



MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT: EXPENDITURE AIMED AT SUPPORTING FAMILIES AND COMMUNITIES REMAINS LARGEST SHARE OF THE BUDGET

Government will continue to increase the breadth and quality of public services over the next three years, with education, health and social grants remaining the largest components of social expenditure aimed at improving the quality of life of families and communities.

"We have spent R115 billion on higher education over the past five years, including R18.6 billion on the National Student Financial Aid Scheme (NSFAS)," the Minister of Finance Pravin Gordhan said today (Wednesday, 26 February 2014). "Allocations to the NSFAS amount to R19.4 billion over the next three years, and will assist over 500 000 students a year."

The 2014 budget allocates 52.5 per cent of nationally raised resources to provinces and local government, allocations which are complemented with measures to improve service-delivery capacity. Transfers to provinces and local government are made through the equitable share and conditional grants. The equitable shares are determined by formulas that take into account demographic and developmental factors. Conditional grants are designed to achieve specific objectives, and provinces and municipalities must fulfill certain conditions to receive them. In addition, provinces and municipalities raise their own revenue, 3 per cent in the case of provinces and 73 per cent for municipalities.

Provinces are responsible for social services like education, health and social development; economic functions like agriculture and roads; and provincial governance and administration which include the legislature, provincial treasury, local government and human settlements.

Municipalities are responsible for the provision of water and sanitation, electricity reticulation, refuse removal, storm water management and local transport and roads. They are also responsible for the provision of community services (such as parks, sport and recreation, municipal roads and street lighting). Municipalities and provincial governments also provide subsidised public services to poor households.

Spending on social infrastructure - which includes health, education and community facilities - is projected to increase from R30 billion in 2012/13 to R43 billion in 2016/17. And priority will be given to eradicating school infrastructure backlogs, and refurbishing clinics and hospitals. The allocations for education and health account for more than 65 per cent of the social infrastructure budget.

Access to free education has increased rapidly since government introduced no-fee schools in 2007. Today, 60 per cent of schools do not charge fees, up from 40 per cent five years ago. In 2007, 5 million learners had access to free education; by this year the number had risen to 8.8 million. In recent years, there has been a noticeable number of children who attend Grade R.

In collaboration with community organisations, provinces will spend R50 billion over the next three years to provide social development services that directly benefit the most vulnerable members of society. Over the next three years, funds are added to the provincial equitable share to expand the reach of shelters for victims of gender-based violence. A new conditional grant is introduced to establish substance-abuse treatment centres in four provinces that do not have such public facilities.

Over the next two years, R1.9 billion has also been set aside from the human settlements development grant to provinces to create an indirect grant to upgrade sanitation infrastructure. In

addition, R180 million is added to the human settlements development grant to accelerate the upgrading of informal settlements in mining towns, on top of the R1.1 billion added for this purpose for the next three years.

"Spending on human settlement programmes amounted to R70 billion over the past five years, contributing to 590 000 houses being built. 850 000 households were connected to electricity over this period," Minister Gordhan said.

Metropolitan and larger urban municipalities are expected to use a combination of grant funds and their own revenue to upgrade informal settlements. The urban settlements development grant, amounting to R32.2 billion over the MTEF period, is an integrated source of funding to upgrade urban informal settlements in the eight metropolitan municipalities. In addition to the funds made available through an indirect to provinces to provide for decent sanitation, conditions have been added to the municipal infrastructure grant and the urban settlements development grant to ensure that recipient municipalities eradicate bucket systems.

The municipal infrastructure grant, which totals more than R45.5 billion over the three-year spending period and is the largest conditional grant to municipalities, has a formula that targets infrastructure backlogs among poor communities. The formula explicitly targets the 23 priority districts covering more rural municipalities. As a result 77 per cent of municipal infrastructure grant allocations in 2014/15 target rural municipalities.

National government will provide R15.2 billion over the three-year spending period to subsidise provincial bus services for commuters and learners. This includes an additional R150 million to offset rising fuel and labour costs. Provinces also contribute to the cost of these services through their own funds, which provides an incentive to improve efficiency.

Social assistance is government's most direct means of combating poverty. Spending on the social assistance has increased from R75 billion in 2008/09 to R118 billion in 2013/14 and reaching R145 billion in 2016/17. The number of recipients has increased from 13.1 million in 2009 to 15.8 million today.

Social grant expenditure will remain significant at over 3 per cent of GDP. There has been a substantial reduction in the cost of paying grants over the past five years, from an average of R32 per beneficiary per month to a fixed rate of R16.40 per beneficiary per month. Growth in social grant spending is driven by changes to the grant values and the number of people receiving grants. The child support and the old age grants are the two largest grant programmes, constituting about 75 per cent of total grant spending.

There is strong growth in allocations to public employment programmes, particularly the Community Work Programme. Investment in infrastructure, with a specific focus on commuter rail services and water provision, also increases over the next three years, and there is sustained support for municipalities.

Issued on behalf of the Ministry of Finance

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