Africa's labour market following the sharp fall in employment in 2009 and early 2010, unemployment remains at critical levels.

New Growth Path targets infrastructure, construction, and greater economic efficiency

As Chapter 3 indicates, job creation around the world has lagged behind the economic recovery over the past year. Long-term joblessness has increased and youth unemployment has risen. These problems are especially severe in South Africa. As a result, the government is focused on creating millions of jobs and bringing more people into economic activity. Achieving large-scale job creation and a sustained reduction in employment will require greater cooperation between the public sector and the private sector – where most job creation takes place.

Government needs to partner with the private sector, which creates most jobs

The fiscal framework

Chapter 4 discusses fiscal policy and changes to the budget framework. Fiscal policy is the management of revenue, expenditure and debt in the context of a dynamic economic environment. By defining a sustainable fiscal path, government is able to pay for existing programmes without jeopardising the affordability of government services and policies.

South Africa is committed to a sustainable fiscal path

The deficit will narrow from 5.3 per cent in 2010/11 to 3.8 per cent in 2013/14

Government's share of GDP rose from 28.5 per cent in 2007/08 to 33.8 per cent in 2009/10. Growth in spending is expected to moderate over the medium term, bringing government's expenditure ratio to GDP down to 32.6 by 2013/14. As the economic recovery gathers pace, budget revenue is expected to recover from 27.2 per cent of GDP in 2009/10 to 28.8 per cent by 2013/14. This means the deficit will narrow from 5.3 per cent in 2010/11 to 3.8 per cent by the end of the period.

Table 1.2 Consolidated government fiscal framework

R million	2010/11 Revised estimate	2011/12	2012/13	2013/14
		Medium-term estimates		
Revenue	**755.0**	**824.5**	**908.7**	**1 017.2**
Percentage of GDP	*28.3%*	*28.3%*	*28.4%*	*28.8%*
Expenditure	**897.4**	**979.3**	**1 061.6**	**1 151.8**
Percentage of GDP	*33.6%*	*33.6%*	*33.2%*	*32.6%*
Budget balance	**-142.4**	**-154.8**	**-152.9**	**-134.6**
Percentage of GDP	*-5.3%*	*-5.3%*	*-4.8%*	*-3.8%*
Gross domestic product	*2 666.9*	*2 914.9*	*3 201.3*	*3 536.0*

Public-sector infrastructure expenditure to total R808.6 billion over next three years

Infrastructure expenditure by the public sector is projected to total R808.6 billion over the next three years. Eskom's expansion of power generation capacity is responsible for much of this amount, alongside investment in ports and transport infrastructure by Transnet and other non-financial public enterprises. Over the MTEF period capital investment expenditure by the public sector will average 8.4 per cent of GDP.

The public-sector borrowing requirement is estimated at 10.5 per cent of GDP in 2010/11, and will moderate to 6.3 per cent by 2013/14. This includes financing for the major capital spending projects of state-owned enterprises and municipalities.

Fiscal guidelines to support sustainable public finances well into the future

In response to a request from Parliament, the National Treasury has developed a set of draft fiscal guidelines for discussion. The guidelines propose that government adopt an annual target for the structural budget balance consistent with long-term growth, the desired level of public debt and inter-generational considerations, and make explicit the costs of existing and new programmes that require expenditure commitments over the long term.

Tax policy

Tax revenues have begun to improve in line with economic growth

Chapter 5 discusses tax policy and proposals. Tax revenues have improved in 2010/11 in line with the economic recovery and are expected to grow steadily over the medium term. Recent data suggest a strong recovery in customs duties and value-added tax (VAT) revenues during 2010/11, while the recovery in corporate income tax revenue has been slower to respond owing to the lagged effects of the recession.

Table 1.3 Summary of tax proposals

R billion	2010/11 Budget estimate	2010/11 Revised estimate	2011/12 Budget estimate
Tax revenue (gross)	647.9	672.2	745.7
Non-tax revenue	10.4	12.3	10.0
Less: SACU payments	-15.0	-15.0	-21.8
Other adjustments[1]	–	-2.9	–
Total revenue	**643.2**	**666.6**	
Revenue before tax proposals			**734.0**
Tax proposals			**-4.1**
(Net) personal income tax relief			-8.9
Business taxes			0.5
Taxes on property			-0.8
Taxes on goods and services			5.0
Revenue after tax proposals			**729.9**

1. Payments to SACU partners in respect of a previous error in calculation of the 1969 agreement.

The 2011 Budget tax proposals are intended to broaden the tax base. Various loopholes will be closed and tax equity will be improved by reforming the treatment of medical expenses and contributions to retirement funds. The secondary tax on companies is to be abolished and a new dividends tax will be introduced. Businesses will receive incentives to support skills development and job creation. Levies on fuel and taxes on alcohol and tobacco products will be raised.

Businesses to receive tax breaks to support skills development and job creation

Over the medium to long term, the revenue requirements of the NHI system will require upward adjustments in the tax structure. Increases in VAT, payroll taxes and a surcharge on the personal income tax base are financing options under consideration.

Financing national health insurance will require adjustments to tax structure

Government borrowing

Chapter 6 discusses government's debt management and borrowing strategy. South Africa's countercyclical response to the economic crisis generated a significant national government borrowing requirement, which peaked at 6.8 per cent of GDP in 2009/10. However, sound economic and fiscal policies, deep and liquid domestic capital markets, and the availability of international funding enabled government to finance the 2010/11 budget deficit at a lower cost than originally projected.

Table 1.4 Projected state debt and debt costs

R billion	2010/11	2011/12	2012/13	2013/14
Net loan debt	**822.4**	**998.8**	**1 199.7**	**1 388.3**
Percentage of GDP	*30.8%*	*34.3%*	*37.5%*	*39.3%*
Net domestic debt	784.3	970.6	1 148.0	1 313.1
Foreign debt	38.1	28.2	51.7	75.2
State debt cost	**66.6**	**76.6**	**90.8**	**104.0**
Percentage of GDP	*2.5%*	*2.6%*	*2.8%*	*2.9%*

Debt-service costs are R4.8 billion lower than expected in 2010/11

As a result, debt-service costs for 2010/11 are R4.8 billion lower than expected. Lower debt-service costs create more space to fund investment in economic infrastructure, which creates jobs, and to increase spending on social priorities such as education and health. While the gap between expenditure and revenue is projected to narrow in line with the economic recovery, national government borrowing in the current year remains substantial at 5.4 per cent of GDP, declining to 4.2 per cent of GDP in 2013/14. Debt-service costs are expected to increase gradually to 2.9 per cent of GDP in 2013/14.

South Africa and other emerging markets experienced a surge of global capital flows in 2010

During 2010, emerging markets experienced a surge of global capital flows. South Africa attracted net inflows of R92 billion into bonds and equities from non-resident investors, whose holdings of government bonds grew by 58 per cent. Government has continued to support the Reserve Bank's accumulation of foreign exchange reserves, moderating the impact of capital flows on the exchange rate and reducing the external vulnerability of the economy. In 2010, official foreign exchange reserves rose by US$3.7 billion.

Social security and health finance

Social security is part of the social wage, and plays a crucial role in alleviating poverty and supporting retrenched workers

Chapter 7 reviews the role of the social security system in providing income support for retrenched workers and helping to alleviate poverty. In 2010/11 the number of people receiving social grants will exceed 15 million people. This figure will rise in coming years due to the extension of the *child support grant* and an increase in the means test threshold for certain grants.

South Africa's social security arrangements are being reformed to increase efficiency, improve service delivery and ensure effective use of funds. The consolidation of administrative capacity across social security entities is a key part of this process, and will lead to significant savings. Coordinated policy-making across these entities will also help to make their programmes more effective.

While there are considerable institutional challenges to social security reform, significant progress has been made this year in developing alternative arrangements to replace the costly and inequitable Road Accident Fund with a no-fault scheme. The Unemployment Insurance Fund has already demonstrated the benefits of effective reforms.

Government begins to roll out NHI as part of implementing the 10-point plan for public health

This year will also witness the first stages of NHI, and further steps in implementing the 10-point programme for improving health services. Money is set aside in this budget for investment in revitalised public health facilities, improved quality of care, family health teams and tighter monitoring and regulation of health services. Cost implications and financing arrangements for NHI are under review.

Medium-term expenditure and the division of revenue

Chapter 8 presents government's spending priorities over the medium term and the division of nationally raised revenue.

South Africa has made progress in raising living standards over the past decade, yet the quality of public services too often falls short of expectations, and increased expenditure has not always been matched by a commensurate improvement in services.

Budget channels resources to improve frontline services

Chapter 8 outlines initiatives aimed at addressing inefficiencies in the public sector, while targeting resources to improve the effectiveness of frontline services. It is noted that improved maintenance of infrastructure and capital spending needs to be prioritised alongside growth in the public service and improvements in conditions of service. Management of the public-sector wage bill is a key element in ensuring a balanced and well-targeted government expenditure framework.

The 2011 Budget is aligned to the objectives of the New Growth Path, to bolster economic growth, create jobs and promote equity. Over the next three years, spending is targeted to bring about higher rates of growth and development, with priority given to job creation, education and skills, health, infrastructure and rural development.

Table 1.5 Division of revenue

R billion	2010/11	2011/12	2012/13	2013/14
National allocations	359.1	380.2	408.4	439.0
Provincial allocations	323.1	357.9	380.4	404.3
Equitable share	*265.1*	*288.5*	*305.7*	*323.6*
Conditional grants	*57.9*	*69.4*	*74.7*	*80.6*
Local government allocations	61.2	70.2	77.0	82.3
Total allocations	**743.4**	**808.3**	**865.9**	**925.6**
Changes to baseline				
National allocations	–	9.9	14.7	24.2
Provincial allocations	2.4	9.5	13.4	17.3
Equitable share	*4.2*	*7.8*	*10.3*	*12.0*
Conditional grants	*-1.8*	*1.7*	*3.1*	*5.3*
Local government allocations	0.2	1.3	1.5	2.3
Total	**2.6**	**20.7**	**29.6**	**43.8**

2011 Budget provides R743.4 billion to be shared between national, provincial and local government in 2011/12

After setting aside debt-service costs and a contingency reserve, the 2011 Budget provides for R743.4 billion to be shared between national, provincial and local government in 2011/12. The division of nationally raised revenue over the period ahead provides for strong growth in provincial and local government allocations, in support of education, health services, housing and community infrastructure.

Estimated consolidated government expenditure, including provincial departments, social security funds and public entities, amounts to R979.3 billion in 2011/12, of which R76.6 billion goes to debt-service costs. Excluding the interest bill, general public services, housing and community amenities and environmental protection are the fastest-growing categories of expenditure over the MTEF period ahead.

Government's outcomes approach lays the basis for achieving greater efficiency in public services, providing a platform for increased scrutiny of state programmes and measuring performance by results. The Department of Performance Monitoring and Evaluation will oversee reporting of progress against the agreed outputs and targets. This approach requires closer cooperation between national, provincial and local government, and with all agencies responsible for delivery of key services.

Table 1.6 Consolidated expenditure by function

R billion	2010/11 Revised estimate	2011/12 Budget estimate	% Average growth 2010/11–2013/14
General public services	51.3	55.4	5.8%
Defence	34.0	38.4	8.9%
Public order and safety	84.0	90.9	7.5%
Economic affairs	140.3	130.5	2.1%
Environmental protection	4.7	6.0	9.1%
Housing and community amenities	102.1	121.9	10.7%
Health	102.5	112.6	7.5%
Recreation and culture	6.4	6.4	2.9%
Education	172.7	189.5	7.6%
Social protection	132.8	146.9	9.0%
Contingency reserve	–	4.1	
Non-interest expenditure	**830.8**	**902.7**	**7.2%**
State debt cost	66.6	76.6	16.0%
Total expenditure	**897.4**	**979.3**	**8.7%**

Budget documentation

The printed *Budget Review* includes several annexures:

- A: Report of the Minister of Finance to Parliament
- B: Statistical tables
- C: Miscellaneous tax amendments
- D: Budget summary
- E: Glossary

Two further annexures are available on the National Treasury website:

- W1: Explanatory memorandum to the division of revenue
- W2: Structure of the government accounts

The *Budget Review* accompanies several other documents and submissions tabled in Parliament on Budget Day. These include:

- The Budget Speech
- The Division of Revenue Bill
- The Appropriation Bill
- *Estimates of National Expenditure*
- The *People's Guide* to the Budget.
- *Response of the National Treasury to the Budgetary Review and Recommendation Reports of the Portfolio Committees*.

Two other documents are being released on Budget Day: A policy document entitled *A Safer Financial Sector to Serve South Africa Better* and a discussion document entitled *Confronting Youth Unemployment: Policy Options for South Africa*.

These and other fiscal and financial publications are available at www.treasury.gov.za.