

# 8

## Medium-term expenditure and division of revenue

### ■ Sustaining quality service delivery

The medium-term expenditure framework (MTEF) for the period ahead reflects government's commitment to creating jobs, growing the economy, promoting equity and accelerating access to quality social services. Growth in spending focuses on education and skills development, improved health outcomes, integrated and sustainable human settlements, and rural development. In addition, social and economic infrastructure investments are to be scaled up.

*Social and economic infrastructure investments will be scaled up*

Expenditure growth will be accompanied by reprioritised budgets that support frontline service delivery. More efficient and effective administration is needed to achieve and sustain improvements in the quality and accessibility of public services.

Over the past decade, progress has been made in raising South Africa's living standards. Yet much work lies ahead. Maintenance of infrastructure assets has to be prioritised and training within the public service enhanced. Effective management of the public service is central not only to the quality and character of service delivery, but also to the careers of employees in national and provincial departments. Steady growth of public-sector employment, and improvements in conditions of service over time, have to be accommodated within an affordable wage bill. Managing public-sector expenditure involves balancing a range of competing priorities. A better mix between personnel, capital and goods and services spending is needed.

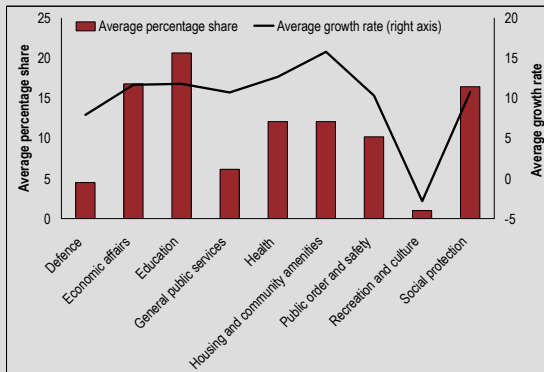
*Managing public-sector expenditure involves balancing competing priorities*

This chapter discusses the division of revenue between national, provincial and local government; consolidated government spending; savings and

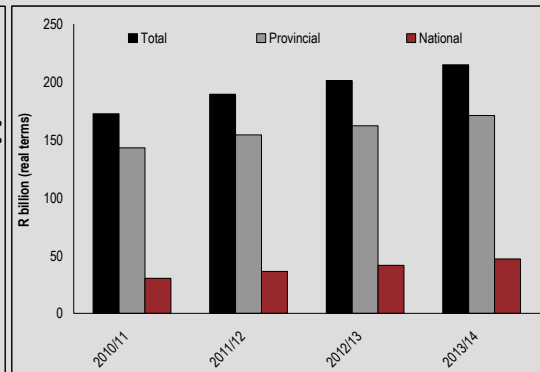
reprioritisation; and proposed revisions to expenditure plans. The medium-term allocations are grouped by function.

**Trends in government expenditure**

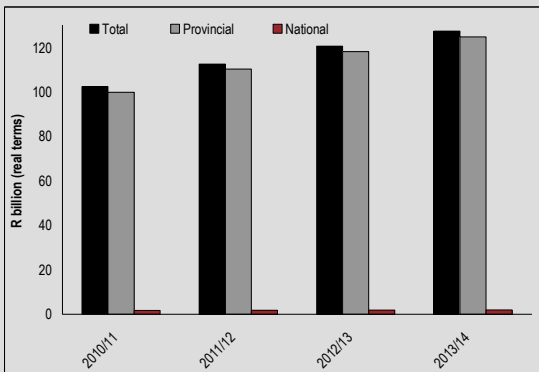
**Total expenditure, 2007/08-2013/14**



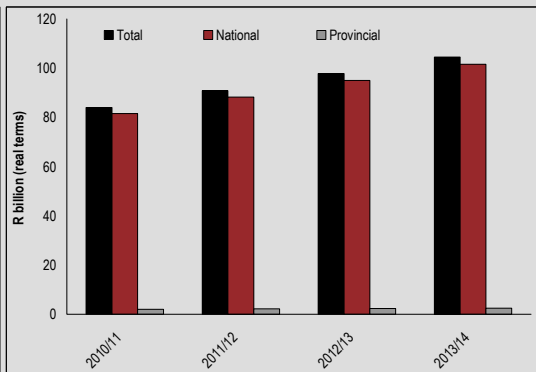
**Education**



**Health**



**Public order and safety**



**Division of revenue**

In keeping with provisions of the Constitution, monies appropriated from the National Revenue Fund – the “main budget” – are to be shared between national government, provinces and municipalities through an annual Division of Revenue Act.

*The budget framework provides R808.3 billion to be allocated in 2011/12*

Excluding a contingency reserve of R38.9 billion and provision made for debt-service costs, the MTEF provides for a total of R808.3 billion to be allocated in 2011/12, R865.9 billion in 2012/13 and R925.6 billion in 2013/14. Aggregate expenditure over the next three years includes R94.1 billion in additional non-interest allocations over the baseline projections of the 2010 Budget. National government receives R48.8 billion, provinces R40.2 billion and local government R5.1 billion of these additional allocations. Total non-interest spending, including the contingency reserve, grows by 8.5 per cent a year over the period ahead, or about 3.3 per cent in real terms.

The proposed division of revenue is in line with government’s medium-term priorities and is informed by the recommendations made by the Financial and Fiscal Commission (FFC).

The *Explanatory Memorandum to the Division of Revenue*, which is tabled annually with the Division of Revenue Bill, outlines how this division takes into account the FFC's recommendations. The memorandum contains detailed information on funds allocated to provinces and municipalities, and should be read together with this chapter. The memorandum is available as Annexure W1 of the *Budget Review* on the National Treasury website ([www.treasury.gov.za](http://www.treasury.gov.za)).

*Explanatory Memorandum to the Division of Revenue outlines government's response to the FFC*

Table 8.1 shows the division of revenue for the 2011 Budget, taking account of the revenue-raising capacities and spending responsibilities of each sphere of government.

**Table 8.1 Division of nationally raised revenue, 2007/08 – 2013/14**

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised estimate	Medium-term estimates		
R million							
Debt-service cost	52 877	54 394	57 129	66 570	76 579	90 808	104 036
Non-interest expenditure	488 566	581 560	690 068	743 353	812 345	877 324	948 992
<i>Percentage increase</i>	16.9%	19.0%	18.7%	7.7%	9.3%	8.0%	8.2%
<b>Total expenditure</b>	<b>541 443</b>	<b>635 953</b>	<b>747 197</b>	<b>809 923</b>	<b>888 923</b>	<b>968 132</b>	<b>1 053 029</b>
<i>Percentage increase</i>	15.2%	17.5%	17.5%	8.4%	9.8%	8.9%	8.8%
Unallocated					40	330	530
Contingency reserve	–	–	–	–	4 090	11 405	23 375
<b>Division of available funds</b>							
<b>National departments</b>	<b>242 580</b>	<b>289 236</b>	<b>345 366</b>	<b>359 120</b>	<b>380 154</b>	<b>408 439</b>	<b>439 049</b>
<b>Provinces</b>	<b>207 504</b>	<b>246 836</b>	<b>293 164</b>	<b>323 080</b>	<b>357 929</b>	<b>380 450</b>	<b>404 251</b>
Equitable share	171 054	201 796	236 891	265 139	288 493	305 725	323 604
Conditional grants	36 451	45 040	52 073	57 941	69 436	74 724	80 647
Gautrain loan	–	–	4 200	–	–	–	–
<b>Local government</b>	<b>38 482</b>	<b>45 487</b>	<b>51 537</b>	<b>61 152</b>	<b>70 171</b>	<b>77 029</b>	<b>82 317</b>
Equitable share <sup>1</sup>	20 676	25 560	23 845	30 559	34 108	37 573	39 960
General fuel levy sharing	–	–	6 800	7 542	8 573	9 040	9 613
Conditional grants	17 806	19 928	20 892	23 051	27 490	30 416	32 743
<b>Total</b>	<b>488 566</b>	<b>581 560</b>	<b>690 068</b>	<b>743 353</b>	<b>808 254</b>	<b>865 919</b>	<b>925 617</b>
<i>Percentage shares</i>							
National departments	49.7%	49.7%	50.0%	48.3%	47.0%	47.2%	47.4%
Provinces	42.5%	42.4%	42.5%	43.5%	44.3%	43.9%	43.7%
Local government	7.9%	7.8%	7.5%	8.2%	8.7%	8.9%	8.9%

1. With effect from 2006/07, the local government equitable share includes compensation for the termination of Regional Services Council (RSC) and Joint Services Board (JSB) levies for metros and district municipalities. From 2009/10 the RSC levies replacement grant is only allocated to district municipalities.

Several changes to the conditional grant framework for provinces and municipalities should be noted:

- To align planning and implementation with sector needs, and to reduce persistent backlogs, the *infrastructure grant to provinces* has been restructured. Funds will now be transferred through three conditional grants – the *health infrastructure grant*, the *education infrastructure grant* and the *provincial roads maintenance grant* – on the votes of the departments of Health, Basic Education and Transport. The National Treasury will work closely with these departments to strengthen planning and organisational capacity at national and provincial level.
- A new conditional grant is introduced to replace inappropriate and unsafe school structures, and to address backlogs in basic services to

schools. The programme will be completed over three years, after which the grant will be discontinued.

- In response to the different operational and funding needs of large cities, small towns and rural areas, government is making progressive improvements to local government conditional grants. The introduction of the *urban settlements development grant*, created by merging the *municipal infrastructure grant for cities* and a portion of the *human settlements development grant*, is a step forward in this process. It will allow the eight metropolitan municipalities to take a more integrated approach to upgrading urban informal settlements.
- Two new conditional grants are introduced under the National Disaster Management Centre to allow provinces and municipalities to respond more rapidly to disasters.

Conditional grants to provinces over the MTEF period ahead are set out in Table 8.2, and transfers to municipalities are summarised in Table 8.3.

**Table 8.2 Conditional grants to provinces, 2010/11 – 2013/14**

R million	2010/11	2011/12	2012/13	2013/14	Total for MTEF
<b>Agriculture, Forestry and Fisheries</b>	<b>1 167</b>	<b>1 487</b>	<b>1 684</b>	<b>1 867</b>	<b>5 038</b>
Comprehensive agricultural support programme	862	1 029	1 148	1 315	3 492
Agriculture disaster management grant	50	–	–	–	–
Ilima/letsema projects	200	400	420	443	1 263
Land care programme: poverty relief and infrastructure development	55	58	116	109	282
<b>Arts and Culture</b>	<b>513</b>	<b>543</b>	<b>571</b>	<b>602</b>	<b>1 716</b>
Community library services	513	543	571	602	1 716
<b>Basic Education</b>	<b>7 107</b>	<b>10 546</b>	<b>11 331</b>	<b>11 954</b>	<b>33 831</b>
Dinaledi schools	–	70	100	106	276
HIV and Aids (life skills education)	188	199	209	221	629
National school nutrition programme	3 663	4 579	4 928	5 199	14 706
Technical secondary schools recapitalisation	50	200	210	222	632
Education Infrastructure grant	3 206	5 498	5 883	6 207	17 588
<b>Cooperative Governance and Traditional Affairs</b>	<b>214</b>	<b>305</b>	<b>180</b>	<b>190</b>	<b>675</b>
Provincial disaster grant	–	305	180	190	675
Provincial Infrastructure disaster relief	214	–	–	–	–
<b>Health</b>	<b>20 483</b>	<b>23 948</b>	<b>25 746</b>	<b>28 175</b>	<b>77 869</b>
Comprehensive HIV and Aids	6 052	7 493	8 825	10 607	26 924
Forensic pathology services	557	590	–	–	590
Health professions training and development	1 865	1 977	2 076	2 190	6 244
Health Infrastructure grant	840	1 702	1 821	1 921	5 444
Hospital revitalisation	3 771	4 136	4 336	4 068	12 540
National tertiary services	7 398	8 049	8 689	9 389	26 127
<b>Higher Education and Training</b>	<b>3 804</b>	<b>4 326</b>	<b>4 705</b>	<b>5 262</b>	<b>14 293</b>
Further education and training colleges	3 804	4 326	4 705	5 262	14 293
<b>Human Settlements</b>	<b>13 033</b>	<b>14 942</b>	<b>15 599</b>	<b>16 457</b>	<b>46 998</b>
Housing disaster relief	134	–	–	–	–
Human settlements development	12 899	14 942	15 599	16 457	46 998
<b>Public Works</b>	<b>2 181</b>	<b>2 271</b>	<b>2 505</b>	<b>2 778</b>	<b>7 554</b>
Devolution of property rate funds	1 865	1 803	1 938	2 091	5 832
Expanded public works programme Incentive grant for provinces	259	267	325	402	994
Social sector expanded public works programme incentive for provinces	57	200	242	286	728
<b>Sport and Recreation South Africa</b>	<b>426</b>	<b>452</b>	<b>475</b>	<b>501</b>	<b>1 427</b>
Mass sport and recreation participation	426	452	475	501	1 427
<b>Transport</b>	<b>9 013</b>	<b>10 616</b>	<b>11 929</b>	<b>12 860</b>	<b>35 404</b>
Gautrain rapid rail link	438	5	–	–	5
Overload control	11	–	–	–	–
Public transport operations	3 863	4 153	4 361	4 601	13 115
Provincial roads maintenance grant	4 700	6 457	7 568	8 259	22 284
<b>Total</b>	<b>57 941</b>	<b>69 436</b>	<b>74 724</b>	<b>80 647</b>	<b>224 807</b>
<b>Indirect transfers</b>	<b>–</b>	<b>700</b>	<b>2 315</b>	<b>5 189</b>	<b>8 204</b>
School infrastructure backlogs grant	–	700	2 315	5 189	8 204

**Table 8.3 National transfers to local government, 2007/08 – 2013/14**

R million	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised estimate	Medium-term estimates		
<b>Direct transfers</b>							
<b>Equitable share and related</b>	<b>20 676</b>	<b>25 560</b>	<b>23 845</b>	<b>30 559</b>	<b>34 108</b>	<b>37 573</b>	<b>39 960</b>
<b>Fuel levy sharing</b>	–	–	<b>6 800</b>	<b>7 542</b>	<b>8 573</b>	<b>9 040</b>	<b>9 613</b>
<b>Infrastructure</b>	<b>16 290</b>	<b>18 562</b>	<b>18 812</b>	<b>20 972</b>	<b>25 596</b>	<b>28 642</b>	<b>30 774</b>
Municipal infrastructure grant	6 967	6 968	8 788	9 515	11 444	13 914	14 679
Urban settlement development grant	2 950	3 590	4 285	4 855	6 267	7 410	8 127
Public transport infrastructure and systems grant	1 174	2 920	2 418	3 699	4 803	5 000	5 564
Integrated national electrification programme grant	462	589	914	1 020	1 097	1 151	1 215
Neighbourhood development partnership grant	41	182	506	1 030	750	800	800
2010 FIFA World Cup stadiums development grant	4 605	4 295	1 661	302	–	–	–
Municipal disaster grant	–	–	–	–	470	330	350
Rural transport services and infrastructure grant	–	9	10	10	35	37	39
Electricity demand-side management	–	–	175	220	280	–	–
Municipal drought relief grant	90	9	54	320	450	–	–
<b>Capacity building and other current transfers</b>	<b>1 517</b>	<b>1 365</b>	<b>2 081</b>	<b>2 080</b>	<b>1 894</b>	<b>1 774</b>	<b>1 969</b>
2010 FIFA World Cup host city operating grant	–	–	508	210	–	–	–
Restructuring grant	530	–	–	–	–	–	–
Financial management grant	145	180	300	365	435	479	526
Municipal systems improvements grant	200	200	200	212	219	230	243
Expanded public works programme incentive grant for municipalities	–	–	202	623	680	666	779
Water services operating subsidy grant	642	985	871	670	561	399	421
<b>Sub total direct transfers</b>	<b>38 483</b>	<b>45 487</b>	<b>51 538</b>	<b>61 152</b>	<b>70 171</b>	<b>77 029</b>	<b>82 317</b>
<b>Indirect transfers</b>							
<b>Infrastructure transfers</b>	<b>1 334</b>	<b>1 928</b>	<b>2 754</b>	<b>2 947</b>	<b>3 892</b>	<b>4 445</b>	<b>4 734</b>
Regional bulk infrastructure grant	300	450	612	893	1 704	2 003	2 176
Backlogs in the electrification of clinics and schools	–	90	149	–	–	–	–
Backlogs in water and sanitation at clinics and schools	–	186	350	–	–	–	–
Integrated national electrification programme (Eskom) grant	973	1 148	1 478	1 720	1 738	1 882	1 986
Neighbourhood development partnership grant	61	54	90	125	100	80	55
Electricity demand side management	–	–	75	109	119	–	–
Rural households infrastructure grant	–	–	–	100	232	480	517
<b>Capacity-building and other</b>	<b>550</b>	<b>379</b>	<b>243</b>	<b>148</b>	<b>100</b>	<b>–</b>	<b>–</b>
Financial management grant (DBSA)	53	50	–	–	–	–	–
Water services operating subsidy grant	497	329	243	148	100	–	–
<b>Sub total indirect transfers</b>	<b>1 884</b>	<b>2 307</b>	<b>2 997</b>	<b>3 095</b>	<b>3 992</b>	<b>4 445</b>	<b>4 734</b>
<b>Total</b>	<b>40 367</b>	<b>47 794</b>	<b>54 535</b>	<b>64 247</b>	<b>74 164</b>	<b>81 474</b>	<b>87 051</b>

## Expenditure outcome and revised estimate: 2009/10 and 2010/11

Expenditure on national votes (including transfers to provinces and municipalities) amounted to R747.2 billion in 2009/10, out of a total adjusted appropriation of R755.5 billion, or 98.9 per cent of available funds. Provinces spent R305.4 billion against an adjusted budget of R303.9 billion, or 100.5 per cent of their budgets. Municipalities underspent their budgets by a net R16.7 billion, compared with R16.8 billion in 2008/09.

Overspending on personnel costs is evident in several provincial education and health departments. Underspending is apparent in transport and human settlements votes. The revised estimate of expenditure for 2010/11 shows projected underspending of R6.4 billion on national department allocations. State debt costs are expected to be R1 billion lower than projected in the 2010 *Medium Term Budget Policy Statement*. Provinces are projected to underspend by R2.2 billion in 2010/11.

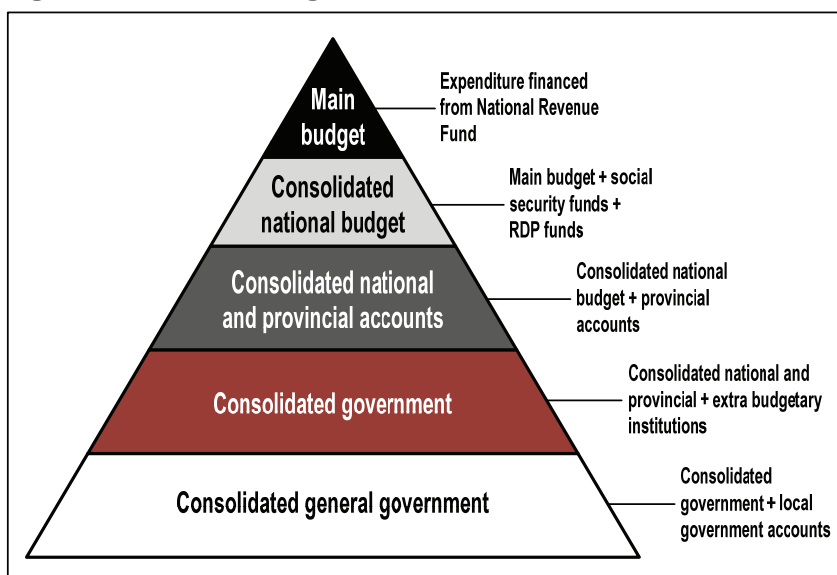
*Overspending on personnel costs is evident in several provinces, as is underspending on infrastructure*

## Consolidated government expenditure

Alongside the main budget, summarised above, government expenditure also includes social security funds, public entities, provincial and municipal activities. Although financed in part through dedicated contributions (such as the Unemployment Insurance Fund contribution) or user charges (such as toll fees or water tariffs), the expenditure of social security funds and government agencies is part of the government accounts and is governed by statute. The overview of government expenditure by function that follows includes provinces, government agencies, public entities and transfers to municipalities, but does not include municipal spending out of own revenue.

*Understanding the different levels of the government accounts*

Figure 8.1 Structure of government accounts



Over MTEF non-interest expenditure grows by an annual average of 8 per cent

Trends in the functional classification of consolidated government expenditure are set out in Table 8.4. Consolidated government expenditure is projected to increase from R897.4 billion in 2010/11 to R1.2 trillion in 2013/14, largely financed through the national budget. Over the next three years, non-interest government expenditure grows by an annual average of 8 per cent, compared with annual average growth of 16.8 per cent over the previous three years. State debt cost, in contrast, increases by 16 per cent over the period ahead following an average increase of 3.1 per cent a year since 2007/08.

**Table 8.4 Consolidated government expenditure by function, 2010/11 – 2013/14**

R million	2010/11	2011/12	2012/13	2013/14	Average annual growth	
	Revised estimate	Medium-term estimates			2007/08–2010/11	2010/11–2013/14
<b>General public services</b>	<b>51 325</b>	<b>55 398</b>	<b>56 718</b>	<b>60 850</b>	<b>-15.9%</b>	<b>5.8%</b>
<b>Defence</b>	<b>33 958</b>	<b>38 436</b>	<b>41 352</b>	<b>43 895</b>	<b>6.7%</b>	<b>8.9%</b>
<b>Public order and safety</b>	<b>84 050</b>	<b>90 904</b>	<b>97 856</b>	<b>104 555</b>	<b>13.1%</b>	<b>7.5%</b>
Police services	55 950	60 691	64 847	69 605	13.4%	7.6%
Law courts	12 912	13 712	15 270	16 197	14.9%	7.8%
Prisons	15 187	16 501	17 739	18 754	10.9%	7.3%
<b>Economic affairs</b>	<b>140 319</b>	<b>130 538</b>	<b>140 144</b>	<b>149 194</b>	<b>19.5%</b>	<b>2.1%</b>
General economic, commercial and labour affairs	27 107	28 889	30 433	32 488	36.7%	6.2%
Agriculture, forestry, fishing and hunting	16 303	19 015	20 179	21 033	5.4%	8.9%
Fuel and energy	27 560	7 895	7 539	6 343	71.4%	-38.7%
Mining, manufacturing and construction	5 530	5 954	6 446	6 579	2.4%	6.0%
Transport	60 522	65 584	72 813	79 791	15.8%	9.7%
Communication	3 297	3 201	2 734	2 960	15.5%	-3.5%
<b>Environmental protection</b>	<b>4 745</b>	<b>6 019</b>	<b>5 740</b>	<b>6 159</b>	<b>7.8%</b>	<b>9.1%</b>
<b>Housing and community amenities</b>	<b>102 061</b>	<b>121 921</b>	<b>130 353</b>	<b>138 377</b>	<b>20.7%</b>	<b>10.7%</b>
Housing development	22 530	27 593	30 842	32 557	22.9%	13.1%
Community development	48 356	53 938	59 583	63 466	21.7%	9.5%
Water supply	31 175	40 391	39 928	42 353	17.9%	10.8%
<b>Health</b>	<b>102 522</b>	<b>112 575</b>	<b>120 641</b>	<b>127 394</b>	<b>17.8%</b>	<b>7.5%</b>
<b>Recreation and culture</b>	<b>6 351</b>	<b>6 352</b>	<b>6 581</b>	<b>6 919</b>	<b>-9.8%</b>	<b>2.9%</b>
<b>Education</b>	<b>172 713</b>	<b>189 523</b>	<b>201 349</b>	<b>215 121</b>	<b>16.0%</b>	<b>7.6%</b>
<b>Social protection</b>	<b>132 761</b>	<b>146 930</b>	<b>158 635</b>	<b>171 897</b>	<b>12.6%</b>	<b>9.0%</b>
<b>Allocated expenditure</b>	<b>830 806</b>	<b>898 596</b>	<b>959 369</b>	<b>1 024 362</b>	<b>12.0%</b>	<b>7.2%</b>
State debt cost	66 570	76 579	90 808	104 036	8.0%	16.0%
Contingency reserve	–	4 090	11 405	23 375		
<b>Consolidated expenditure <sup>1</sup></b>	<b>897 376</b>	<b>979 265</b>	<b>1 061 582</b>	<b>1 151 773</b>	<b>11.7%</b>	<b>8.7%</b>

1. Consisting of national, provincial, social security funds and selected public entities. Refer to Annexure W2 for a detailed list of entities included.

The budget framework includes a contingency reserve of R4.1 billion, R11.4 billion and R23.4 billion over the next three years, which allows for possible new priorities or unanticipated commitments to be accommodated within the projected framework. These amounts include provision for events that cannot be foreseen, such as natural disasters.

Additional allocations and adjustments to consolidated expenditure plans over the 2011 Budget MTEF period are summarised in Table 8.5.



**Table 8.5 2011 Budget priorities – additional MTEF allocations, 2011/12 – 2013/14**

R million	2011/12	2012/13	2013/14	Total
<b>Job Creation</b>				
Job creation, small enterprise development, youth employment	2 301	3 352	4 415	10 067
<b>Economic Affairs and Infrastructure Development</b>				
Public transport	2 107	3 607	4 701	10 415
Rural development & emerging farmer support	622	919	1 303	2 844
Consolidation of economic regulatory capacity	353	177	205	735
Enterprise investment programme	150	200	250	600
Infrastructure projects	–	265	297	562
Green economy	200	300	500	1 000
Broadband ICT: universal access & cost reduction	100	150	200	450
<b>Housing and Community Amenities</b>				
Human settlements upgrading & municipal services	794	1 618	2 452	4 865
Water infrastructure & services; acid mine drainage response	840	944	666	2 450
<b>Education</b>				
FET college expansion & skills development	2 022	3 337	4 158	9 517
School infrastructure & facilities, improved learner support materials	780	2 315	5 189	8 284
Funza Lushaka teacher bursaries and bursaries for scientific post graduate students	5	272	677	954
<b>Health</b>				
Hospital revitalisation and primary health family care teams	858	1 931	2 730	5 519
HIV/AIDS and ARV/s	60	560	1 860	2 480
<b>Social protection</b>				
Other (including social grants)	1 164	2 644	5 102	8 910
<b>Public Order and Safety</b>				
Police personnel expansion & training	100	400	1 283	1 783
<b>General Public Services</b>				
Municipal disaster grant	470	330	350	1 150
Provincial disaster grant	305	180	190	675
Post-recovery and reconstruction for current floods	600	–	–	600
Municipal charges	683	964	1 149	2 796
<b>Compensation of employees adjustments</b>				
Wages (including additional personnel)	11 413	13 164	14 806	39 382
Other adjustments	-5 185	-8 057	-8 685	-21 927
<b>Total</b>	<b>20 742</b>	<b>29 573</b>	<b>43 797</b>	<b>94 112</b>

## ■ Savings, reprioritisation and changes to expenditure plans

Over the next three years, government will moderate the pace of public expenditure growth while accelerating the delivery of quality services. Spending baselines have undergone rigorous review and current expenditure has been realigned to support government's 12 outcomes. In the budgeting process, greater emphasis has been placed on assessing several factors:

- The capacity of departments and public entities to manage resources
- The link between outcomes, expenditure and departmental mandates
- Expenditure trade-offs between different budget proposals
- Non-performing and/or underperforming programmes and entities.

*A more moderate rate of public expenditure growth alongside delivery of quality services*

Savings of R30.6 billion include 0.3 per cent reduction in department baselines

The 2011 Budget makes available R94.1 billion above budget baselines over the MTEF. This includes savings of R30.6 billion. Of these savings, R21.6 billion is reprioritised within departmental budget baselines to meet existing commitments. The remaining R9 billion is added to the fiscal framework to channel more resources to key outcomes.

The savings include R6 billion resulting from a 0.3 per cent reduction in the baseline budgets across national and provincial departments. To accommodate this, government departments were asked to decrease spending on noncore goods and services, reschedule expenditure, adjust foreign exchange projections, reduce transfers to certain public entities, improve financial management and cut expenditure on administration.

Examples of savings and reprioritisation areas over the medium term are shown in the box below.

#### Major savings and reprioritisation over the MTEF

Function	Savings identified	Major savings <sup>1</sup> redirected to:
Economic affairs	Non-core goods and services: R2 billion Underperforming programmes: R1.3 billion	Road maintenance: R950 million Expansion of public transport infrastructure and system grant: R580 million Rural development and land reform: R1.3 billion
Housing and community amenities	Underperforming programmes: R600 million Non-core goods and services: R478 million Rescheduling of expenditure: R759 million	Completion of De Hoop Dam and a portion of bulk distribution system: R1 billion Regional bulk infrastructure: R600 million
Public order and safety	Non-essential items: R555 million	Antiretroviral drugs for inmates: R82 million Additional police personnel: R383 million
Defence	Non-core goods and services: R1.3 billion	New remuneration dispensation: R1.3 billion

1. Major savings column does not include all savings identified.

The *Estimates of National Expenditure* provides greater detail on national government spending across all departments. The *Explanatory Memorandum to the Division of Revenue* details transfers to provincial and local government. The spending plans of provinces are published in the two weeks following the tabling of the national budget, and draft budgets of municipalities will be published by 31 March 2011.

## ■ Revised expenditure plans by function

### Economic affairs and infrastructure development

Upgrading the nation's roads, transport, energy and environmental protection provides a foundation for industrial expansion, agricultural production and distribution, and broad-based development. Over the medium term, government intends to step up infrastructure investment.

The economic affairs function is central to ensuring an efficient, competitive and responsive infrastructure network to support economic and social development and create jobs. A total of R419.8 billion is allocated for the economic affairs function over the next three years. With an additional R21 billion allocated over the medium term, the economic affairs baseline increases from R107 billion in 2010/11 to R121 billion in 2013/14. The largest component in this function is transport, which makes up 33 per cent of expenditure in 2011/12.

### *Transport*

An additional allocation of R10.3 billion over the MTEF will support efforts to improve national and provincial road maintenance, rail signalling and rolling stock, and public transport infrastructure. The South African National Roads Agency will receive an additional R2.7 billion, of which R1.8 billion is for maintenance of 2 156km of coal haulage roads and R950 million is for maintenance of 2 284km of the national road network.

*Transport receives an additional R10.3 billion*

Funding of R1.5 billion for provincial road maintenance and weighbridges is provided through the new *provincial roads maintenance grant*. An additional R2.1 billion is provided for the coal haulage network. This grant totals R22.3 billion over the MTEF. The Passenger Rail Agency of South Africa is allocated R1.1 billion to upgrade and replace 16 per cent of Metrorail's signalling infrastructure, and R350 million is provided for the upgrade and refurbishment of 40 motor coaches and 277 trailers.

**Table 8.6 Transport expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	4.4	9.7	7.6	9.5	8.3	9.0	9.8
Provincial departments	22.1	28.8	28.2	26.7	28.7	30.0	31.8
Public entities	12.4	18.0	30.2	24.3	28.5	33.8	38.3
<b>Total</b>	<b>38.9</b>	<b>56.5</b>	<b>66.0</b>	<b>60.5</b>	<b>65.6</b>	<b>72.8</b>	<b>79.8</b>

An additional R2.7 billion has been made available to 12 municipalities through the *public transport infrastructure and systems conditional grant* to plan, upgrade and expand integrated public transport. The funding will allow bus rapid transport services to increase peak-hour passenger loads from the current 30 000 to 110 000 in 2013/14.

### *Energy and environmental protection*

Expenditure on energy will be markedly lower over the MTEF in comparison with preceding years because the final tranche of the Eskom subordinated loan was paid in 2010/11. Medium-term spending will focus on universal access to electricity through the integrated national electrification programme, which will grow to R3.2 billion in 2013/14.

*A continued commitment to universal national electrification*

**Table 8.7 Energy, communication and general economic affairs expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	14.8	25.6	47.5	37.8	20.9	22.3	23.3
Provincial departments	5.0	4.8	6.1	5.7	5.4	5.6	5.9
Public entities	9.7	13.1	15.7	20.0	19.6	19.3	19.2
<b>Total</b>	<b>29.4</b>	<b>43.4</b>	<b>69.4</b>	<b>63.5</b>	<b>45.9</b>	<b>47.2</b>	<b>48.4</b>

*Additional support for research and development, including energy-efficiency initiatives*

To reduce wasteful electricity consumption patterns and South Africa's carbon usage, government is strengthening research and development in energy-efficiency technologies. Over the three-year spending period the Department of Energy is allocated an additional R369.7 million, of which R66.5 million is for the establishment of the South African Energy Development Institute. Research and development conducted by this institute will support energy-efficiency objectives pioneered through the *electricity demand-side management grant*, which is scheduled to come to an end at the end of 2011/12. The Department of Energy receives R282 million for outstanding payments to the 2010 World Cup Local Organising Committee for generators and electrical connections.

The budget allocates an additional R391 million over the MTEF to the Department of Environmental Affairs. These funds will allow the department to step up efforts to prevent wildlife trafficking; boost its capacity to implement legislation dealing with air quality, waste and coastline management; and increase South Africa's ability to respond to oil spills. Expanded public works projects related to the environment, which will create an estimated 41 131 jobs, are supported with a total allocation of R2.2 billion over the medium term. This allocation also covers the costs of organising the United Nations Conference on Climate Change.

### **South Africa to host UN climate change conference in Durban**

In November 2011, South Africa will host the 17<sup>th</sup> annual Conference of Parties (COP 17) for signatories of the United Nations Framework Convention on Climate Change. The event, known as COP 17, will bring an estimated 20 000 delegates from around the world to Durban.

COP 17 is expected to discuss a global emissions target, a common carbon accounting framework, an enforcement mechanism and a registry of national mitigation efforts. South Africa continues to push for a strong binding agreement that will bring in key global players such as China, India and the US.

### *Industrial development*

*R2 billion for Department of Economic Development*

Additions to baseline for the Department of Economic Development amount to R2 billion over the MTEF, including R1.5 billion allocated to six public entities. The Competition Commission is allocated R461 million to upscale its work on anti-competitive practices in four priority sectors, and to create a unit focusing on cartels. The Industrial Development Corporation will launch a fund with capitalisation of R250 million over the MTEF to support the start-up agro-processing businesses.

*Additional support for small business*

Government is supporting small businesses with an allocation to the South African Micro-finance Apex Fund. The fund receives R282 million to provide wholesale funding and to build capacity in financial intermediary firms that lend to small businesses. A direct-lending project for Khula

Enterprises receives R55 million in 2011/12 for credit indemnities, wholesale lending to retail finance institutions and support services for small businesses.

Over the period ahead, about R10 billion has been allocated to various incentive schemes to promote investment, job creation and broad-based black economic empowerment under the industrial policy action plan. The largest are:

*Industrial policy action plan incentives to promote investment and job creation receive R10 billion*

- Automotive production and development programme – R3 billion
- Enterprise investment for manufacturing and tourism – R2.3 billion
- Clothing and textiles production incentives – R2.1 billion
- Small and medium enterprise development for manufacturing and tourism – R912 million
- Film and television production incentive – R844 million.

The National Tooling Initiative receives R119.7 million over the MTEF. The pre-apprenticeship programme began in February 2010 with 175 students.

The Department of Science and Technology receives an allocation amounting to R14.8 billion over the MTEF (R4.4 billion, R4.9 billion and R5.5 billion). Additional funds of R535 million were allocated for human capital, scientific equipment and the establishment of the National Intellectual Property Management Office. An amount of R358 million has been allocated to post-graduate education.

#### *Agriculture, forestry, fisheries and land affairs*

Government's land reform and agricultural development programmes are intended to enhance rural advancement, job creation and poverty reduction, while expanding South Africa's agricultural produce. Over the MTEF, the Department of Agriculture, Forestry and Fisheries receives a total allocation of R15.5 billion, of which R1.1 billion (R194 million in 2012/13, R405 million in 2012/13 and R512 million in 2013/14) is an additional allocation.

*Allocations to enhance agricultural development and improve rural livelihoods*

**Table 8.8 Agriculture, forestry, fishing and land affairs expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	7.8	7.9	6.1	6.7	6.2	6.7	7.0
Provincial departments	4.9	6.0	7.1	7.2	8.4	8.8	9.3
Public entities	1.2	1.4	4.5	2.4	4.5	4.6	4.7
<b>Total</b>	<b>13.9</b>	<b>15.3</b>	<b>17.7</b>	<b>16.3</b>	<b>19.0</b>	<b>20.2</b>	<b>21.0</b>

A further R400 million is added over the medium term (R50 million, R120 million and R230 million) to the comprehensive agricultural support programme to provide post-settlement support to land reform beneficiaries and other emerging farmers. An additional R100 million is provided to the *land care programme grant*, bringing the three-year allocation to R293 million for 2 847km of fencing to protect ecologically sensitive areas from livestock.

*New funds for National Rural Youth Services Corps*

The Department of Rural Development and Land Reform receives an additional R1.1 billion (R150 million in 2012/13, R350 million in 2012/13 and R600 million in 2013/14) for the comprehensive rural development programme. These funds will support the intake of an additional 5 000 recruits for the National Rural Youth Services Corps and the construction of a poultry house in Limpopo.

### Housing and community amenities

Building adequate and safe human settlements raises living standards and creates new job opportunities. Realising this outcome will require speeding up service delivery, eliminating regular patterns of underspending in certain provinces, and improving the efficiency of local government housing processes.

**Table 8.9 Housing and community amenities expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	31.6	38.0	46.5	56.7	66.0	74.2	79.3
Provincial departments	11.3	14.2	16.9	19.6	23.6	25.0	26.0
Public entities	15.0	16.4	18.1	25.7	32.3	31.1	33.1
<b>Total</b>	<b>58.0</b>	<b>68.6</b>	<b>81.5</b>	<b>102.1</b>	<b>121.9</b>	<b>130.4</b>	<b>138.4</b>

With an additional R6.1 billion allocated over the medium term, planned expenditure on housing and community amenities increases from R102.1 billion in 2010/11 to R138.4 billion in 2013/14. The largest component in this function is community development, which makes up 47.4 per cent of expenditure in 2011/12. Transfers to provincial and local government include earmarked grants for the delivery of housing, water, sanitation and electricity to households.

*A boost for bulk water infrastructure projects*

Spending at the national level in this function relates mainly to the provision of bulk water infrastructure. Investment in water services is expected to increase from R9.9 billion in 2011/12 to R10.9 billion in 2013/14. This includes an additional R3.6 billion over the MTEF period allocated to the Department of Water Affairs, of which R1 billion is for completion of the De Hoop Dam and bulk distribution pipelines, R952 million for regional bulk infrastructure, R520 million for completion of the 78km Nandoni Pipeline, R450 million for emergency drought relief in the Nelson Mandela Bay Metropolitan Municipality, and R225 million for addressing acid mine drainage and its consequences in Gauteng. More than 1 million people will benefit from the Nandoni Pipeline, and more than 2 million people will benefit from the De Hoop Dam water system. To support local government delivery R1.2 billion has been added to the local equitable share.

*Informal settlement upgrades receive targeted support through cities*

Government aims to upgrade 400 000 households in informal settlements by 2014. Nearly 60 per cent of all households in informal settlements are in the country's eight metropolitan municipalities. An additional amount of R2.1 billion has been allocated over the medium term to the Department of Human Settlements for municipal infrastructure to support informal settlement upgrading through the new *urban settlements development*

*grant*. This grant will enable cities to take more control of planning and budgeting for the provision of housing and basic services.

The *capital restructuring grant for social housing* receives an additional R972 million over the medium term to build 6 000 affordable rental units.

### Cities: engines of growth and development

South African cities face myriad challenges. Above all, cities need to help grow the economy by building and maintaining infrastructure, and funding improved social services.

To support these objectives, government has given cities greater autonomy in land use management. Public transport functions have been devolved to the large metropolitan cities through the National Land Transport Act. The housing accreditation process will strengthen the ability of municipalities to manage their built environment. And several measures will help to roll back the apartheid spatial relations that continue to mark the urban landscape:

- Introduction of the *urban settlements development grant* to upgrade informal settlements and accelerate land release.
- Measures to stimulate rental housing.
- Operating subsidies for bus and commuter rail services will be transferred directly to municipalities, enabling them to coordinate and guide public transport services.

In collaboration with the World Bank, government will embark on a large-scale programme to strengthen urban management. The initiative will seek to foster improvements across a wide range of areas, including infrastructure investment, asset management, land use management, service delivery capacity, public transport management, anti-corruption strategies and financial management.

### Education and skills development

Education is key to sustaining long-term growth, increasing employment and reducing inequality. Challenges in this sector include backlogs in school infrastructure; low levels of achievement in literacy, mathematics and science; an insufficient number of qualified teachers; and low enrolment and high failure rates in universities and further education and training (FET) colleges.

**Table 8.10 Education expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	12.9	15.1	16.6	19.5	22.7	25.8	30.1
Provincial departments	90.5	110.3	126.3	143.2	154.5	162.4	171.2
Public entities	7.3	9.2	9.3	10.1	12.4	13.1	13.9
<b>Total</b>	<b>110.7</b>	<b>134.6</b>	<b>152.2</b>	<b>172.7</b>	<b>189.5</b>	<b>201.3</b>	<b>215.1</b>

Spending on education and skills development increased by 16 per cent a year from 2007/08 to 2010/11, and will grow from R172.7 billion in 2010/11 to R215.1 billion in 2013/14, an average annual growth rate of 7.6 per cent. Additional allocations of R24.3 billion over the medium term are accommodated, mainly for a baseline adjustment in provincial education departments, for improving infrastructure at schools, for increasing access for poor students at FET colleges and universities, and for additional personnel at the national departments.

*Support to increase poor students' access to FET colleges*

Provincial education spending is expected to grow by 6.5 per cent over the medium term from R143.2 billion in 2010/11 to R171.2 billion in 2013/14, mainly due to growth in compensation of employees.

*Unsafe school structures to be abolished*

The Department of Basic Education receives an additional R9.1 billion over the MTEF, of which R8.2 billion is to address backlogs in school infrastructure through a new *school infrastructure backlogs indirect grant*. This will enable 3 627 identified informal and unsafe school structures to be replaced, and contribute to provision of water, sanitation and electricity at all schools. The department receives R75 million to strengthen oversight, monitoring and evaluation.

National assessments in literacy and numeracy for all grades 3, 6 and 9 learners will be conducted in 2011. Newly developed learner workbooks and teacher lesson plans have been provided for grades R to 6. In total, more than 6.6 million learners and 125 000 teachers are to receive high-quality teaching and learning materials for the 2011 academic year. A further R596 million is provided over the next three years for Funza Lushaka bursaries, bringing the total allocation for this programme to R2 billion. This will increase the number of prospective teachers receiving bursaries in subject areas such as mathematics, science and the foundation phase from 10 150 in 2010 to 15 217 by 2013.

*FET baseline grows to R14.3 billion over medium term to increase enrolment and raise quality of training*

To bolster skills development, an amount of R1.4 billion over the medium term is added to the *FET colleges grant*, bringing the baseline to R14.3 billion over the period. This will increase FET enrolment from about 198 000 in 2010 to 315 000 in 2011. The state bursary scheme for FET college students increases to R5 billion over the MTEF, including an additional R3.9 billion over the period to enable an additional 120 600 poor learners to access college opportunities. Other interventions are aimed at improving the performance of students in vocational programmes.

*First allocation to help establish new universities in Mpumalanga and Northern Cape*

The Department of Higher Education and Training receives an additional R8.1 billion over the next three years. To improve poor students' access to universities, R3.6 billion is added to the National Student Financial Aid Scheme, bringing the available funds to R9.7 billion for student bursaries and loans. Some 154 890 students (including about 57 300 final-year students) received financial aid from the scheme in 2010. An initial allocation of R300 million is made for establishing new universities in Mpumalanga and the Northern Cape.

### Health services

Government is intensifying investment in health services as part of the 10-point plan to restructure public health, which includes national health insurance (NHI). The challenges facing the health sector include high rates of infant and maternal mortality, HIV and Aids, inadequate health infrastructure, weak hospital management and a shortage of skilled health workers.

**Table 8.11 Health expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	0.9	1.1	1.3	1.4	1.4	1.5	1.6
Provincial departments	58.7	70.0	85.7	96.8	106.6	114.1	120.3
Public entities	3.1	3.8	4.1	4.3	4.5	5.0	5.5
<b>Total</b>	<b>62.7</b>	<b>75.0</b>	<b>91.1</b>	<b>102.5</b>	<b>112.6</b>	<b>120.6</b>	<b>127.4</b>



Spending on the health sector has grown strongly over the past three years, from R63 billion in 2007/08 to R102.5 billion 2010/11. Expenditure is expected to grow to R113 billion in 2011/12 and R127 billion in 2013/14 – an average annual growth rate of 7.5 per cent. The function is allocated an additional R18.7 billion over the medium term (R3.6 billion in 2011/12, R6.5 billion in 2012/13 and R8.6 billion in 2013/14) mainly to cater for infant and maternal health care, HIV and Aids treatment, and health infrastructure and improving health facilities.

The budget allocates an additional R1.4 billion to improve maternal and child health services through a wide range of interventions, including training of 400 nurses and midwives, improved school health services, and enhanced supervision of obstetric and paediatric services in district hospitals. To reinforce gains made in the fight against HIV and Aids, R2.5 billion has been allocated to increase HIV counselling and testing and to extend the lower entry threshold for antiretroviral (ARV) treatment over the medium term. This will increase the total number of people on ARV treatment from 1.2 million in 2010/11 to 2.6 million by 2013/14.

To help retain experienced personnel in the public health sector, R1.6 billion has been allocated for various personnel categories, including 30 therapeutic health professional groups, and for occupation-specific dispensations for medical officers and junior specialist doctors. Provision is also made to increase the numbers of trainee medical specialists from 2 200 to 2 500. An additional R2.9 billion is allocated to improve health facilities, medical equipment and systems over the medium term. Reform of tender and procurement processes in public health has begun to achieve benefits. For example, government can buy more ARV medicines at lower cost, increasing the number of patients on ARV therapy.

As one of the first steps in establishing NHI, primary health care services are being reformed. An allocation of R1.2 billion will launch a family health system, comprising locally based teams of doctors, nurses and community health workers.

*Training for 400 nurses and midwives to improve maternal and child health services*

*Reform of tender and procurement processes in public health has begun to achieve benefits.*

## Social protection

The social protection budget grows from R132.8 billion in 2010/11 to R146.9 billion in 2011/12, and is projected to increase to R171.9 billion by 2013/14. About 70 per cent of spending is on transfers to households in the form of social grants, and 17 per cent is accounted for by social security transfers such as maternity and unemployment benefits, medical and disablement compensation and road accident compensation. Administration costs amount to 6.4 per cent of the social protection budget.

*Social protection budget reaches R171.9 billion by outer year*

**Table 8.12 Social protection expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome				Revised	Medium-term estimates	
National departments	65.1	73.6	85.0	91.8	101.6	110.4	118.8
Provincial departments	6.2	8.3	9.1	10.1	11.5	12.0	12.7
Public entities and social security funds	21.7	25.7	28.5	30.8	33.8	36.2	40.4
<b>Total</b>	<b>92.9</b>	<b>107.7</b>	<b>122.5</b>	<b>132.8</b>	<b>146.9</b>	<b>158.6</b>	<b>171.9</b>

*Strong increases in the social protection budget have extended income support to poor households*

Strong increases in the social protection budget have enabled income support to poor households to be extended substantially over the past decade, mainly through expansion of the *child support grant*. As outlined in Chapter 7, proposals for an integrated social security system and consolidation of administrative capacity are well advanced.

Over the next three years, the South African Social Security Agency will receive R870 million for the implementation of a new grants application process that will reduce waiting times, modernise records management and reduce fraud.

### Recreation and culture

Arts, culture, sport and recreation play an important role in creating an informed, empowered, fair and inclusive citizenry. Challenges in this area include the need to establish clear roles and responsibilities between national, provincial and local initiatives, finding ways to support sustainable job creation, and rectifying corporate governance shortcomings at the SABC.

**Table 8.13 Recreation and culture expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	5.5	5.4	3.2	1.7	1.3	1.4	1.5
Provincial departments	2.2	3.3	3.3	3.3	3.6	3.9	4.0
Public entities	0.9	1.1	1.2	1.3	1.4	1.3	1.4
<b>Total</b>	<b>8.7</b>	<b>9.8</b>	<b>7.7</b>	<b>6.4</b>	<b>6.4</b>	<b>6.6</b>	<b>6.9</b>

Expenditure on recreation and culture, including allocations to the SABC, increases from R6.4 billion in 2010/11 to R6.9 billion in 2013/14; an average annual growth rate of 2.5 per cent. The function is allocated additional funding of R116 million in 2011/12, R151.4 million in 2012/13 and R194.1 million in 2013/14.

*New support for local film industry aims to create 4 200 jobs*

The Department of Arts and Culture receives an additional R255.8 million over the medium term. The National Film and Video Foundation receives an additional R135.2 million, bringing its total MTEF allocation to R265.8 million. The additional funding has been earmarked to support further growth of the local film industry, creating about 4 200 jobs by training scriptwriters, script editors, producers and other crew.

*Competitive sports leagues to be established in each province*

Sport and Recreation receives an additional R205.7 million over the medium term, including R136 million for the sports federations. This brings the MTEF allocation to sport federations to R229.1 million to enhance development and transformation, and to establish competitive leagues in each province.

### Public order and safety

*Funding aims to clear court backlogs and integrate information systems*

Crime reduction remains one of the government's top priorities. Although crime is declining according to latest statistics, the rates of violent crime remain high. Over the medium term, additional funds are provided to bring

down crime levels, clear court case backlogs and integrate criminal justice information systems.

**Table 8.14 Public order and safety expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09 Outcome	2009/10	2010/11 Revised	2011/12	2012/13	2013/14 Medium-term estimates
National departments	55.1	63.2	71.5	79.9	86.5	93.2	99.7
Provincial departments	1.6	1.8	1.9	2.0	2.2	2.3	2.5
Public entities	1.3	1.9	1.9	2.1	2.1	2.3	2.4
<b>Total</b>	<b>58.1</b>	<b>66.9</b>	<b>75.3</b>	<b>84.0</b>	<b>90.9</b>	<b>97.9</b>	<b>104.6</b>

Over the MTEF period, the public order and safety budget increases by 15 per cent from R90.9 billion in 2011/12 to R104.6 billion in 2013/14. A total of R12.8 billion is allocated to the national departments of Police, Justice and Constitutional Development, Correctional Services and the Independent Complaints Directorate. The Financial Intelligence Centre receives an additional allocation of R100 million. Provinces are projected to spend an additional R203 million on community safety.

*Public order and safety budget increases by 15 per cent to reach R104.6 billion in 2013/14*

A total of R4.7 billion from efficiency savings and delayed expenditure on prison construction is reprioritised to cater for other priorities in the cluster. These include the construction of courts, upgrading of information technology infrastructure and additional personnel to boost visible policing, detective services and crime intelligence, and to promote access to justice.

Personnel costs, including salary adjustments and occupation-specific dispensations, are the major cost driver in this cluster. Significant amounts are also spent on construction projects (building of courts, police stations and prisons) and information technology systems.

*Personnel costs are the main cost driver in public order and safety*

Over the MTEF a total of R2.1 billion is provided for increasing the number of police personnel from 200 600 in 2012/13 to 202 260 by 2013/14. These staff increases will support more visible policing, detective and crime intelligence services. An additional R140 million is allocated to strengthen about 20 trained tactical response teams and to establish an effective personnel vetting structure for criminal intelligence services.

The criminal justice system requires modern, integrated systems to coordinate work across agencies, and to track persons and cases. An additional R670 million is allocated over the medium term for the upgrade of IT infrastructure.

South Africa's prisons remain overcrowded, which hampers effective inmate rehabilitation. An allocation of R243 million is provided to cater for operational costs of three correctional facilities currently being upgraded, two of which are partly operational. The facilities will eventually accommodate an additional 1 883 inmates.

*Allocations reduce prison overcrowding*

An additional R490 million is allocated for the construction of new courts, including high courts in Nelspruit and Polokwane, bringing the total number of high courts to 16.

An additional R45 million will support greater investigative capacity in the Special Investigating Unit to allow for the unit to employ an additional 49 investigators, bringing the total to 669 by 2013/14.

## Defence

The defence function includes the departments of Defence and Military Veterans, the State Security Agency and earmarked allocations for the Crime Intelligence Division of SAPS.

**Table 8.15 Defence expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	26.4	28.8	32.8	32.4	36.7	39.5	41.9
Public entities	1.5	2.1	1.8	1.6	1.8	1.9	1.9
<b>Total</b>	<b>27.9</b>	<b>30.9</b>	<b>34.6</b>	<b>34.0</b>	<b>38.4</b>	<b>41.4</b>	<b>43.9</b>

Defence is allocated additional funding of R1.3 billion in 2011/12, R1.6 billion in 2012/13 and R2 billion in 2013/14. Over the medium term, expenditure is expected to increase from R34 billion in 2010/11 to R43.9 billion in 2013/14 at an average annual rate of 8.8 per cent. Additional allocations are mainly for improved conditions of service, municipal charges, maintaining defence capabilities, peace support operations, improved border control and regional crime intelligence capacity. The main cost drivers of this function are compensation of employees and capital acquisitions.

*SANDF has taken a greater role in guarding the borders*

Partly to help combat illegal immigration, the role of the South African National Defence Force in safeguarding the country's borders has been enhanced. Over the next three years, R600 million is provided to deploy soldiers at the borders, and to upgrade and maintain facilities and equipment. The number of troops deployed will increase from 1 168 in 2011/12 to 2 158 in 2013/14.

The Department of Military Veterans receives R57.5 million over the MTEF period to establish, manage and coordinate programmes promoting the well-being of military veterans.

The defence force conducted an assessment of slow-performing programmes and non-core spending items, as a result of which R1.6 billion has been reprioritised to fund the new SANDF salary dispensation.

## General public services

*Additional R15.2 billion for general public services helps defray costs of census and elections*

With an additional R15.2 billion allocated over the medium term, the budget of the general public services function increases from R117.9 billion in 2010/11 to R164.9 billion in 2013/14, rising by an annual average of 6.7 per cent in real terms. Additional funds will primarily be used for building capacity in various departments, improving conditions of service, the 2011 Census and preparing for elections in 2013/14.

Functional reprioritised savings amount to R2.9 billion, which were generated mainly from slow spending projects in the function and from adjusting foreign exchange projections.

**Table 8.16 General public services expenditure, 2007/08 – 2013/14**

R billion	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Outcome			Revised	Medium-term estimates		
National departments	60.4	66.8	71.5	81.4	93.7	105.4	119.2
Provincial departments	10.1	13.6	14.3	15.6	16.8	17.9	19.6
Public entities	15.9	17.1	17.8	20.9	21.5	24.2	26.2
<b>Total</b>	<b>86.4</b>	<b>97.5</b>	<b>103.5</b>	<b>117.9</b>	<b>132.0</b>	<b>147.5</b>	<b>164.9</b>

Statistics South Africa receives an additional R500 million in 2011/12 to conduct the census. These funds should contribute to a more accurate census, partly through employing 120 000 additional short-term staff on contracts ranging from three to 18 months.

The National Treasury receives an additional R1.5 billion to meet obligations of the Political Office Bearers' Pension Fund, as well as increases in costs to government for post-retirement benefits and injury-on-duty expenditure. As at 30 September 2010, 73 246 people were receiving post-retirement benefits and 9 981 people were receiving injury-on-duty benefits.

*R1.5 billion to meet obligations of the Political Office Bearers' Pension Fund*

Payment of property rates for provincial properties owned by government was devolved to provinces in 2008/09. Since then, changes in property holdings and cost escalations associated with the Property Rates Act have necessitated upward adjustments in the provision for provincial property rates. An additional amount of R2.2 billion over the MTEF period is provided. The provincial property rates allocations will in due course be shifted into the provincial equitable shares.

The Independent Electoral Commission receives an additional R80 million in 2011/12 for the administration of the local government elections, and R120 million in 2013/14 for national and provincial elections to be held during 2014. Funding will be used to employ 192 604 personnel, and to improve equipment and logistical operations during the elections.

*Electoral commission receives funds to run elections over the next several years*

## ■ Conclusion

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. Delivery agreements for the 12 outcomes have been concluded, and the Department of Performance Monitoring and Evaluation will oversee regular 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.

To help improve the effectiveness of the public service, government is developing and will pilot an institutional performance assessment tool to assess the quality of management practices in government departments and municipalities. Areas assessed will include supply chain management, financial management, human resources management and service standards.

*More rapid, inclusive growth depends on strengthened partnerships between public and private sectors*

Government recognises that social development and economic progress are outcomes of a wide range of initiatives by all social partners, from community organisations to major businesses and trade union federations. Public spending programmes are aimed at more effective delivery of services that are government's direct responsibility, and co-financing of activities that draw on both public- and private-sector capacity and initiative. More rapid, inclusive growth depends on improved cooperation and strengthened partnerships for progress and development.