

Medium-term expenditure estimates

Budget reform

Budgeting for service delivery

Budgets are more than just numbers. They reflect Government's social and development priorities and are ultimately about delivering better services to the people.

Over the past five years, Government has made significant progress in reforming the budget and the budget process to meet the fiscal and service delivery challenges outlined in the Reconstruction and Development Programme (RDP).

In its second term, Government is increasingly emphasising the delivery of high quality and efficient public services. The next step in the budget reform process focuses on strengthening the links between government spending and service delivery.

Budgeting for service delivery

The 1999 *Intergovernmental Fiscal Review* outlined key social service delivery information for the provincial sphere. The 2000 *National Expenditure Survey*, published as part of the 2000 Budget, sets out service delivery information for national votes.

Government aims to improve the service delivery information that informs budget decisions, strengthening the link between budgeting and policy-making. Publishing better service delivery information in budget documentation also enables Parliament, provincial legislatures and the public to understand what Government does, what programmes and activities it funds, and what outputs the budget buys.

Greater transparency in budget decision-making must be accompanied by measures to improve accountability in the use of public resources. The Public Finance Management Act of 1999, to be implemented on 1 April 2000, aims to strengthen the links between government spending and service delivery. It is discussed in detail in Chapter 3.

Public Finance Management Act

The medium-term expenditure framework

The medium-term budgeting system is the cornerstone of Government's broader budget reform process. Three-year rolling budgets enable Government to manage the tension between competing policy priorities and budget realities. This helps to reprioritise expenditure and allows policy choices that are affordable in the medium term.

Three-year rolling budgets

The 2000 *Estimates of Expenditure* and 2000 *National Expenditure Survey* set out the national budget appropriations for 2000/01 and forward estimates for 2001/02 and 2002/03. These estimates set the

parameters within which departments prepare next year's budget estimates. In the 2001 Budget, the estimate will be revised to take into account changing policy priorities, updated budgetary and service delivery information, and changes in the domestic and international economic environments.

Consolidated national and provincial spending plans The medium-term expenditure framework (MTEF) details 3-year expenditure and revenue projections for national and provincial government. Provincial spending plans in the MTEF take account of transfers to the provinces from the National Revenue Fund, and revenue that provinces receive from their own sources, such as licence fees. The MTEF also includes transfers from national and provincial spheres to local government, extra-budgetary agencies, funds and commissions, and universities and technikons.

Social security funds included As outlined in Chapter 3, expenditure on social security funds such as the Unemployment Insurance Fund and the Road Accident Fund is included in the 2000 Budget. This supports Government's commitment to extend fiscal planning and budget documentation to a broader range of government agencies and public sector entities.

This chapter details national budget expenditure and consolidated national and provincial spending for 1996/97 to 2002/03. It sets out trends in consolidated spending on the main functions of Government – social services, justice and protection services, and economic and infrastructure services – and reflects the trends in capital and current spending from 1996/97 to 2002/03. The main changes in spending allocations from those projected in the 1999 Budget are summarised.

Main Budget expenditure

Total expenditure estimates

Total expenditure of R233,5 billion in 2000/01 The 2000 Budget provides for expenditure of R233,5 billion, divided equitably between national, provincial and local government, after allocations for debt service costs and a contingency reserve. Provincial and local government expenditure is supplemented by spending financed from revenue raised at the provincial and local levels, such as licence fees and property rates, respectively.

8,1% increase in consolidated national spending Including foreign grants and technical cooperation agreements and the social security funds, national expenditure is projected to increase to R241,6 billion in 2000/01, which is 8,1 per cent above the 1999/00 level and 27,3 per cent of GDP. Consolidated national spending increases to R275,9 billion in 2002/03.

Increase in spending on services of R8,3 billion Chapter 3 summarises changes to the forward estimates of the 1999 Budget. Spending on public services increases by some R8,3 billion in 2000/01 reflecting higher GDP growth, robust revenue performance and lower projected debt service costs.

Table 6.1 National budget expenditure, 1998/99–2002/03

R million	1998/99	1999/00		2000/01	2001/02	2002/03
	Outcome	Budget ¹	Revised	Medium-term estimate		
National Revenue Fund						
Interest on debt	42 669	46 112	44 483	46 490	49 531	50 997
Contingency reserve	–	1 100	–	2 000	4 000	8 000
National equitable share						
Grants to provinces ²	11 792	10 994	12 781	11 629	11 643	11 899
Grants to local government	1 132	643	654	963	1 033	1 103
Transfers to skills funds	–	–	–	1 400	3 000	3 200
Standing appropriations	46	50	60	80	370	150
Provincial equitable share						
Local government equitable share	1 024	1 673	1 673	1 867	1 997	2 130
RDP Fund grants ³	456	–	–	–	–	–
Transfer to Umsobomvu Fund	–	–	855	–	–	–
Pension fund recovery	-1 058	–	–	–	–	–
Main budget expenditure	201 534	213 920	216 040	233 453	251 479	266 671
RDP Fund receipts & technical cooperation	876	750	760	800	700	700
Social security funds	5 889	–	6 733	7 368	7 993	8 569
Consolidated national budget⁴						
Expenditure	207 825	–	223 518	241 601	260 156	275 918
Percentage of GDP	27,5%	–	27,6%	27,3%	27,2%	26,6%
Percentage increase	6,2%	–	7,5%	8,1%	7,7%	6,1%
Gross domestic product	754 729	813 900	809 700	885 200	958 200	1 036 700

1. Excluding revaluation of foreign loans of R2,1 billion, formerly included in state debt costs.

2. Including transfers to the National Housing Fund.

3. RDP Fund grants to departments flowed through the National Revenue Fund only up to 1998/99.

4. Flows between funds are netted out.

Debt service costs decline from 5,7 per cent of GDP in 1998/99 to an expected 4,9 per cent in 2002/03. Debt cost projections are lower than the 1999 Budget estimates as a result of:

- the reduction in the budget deficit in 1998/99 and 1999/00
- debt reduction and lower borrowing associated with state asset restructuring and the proceeds of privatisation
- lower interest rate projections in the context of the proposed inflation targeting regime.

Interest on debt falls to 4,9 per cent of GDP in 2002/03

The unallocated contingency reserve is R2 billion in 2000/01, rising to R4 billion in 2001/02 and R8 billion in 2002/03. This enables Government to respond to unexpected events in the domestic and international economy or to unforeseen spending pressures.

Contingency reserve

Revised estimates of expenditure, 1998/99 and 1999/00

The preliminary expenditure outcome on the main budget for the 1998/99 year is R201,5 billion, including R456 million transferred from the RDP Fund for donor-financed projects and a R658 million revaluation of maturing foreign loans. This is 0,1 per cent more than the 1998 Budget estimate of R201,3 billion and 0,9 per cent less than the revised estimate of R204,3 billion published in the 1999 Budget.

1998/99 outcome 0,5% more than original budget

1999/00 revised estimate of R218,0 billion...

The 1999 Budget provided for expenditure of R214,7 billion in 1999/00, including anticipated donor-financed spending of R750 million, a revaluation of maturing foreign loans of R2,1 billion and a contingency reserve of R1,1 billion. Foreign grants are no longer transferred to the National Revenue Fund, bringing the adjusted budget for 1999/00 to R216,0 billion.

...0,9% more than budget estimate

The revised estimate of R216,0 billion is 0,9 per cent more than the budget estimate, set out in Table 6.2. The main adjustments are:

- a saving of R1,8 billion in state debt costs
- additional allocations of R1,5 billion to national departments
- R250 million to fund additional improvements in conditions of service
- additional transfers of R1,5 billion to provinces
- approved rollovers of R2,6 billion out of unspent 1998/99 appropriations
- R855 million for the Umsobomvu Fund
- anticipated underspending of R2,3 billion.

Changed accounting for revaluation of foreign loans

As announced in the 1999 *Budget Review*, the revaluation of maturing foreign loans previously included in “state debt cost” will, from this year, be included as part of the redemption of foreign debt and not expenditure, in keeping with international practice. For comparative purposes, Table 6.2 shows the revised expenditure estimates for 1998/99 and 1999/00 on this basis.

2000 Budget estimates of expenditure

First print estimate

The “first print” *Estimate of Expenditure to be defrayed from the National Revenue Fund during the year ending 31 March 2001* provides for R230,8 billion, including voted amounts of R88,2 billion. Together with supplementary amounts as yet unallocated to votes, provision for standing appropriations and the contingency reserve, expenditure of R233,5 billion in 2000/01 is anticipated, increasing to R266,7 billion in 2002/03.

Supplementary amounts for poverty relief and HIV/Aids

The 2000 Budget includes R1,2 billion in 2000/01 for poverty relief and Jobs Summit initiatives, increasing to R1,5 billion thereafter. Of these amounts, R547 million, R847 million and R950 million remain to be allocated. Projects focused on HIV/Aids prevention are also allocated R75 million in 2000/01, increasing to R300 million in 2002/03.

Introduction of skills development strategy

The expenditure projections for the next three years include provision for transfers to the National Skills Fund and sectoral education and training funds in terms of the Skills Development Levies Act. These funds, raised through a 0,5 per cent levy on payroll in 2000/01, and 1,0 per cent in 2001/02 and beyond, are earmarked for skills development and training initiatives in terms of a legislative framework overseen by the Department of Labour. Sectoral education and training authorities have been established for 27 industries and will be governed by representatives of business and labour.

Table 6.2 Preliminary 1998/99 expenditure outcome and 1999/00 revised estimate

R million	1998/99		1999/00	
	Budget	Preliminary outcome	Budget	Revised estimate
"First print" estimate	196 399	196 399	213 829	213 829
Supplementary allocations identified at the time of the budget	4 725	4 725	1 051	1 051
Contingency reserve	1 000		1 100	
Provision for standing appropriations	45	46	50	60
Recovery from pension funds	-870	-1 058		
Budget estimate	201 299		216 030	
Adjustments				
Approved rollovers from previous year		1 987		2 647
Additional transfers to provinces		1 400		1 489
Provision for local government Y2K issues				203
Supplementary improvements in conditions of service		300		250
Overexpenditure (unforeseen and unavoidable):		1 250		1 735
Constitutional Development				15
Defence				47
Finance (additional allocation to SARS)				444
Foreign Affairs				98
Home Affairs				14
Justice				148
Labour				15
S A Police Service				94
Sport and Recreation				31
Transport				457
Water Affairs and Forestry				86
Other votes				286
Changes in statutory commitments:				
Parliamentary salaries				3
State debt cost		802		-1 757
Transfer to Umsombuvu Fund				855
Donor-financed spending		456		
Departmental savings and underspending		-4 115		-2 342
Estimated expenditure		202 192		218 023
<i>Percentage increase over Budget estimate</i>		<i>0,44%</i>		<i>0,9%</i>
Less:				
Revaluation of maturing foreign loans		-658	-2 110	-1 983
Revised expenditure estimate		201 579	213 920	216 040
<i>Percentage increase over 1998/99</i>				<i>7,2%</i>

Although government departments are not required to contribute to these funds, the legislation prescribes that departments must budget corresponding shares of their personnel costs for training. The *Estimates of Expenditure* sets out these departmental allocations for 2000/01, summarised in Table 3.6.

Table 6.3 Main budget medium-term expenditure estimates, 2001/02–2002/03

R million	2000/01	2001/02	2002/03
"First print" estimate (February 2000)			
To be voted	88 187	93 166	97 636
Statutory amounts:			
State debt cost	46 490	49 531	50 997
Provincial equitable shares	94 408	100 167	105 158
Skills development funds	1 400	3 000	3 200
Other	266	273	280
Total: first print estimate	230 751	246 137	257 271
Supplementary allocations:			
Unallocated poverty relief and Job Summit programmes	547	847	950
HIV/Aids programme	75	125	300
Standing appropriations ¹	80	370	150
Contingency reserve	2 000	4 000	8 000
Main budget expenditure	233 453	251 478	266 671
<i>Change to 1999 Budget estimate</i>	3 547	5 013	

1. Claims on guarantees, subscriptions to funds of the World Bank, African Development Bank and International Monetary Fund and provision for adjustments to statutory amounts.

National budget votes: medium-term expenditure estimates

Spending by national departments

Table 6.4 sets out national budget expenditure for 1996/97 to 2002/03, showing the total and each national department vote. Table 6.5 highlights changes since the 1999 Budget estimates, average growth in spending over the past three years and estimated expenditure growth in the medium term.

The 2000 medium-term estimates of expenditure include additional allocations to the Defence vote of R2,8 billion in 2000/01 and R3,9 billion in 2001/02 to cover the shortfall on the strategic arms procurement package.

Adjustments made for underspending

The revised estimates for 1999/00 include R2,6 billion rolled over from the previous year, additional allocations made in the Adjustments Estimate and provision for underspending of R2,3 billion. To enable comparison with the medium-term estimates, the 1999/00 revised estimates include spending on capital projects undertaken by the Department of Public Works on the vote of the department on whose behalf the projects were undertaken.

Spending trends since 1996/97 reflect substantial shifts in spending on the national budget:

- Social spending rises with increased spending on health and education at the national level.
- Spending on the national health vote has increased from 1996/97 to 1999/00 as a result of the introduction of health conditional grants to provinces in 1998/99. These relate mainly to specialised services that

certain provinces provide for patients from other provinces. Further details on the grants are provided in Chapter 7.

- Spending on education shows marked growth of 10,7 per cent over the period reflecting higher financial assistance to disadvantaged students at tertiary institutions and to provinces.
- Government's commitment to fighting crime is reflected in spending on the integrated justice sector, which grew rapidly up to 1999/00.
- Local government has been prioritised with marked increases in the local government equitable share and the Consolidated Municipal Infrastructure Programme (CMIP) on the Provincial and Local Government Affairs vote. This is supported by a 20,6 per cent rise in spending on housing.
- Expenditure on Agriculture, Trade and Industry and Mineral and Energy Affairs declined between 1996/97 to 1999/00. An average 4,7 per cent annual decline in Agriculture is due to lower transfers to the Agricultural Research Council and the phasing out of loans to small farmers. Removal of the General Export Incentive Scheme led to a fall of 10 per cent in spending on Trade and Industry over the period. This is being replaced by investment and supply side incentives. Over the last three years, Minerals and Energy has reduced funding to the nuclear industry, mainly the Atomic Energy Corporation. This led to a fall of 5,6 per cent a year.
- Allocations to Defence declined between 1996/97 to 1999/00, but rise in the medium term as a result of the arms procurement purchase described in detail below.

Medium-term estimates and proposals in the 2000 Budget reflect a number of changes since the forward estimates were originally published in February 1999. Lower interest on debt is anticipated to provide R3,3 billion in 2001/02 and R3,0 billion in 2002/03. The allocation to poverty relief and Job Summit projects increases from R1,2 billion in 2000/01 to R1,5 billion in the outer years.

Changes in departmental allocations

Significant adjustments from the 1999 Budget include:

- SAPS receives an additional allocation of R100 million, R360 million and R744 million in the medium-term to implement fast-tracking programmes to improve performance, set up information technology infrastructure, and improve basic policing and social crime prevention activities.
- Spending on the Justice vote rises by R173 million and R294 million in 2000/01 and 2001/02 to accommodate the newly established Directorate of Special Operations, known as the Scorpions, and the National Directorate of Public Prosecutions. Within the Justice Vote, R186 million is earmarked for modernisation programmes targeted at improving courts administration and effectiveness in the integrated justice sector.
- The Finance vote includes R1,5 billion transferred to provinces in the 1999 Adjustments Budget. Increases in the medium-term over the 1999 Estimate reflect additional allocations to SARS and higher

Changes to baseline allocations in line with policy priorities

provisions for post-retirement medical aid payments for retired civil servants.

Table 6.4 National budget expenditure, 1996/97–2002/03

R million	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
	Audited outturn		Estimate	Prelim. Estimate	Medium-term estimate		
Presidency	53,6	52,6	65,4	86,1	83,9	87,1	92,5
Parliament	345,3	331,9	350,5	348,8	416,0	407,0	425,9
Agriculture	820,1	976,8	739,3	702,1	723,7	720,6	722,3
Arts, Culture, Science	533,2	648,2	818,4	888,9	956,3	1 056,6	1 175,7
Communications	571,6	464,0	842,3	814,2	466,9	478,3	431,7
Correctional Services	3 424,5	3 962,3	5 243,0	5 197,6	5 787,5	6 016,7	6 514,1
Defence	10 984,3	11 170,8	10 439,4	10 727,7	13 766,8	15 272,2	16 491,0
Education	5 319,4	5 974,8	6 469,5	7 174,3	7 482,4	7 936,4	8 246,3
Environmental Affairs	356,0	382,8	413,7	540,5	637,1	749,7	754,8
Finance	87 222,1	88 995,8	7 281,9	8 224,9	7 071,6	7 174,1	7 619,9
Foreign Affairs	1 132,8	1 148,9	1 418,3	1 478,3	1 325,2	1 383,9	1 351,8
Gov. Comm. & Info	57,7	36,4	48,7	56,5	60,7	64,3	69,7
Health	656,0	512,5	5 126,9	6 091,7	6 304,1	6 442,8	6 575,9
Home Affairs	433,9	533,6	1 205,7	1 386,9	1 295,4	969,5	924,9
Housing	2 070,1	4 520,0	3 747,6	3 527,1	3 333,4	3 601,3	3 574,6
Independent	-	13,4	21,2	22,1	25,1	26,0	27,1
Justice &	1 772,5	2 210,8	2 392,3	2 693,8	2 980,6	3 246,6	3 377,2
Labour	649,0	632,5	7 39,0	884,6	2 176,6	3 722,0	3 964,1
Land Affairs	276,7	417,2	720,7	678,5	842,6	886,5	964,2
Minerals & Energy	734,3	825,2	672,1	617,4	577,7	584,7	829,1
Provincial & Local	561,7	1 111,5	3 137,1	3 451,5	3 558,6	3 803,0	4 016,7
Public Enterprises	20,3	44,2	26,7	37,8	45,0	50,0	47,1
Public Service &	44,5	52,8	56,0	157,6	85,2	82,9	58,8
Public Service	22,9	23,8	19,4	32,2	50,9	52,3	54,4
Public Works	2 456,6	2 820,5	2 567,0	2 945,3	3 444,9	3 536,9	3 760,9
SA Management	9,6	11,8	24,6	13,9	18,4	19,2	20,0
SA Police Service	11 634,7	12 848,5	13 979,8	14 650,7	15 456,9	16 385,9	17 172,5
Sports & Recreation	54,5	118,4	85,8	138,6	57,7	56,7	59,0
State Expenditure	1 134,3	1 065,1	1 159,4	1 152,9	1 300,1	1 422,6	1 497,8
Statistics SA	371,7	175,3	94,6	143,6	239,2	486,8	242,2
Trade & Industry	3 231,8	2 470,0	1 913,9	1 794,7	2 203,6	2 264,2	2 332,2
Transport	3 130,3	3 603,7	3 553,0	4 115,7	4 093,6	4 476,1	4 699,4
Water Affairs &	2 357,5	2 820,1	2 864,6	2 815,3	2 642,4	2 698,7	2 765,2
Welfare	66,9	145,0	96,8	366,9	341,9	276,3	76,5
<i>Plus:</i>							
Amounts still to be							
HIV/Aids allocation	-	-	-	-	75,0	125,0	300,0
Poverty relief	-	-	-	-	547,0	847,0	950,0
Accounting	-130,9	-28,4	-	89,2	-	-	-
Votes & statutory	142	151	78 334,4	84 047,8	90 473,8	97 410,0	102 365,9
<i>Plus:</i>							
Umsobomvu Fund	-	-	-	855,0	-	-	-
Interest on debt	33 160,4	38 819,7	42 669,3	44 482,6	46 490,0	49 531,1	50 997,0
Provincial equitable			81 542,4	86 595,4	94 408,3	100 167,1	105 157,8
Standing	284,4	34,5	46,0	60,0	80,0	370,0	150,0
Contingency reserve	-	-	-	-	2 000,0	4 000,0	8 000,0
Recoveries from	-334,5	-	-1 058,0	-	-	-	-
National budget	175	189	201 534,1	216 040,8	233 452,2	251 478,0	266 670,6

Table 6.5 Changes to 1999 Budget estimates

R million	1999/00	2000/01	2001/02	Average growth (%)	
	Adjustments	Changes to medium-term estimate		1996/97 – 1999/00	1999/00 – 2002/03
Presidency	17,4	11,1	13,9	17,1	2,4
Parliament	7,0	39,3	10,0	0,3	6,9
Agriculture	18,7	-0,8	-24,4	-5,0	1,0
Arts, Culture, Science & Techn.	44,4	48,8	98,5	18,6	9,8
Communications	34,8	-195,6	-69,1	12,5	-19,1
Correctional Services	138,2	-74,3	-196,3	14,9	7,8
Defence	50,5	2 817,8	3 891,6	-0,8	15,4
Education	146,1	8,3	8,7	10,5	4,8
Environmental Affairs & Tourism	71,4	141,5	88,4	14,9	11,8
Finance	2 033,2	1 218,1	1 567,8	-54,5	-2,5
Foreign Affairs	202,6	151,6	196,5	9,3	-2,9
Gov. Comm. & Info Systems	7,6	10,2	12,4	-0,7	7,2
Health	124,0	32,7	36,0	210,2	2,6
Home Affairs	47,7	317,0	206,2	47,3	-12,6
Housing	-3,4	10,1	20,2	19,4	2,1
Independent Complaints Direct.	-1,9	-0,1	-0,1	–	7,0
Justice	148,8	172,5	294,1	15,0	7,8
Labour	9,6	309,5	811,2	10,9	64,9
Land Affairs	-14,6	-3,9	-2,6	34,8	12,4
Minerals & Energy	1,9	5,5	-7,1	-5,6	10,3
Provincial & Local Government	247,9	119,5	172,3	83,2	5,2
Public Enterprises	6,6	0	2,9	23,0	7,6
Public Service & Administration	104,9	31,2	26,9	52,4	-28,0
Public Service Commission	-18,9	-2,0	-2,2	12,0	19,1
Public Works	-204,2	56,4	22,6	6,2	8,5
SA Management Develop. Instit.	-4,0	0,1	0,1	13,1	12,8
SA Police Service	99,6	360,4	743,5	8,0	5,4
Sports & Recreation	38,0	3,1	0,1	36,5	-24,8
State Expenditure	-28,0	18,3	82,4	0,5	9,1
Statistics SA	0,1	35,9	279,3	-27,2	19,0
Trade & Industry	-270,2	-11,2	-27,3	-17,8	9,1
Transport	618,7	225,2	147,3	9,6	4,5
Water Affairs & Forestry	197,6	-74,6	-120,7	6,1	-0,6
Welfare	180,3	0	0	76,3	-40,7
<i>Plus:</i>					
Amounts still to be allocated					
Umsobomvu Fund	855,0				
HIV/Aids allocation	–	75,0	125,0		
Poverty relief	-450,0	–	–		
Accounting adjustment	89,2				
Votes & statutory amounts	3 691,6	5 953	8 442		6,8
Interest on debt ¹	-1 629,4	-3 264	-3 043	10,3	4,7
Provincial equitable share	293,7	2 337	3 345		6,7
Standing appropriations	10,0	20,0	270,0		
Contingency reserve	-1 100	-1 500	-4 000	–	–
Recoveries from pension fund					
National budget expenditure	2 120,9	3 547	5 013	7,2	7,3

1. After adjustments for revaluation of foreign loans.

- The Home Affairs budget increases by R317 million in 2000/01 and R206 million in 2001/02 to accommodate additional expenditure by the Independent Electoral Commission on the 2000 local government elections, and to provide information technology for the new Home Affairs national identification system.
- Additional spending on the Labour vote reflects the transfers to sector education and training authorities and the National Skills Fund in terms of the Skills Development Act of 1998.
- Transport receives an additional allocation of R225 million in 2000/01 to supplement the operating budget of the SA Rail Commuter Corporation. Provision is also made on the Transport vote for R25 million in 2000/01 and R50 million in 2001/02 for a road project on the Lubombo spatial development initiative.
- Statistics SA receives an additional R36 million in 2000/01 and R279 million in 2001/02 for the upcoming 2001 population census.
- Additional spending of R152 million in 2000/01 and R197 million in 2001/02 on the Foreign Affairs vote largely covers foreign exchange losses due to the depreciation of the rand.
- Outstanding liabilities of the SA Housing Trust are fully accommodated on the Housing vote, requiring additional expenditure of R10 million in 2000/01.
- Transfers to scientific councils are increased by R96 million in 2000/01, R50 million in 2001/02 and R59 million in 2002/03; indicating Government's prioritisation of the national innovation programme, delivered through the science councils and higher education institutions.
- Additional spending of R142 million in 2000/01 and R88 million in 2001/02 on the Environmental Affairs and Tourism vote support efforts to market South Africa as a top international tourist destination.
- Reductions of R196 million and R69 million in 2000/01 and 2001/02 on the Communications vote are largely due to the phasing out of the Post Office subsidy.
- Two prisons are being constructed and will be run in terms of public-private partnerships with Correctional Services. This has the effect of deferring the costs of building prisons into the future, leading to a reduction of R74 million and R196 million in 2000/01 and 2001/02 on the Correctional Services vote.
- Expenditure on Water Affairs and Forestry falls by R75 million in 2000/01 and R121 million in 2001/02 as a result of the restructuring of Government forests.

The 2000 Budget also includes a special allocation of R75 million in 2000/01 rising to R125 million and R300 million in the medium-term to implement an effective and integrated strategy for the prevention of HIV/Aids.

2000 Budget special allocation for an integrated HIV/Aids strategy

In November 1999, Cabinet approved, a special allocation of R75 million in 2000/01, R125 million in 2001/02 and R300 million in 2002/03 to finance an effective and integrated response to the HIV/Aids epidemic in addition to existing allocations on departmental budgets.

It was agreed that the broad focus of spending plans should be on children and the youth, as they are the most vulnerable and affected section of the population. The Departments of Education, Health and Welfare are finalising a strategy for utilising the funds. Initial proposals include:

- Implementing a life-skills and HIV/Aids education programme at schools
- Providing increased access to voluntary counselling and testing for HIV/Aids
- Piloting of community based care models for children affected by HIV/Aids.

Final details of the strategy will be announced shortly.

Consolidated national and provincial expenditure

Consolidated spending, including interest on debt and the contingency reserve, is anticipated to grow at an average of 7,5 per cent a year from 1999/00 to 2002/03. Excluding interest costs and the contingency reserve, consolidated spending is expected to increase by 7,0 per cent from R179,1 billion in 1999/00 to R219,4 billion in 2002/03.

The 2000 *National Expenditure Survey* sets out the policy priorities, spending trends between 1996/97 to 2002/03, and service delivery and output trends for each national department vote. The 1999 *Intergovernmental Fiscal Review* takes a similar approach, explaining provincial spending trends and outlining key social service delivery information at the provincial level.

Tables 6.6 and 6.7 summarise the functional and economic breakdown of consolidated national and provincial spending for 1996/97 to 2002/03.

Functional distribution of expenditure

Table 6.6 sets out a functional breakdown of consolidated spending for 2000/01 to 2002/03, and the estimated outcomes for 1996/97 to 1999/00.

Defence and intelligence

The share of government spending on Defence increases by an annual average of 15,5 per cent from 1999/00 to 2002/03, reflecting the additional costs of the strategic armaments procurement package. In September 1998 Cabinet announced that Government would incur expenditure of approximately R30 billion over a number of years on armament procurement for the South African National Defence Force. The decision followed an intensive analysis of the economic and fiscal impact of the procurements. Table 6.7 provides details of the purchase.

*Defence share rises
due to arms
procurement*

The programme costs will stabilise in real terms after 2003/04, and fall thereafter. Fluctuating exchange rates will impact on the actual costs incurred each year.

Table 6.6 Consolidated national and provincial spending by function, 1996/97–2002/03

R million	Outcome	Revised Estimate	Ave. growth (%)	Medium-term estimate			Ave. growth (%)
	1996/97	1999/00	1996/97–1999/00	2000/01	2001/02	2002/03	1999/00–2002/03
Protection services	27 952	32 520	5,2	37 103	40 075	42 657	9,5
Defence and intelligence	11 046	10 742	-0,9	13 737	15 322	16 535	15,5
Police	11 729	14 826	8,1	15 646	16 571	17 382	5,4
Prisons	2 777	4 259	15,3	4 740	4 936	5 362	8,0
Justice	1 772	2 694	15,0	2 981	3 247	3 377	7,8
Social services	86 650	102 634	5,8	108 801	115 325	120 720	5,6
Education	42 140	47 841	4,3	50 712	53 681	56 534	5,7
Health	24 815	29 928	6,4	32 320	34 500	36 278	6,6
Welfare	16 089	19 674	6,9	20 923	210882	22 361	4,4
Housing and community development	3 262	4 381	10,3	4 075	4 502	4 1730	2,6
Other social services	344	810	33,0	772	759	817	0,3
Economic services	18 785	19 040	0,5	20 603	23 075	24 404	8,6
Water schemes, related services	1 968	2 338	5,9	2 321	2 493	2 618	3,8
Fuel and energy	638	393	-14,9	351	341	530	10,5
Agriculture, fishing and forestry	2 652	3 516	9,9	3 785	3 769	3 835	2,9
Mining, manufacturing and construction	190	224	5,6	226	244	299	10,1
Transport, communication	8 706	9 168	1,7	8 815	9 469	10 022	3,0
Other economic services	4 631	3 401	-9,8	5 104	6 758	7 101	27,8
General government services & unallocable expenditure	21 952	24 887	4,3	28 081	29 765	31 479	8,2
Subtotal	154 711	179 081	5,0	194 508	208 240	219 259	7,0
Interest	33 160	44 483	10,3	46 490	49 531	50 997	4,7
Standing appropriations				80	370	150	
Reserve	–	–		2 269	4 349	8 417	
<i>Of which national contingency reserve</i>				<i>2 000</i>	<i>4 000</i>	<i>8 000</i>	
Consolidated expenditure	187 872	223 564	6,0	243 425	262 490	278 823	7,6

Favourable financing arrangements

The procurements are import intensive. Approximately 85 per cent of the total value of the purchases will be paid for in foreign currency, predominantly United States dollars, euro and sterling. These payments will be funded by export credit loans provided to South Africa by a number of bank consortia, led by Barclays Bank, Commerzbank/KfW, Societe Generale, and Medio Credito Centrale. The loans – which have terms of up to 20 years – are all underwritten by the export credit agencies of the countries supplying the military equipment, allowing the South African Government to take advantage of the favourable terms and conditions characteristic of this market. In several cases, Government also secured interest rate and currency options that are without precedent for this type of purchase.

These favourable loan terms, were a critical aspect of ensuring that the military purchases are affordable and that the associated financial risks are contained.

As part of the overall procurement programme, the supplier companies agreed to industrial participation commitments totalling R104 billion in investment, export and domestic sales in South Africa. Over the medium term, the benefits from these programmes should fully offset the macroeconomic impact of the military equipment purchases.

Industrial participation commitments to offset procurement purchase

Table 6.7 SANDF armament procurement

Equipment type	Quantity	Price 1999 R million
Submarines	3	5 354
Corvettes	4	6 917
Helicopters	30	1 949
Tranche 1 Lead-In Fighter Trainer (LIFT) and Advanced Light Flight Circuit (ALFA)	12 LIFT 9 ALFA	7 110
Total including Tranche 1		21 330
Tranche 2 + 3 LIFT and ALFA	12 LIFT 19 ALFA	8 662
Total including Tranche 1,2,3		29 992

Integrated justice services

The integrated justice sector – Justice, Police and Correctional Services – experienced strong growth from 1996/97 to 1999/00. Justice grew by 15,0 per cent, Police by 8,1 per cent and Correctional Services by 15,3 per cent over the period. Continued growth in this sector over the medium-term confirmed Government’s emphasis on fighting crime. The 2000 Budget allocates additional funds to the integrated justice sector for specific programmes to upgrade systems and improve performance.

Rapid growth on integrated justice sector spending

This initiative will be supported through increased allocations for law enforcement, including on the following:

Additional allocations to law enforcement – the NDPP and Scorpions

- The National Directorate of Public Prosecutions (NDPP), will operate with some autonomy in the Department of Justice to manage and coordinate the country’s public prosecution service. R150 million is allocated to the NDPP to fund its activities in 2000/01, rising to R161 million in 2001/02 and R166 million the year after.
- The newly established Directorate of Special Operations, known as the Scorpions, will investigate serious crimes, including organised crime, political violence and serious economic offences. R150 million is allocated to the Scorpions in 2000/01, increasing to R199 million in 2001/02 and R250 million in 2002/03.
- Increased spending on functions performed by the Department of Justice will benefit law enforcement administration in the lower courts.
- Funds provided for the modernisation and integration of the justice system include R186 million in 2000/01 for technology upgrades, process automation and other fast-track programmes to improve

management of the sector. The South African Police Service (SAPS) is allocated R83 million in 2000/01, R111 million in 2001/02 and R76 million in 2002/03 for fast-track programmes, which include finger print identification and electronic access to criminal records.

New prisons built to accommodate increased prisoners

Since 1996, the prison population has increased from 121 500 to 159 000 and it is projected to increase to 207 000 by 2002/03. Correctional Services will complete seven new prison facilities and begin work on an eighth in the next three years to accommodate the increased prisoner population. Two prisons are being constructed through public-private partnerships, which has the effect of deferring the substantial construction costs into the future, with longer term benefits of improved risk management, efficiency and effectiveness.

Social services

Social spending to grow by 5,8% per year

Social service expenditure remains the largest functional category of government expenditure at approximately 57,3 per cent of non-interest spending in 1999/00. Rapid real growth increased this share in 1995/96 and 1996/97. The high growth rates, at times more than double the inflation rate, could not be sustained. Social service expenditure growth slowed between 1997/98 and 1999/00 to an average rate of 5,8 per cent per year, somewhat below inflation. Over the medium term, expenditure will grow by an average of 5,6 per cent per year, slightly exceeding the expected inflation rate.

Rapid growth in social spending in 1996/97

The main reasons for the rapid growth in initial years were increased personnel expenditure (on wage settlements and additional employment to rectify uneven distribution of educators and health workers) increased take-up of welfare grants and growth in housing. While expenditure grows moderately in real terms over the medium term, at 5,7 per cent and 6,6 per cent a year for education and health respectively, real expenditure on non-personnel components will grow more rapidly. Provincial estimates show personnel expenditure in education departments declining from a high of 91,4 per cent of education spending in 1998/99, to 88,7 per cent in 2002/03. In health, the expected decline is from 64,4 per cent in 1998/99 to 62,2 per cent in 2002/03. This will have a positive impact on the effectiveness of spending and quality of services.

Reforms to contribute to effective spending

In addition to these positive trends, other reforms will contribute to more effective spending. Education departments have been implementing programmes to improve management, including financial management and quality in education, supported by a conditional grant to provinces and earmarked funds on the national budget. In 2000/01, R272 million will be voted for professional development of teachers, development of education management and financial management, and support to the Culture of learning, teaching and service campaign (COLTS).

“Working together” in education

These various efficiency and quality-enhancing initiatives in education will be strengthened by the *Tirisano* or “working together” programme, the call to action of the Minister of Education. The programme focuses on school effectiveness and performance monitoring and evaluation. The further education and training sector will be able to benefit through the skills levy and the system of learnerships.

In health, hospital management is being strengthened through pilot projects to decentralise management. Conditional grants are targeted to hospital rehabilitation and the provision of tertiary services in under-serviced provinces. Substantial strengthening of primary health care services through the district health system has channelled resources into the delivery of appropriate local services.

*Centralised
management in health*

Between 1993 and 1997, the take-up of pension and disability grants increased, particularly in rural areas where access used to be difficult. This, combined with the annual increases in the value of the grants, led to expenditure growing faster than the provincial budgets from which welfare grant expenditure is financed. With coverage for old age grants (the major component of grant expenditure) already high and welfare rolls being cleaned up, growth in beneficiary numbers slowed after 1997. A conditional grant to provincial welfare departments funds the process of enhancing management and service delivery, including the extensive process of reregistration.

*Better management of
welfare grants*

The child support grant started to replace the state maintenance grant in April 1998. After a slow start, take-up is accelerating; this will continue over the medium term. The grant is targeted at the poorest 3 million children. While contributing to a reprioritisation of spending towards the poorest, the growth of this grant will put renewed pressure on provincial welfare budgets.

*Grant targeted at
poorest 3 million
children*

4x4 Joint Technical Committees

Since 1997, MTEF sectoral review teams have brought together national and provincial officials on an annual basis. The teams examine sectoral issues, specifically to identify expenditure implications of policy directions and to generate information and options for better budget decision-making. The 1999 review teams for the social services aimed to strengthen the credibility of 3-year budgets by evaluating provincial budget processes and considering mechanisms for projecting expenditure. In addition, they assessed progress with service delivery indicators and recommended a way forward.

In 1998, sectoral joint technical committees were established for education, health and welfare, and later, for transport and infrastructure. These committees consist of four senior officials from national and provincial treasuries and four officials from the relevant national and provincial service departments, hence the name 4x4s.

The key objective of the 4x4s is to establish greater coordination between policy development and the financing of policies. In line with the budget reform programme, they create synergy between budgets and Government priorities. Their tasks are to develop the MTEF sectoral review programme for the sectors, ensure ongoing information sharing, and consultation on policy and financial developments and to identify research priorities and agendas.

Poverty relief

Table 6.8 Poverty relief and Job Summit allocations

R million	1999/00	2000/01	2001/02	2002/03
Agriculture: Landcare	20	25	25	25
Environmental Affairs and Tourism: Integrated waste management; National arts and craft market; Local tourism infrastructure	70	–	–	–
Health: Poverty alleviation projects	23	28	28	28
Housing: Pilot projects on housing	75	–	–	–
Labour: Social plan projects in response to job losses in collaboration with; Department of Provincial and; Local Government Affairs; Skills development projects	50	–	–	–
Provincial and Local Government Affairs: Social plan projects in collaboration with the Department of Labour; Local economic development	45	3	3	3
Public Works: Community based public; works Youth Commission project; Job Summit projects	377	274	274	374
Transport: Road upgrading and maintenance	100	–	–	–
Water Affairs and Forestry: Working for Water programme	200	120	120	120
Welfare: Poverty alleviation projects	40	203	203	–
Total allocated	1 000	653	653	550
Unallocated	–	547	847	950
Total available	1 000	1 200	1 500	1 500

Criteria include poverty alleviation and employment creation

In 1999, Cabinet approved a special programme to address poverty and implement the recommendations of the Job Summit. The intended beneficiaries of this programme are rural women, young people and the disabled. The allocation for poverty relief, infrastructure investment and Job Summit projects is to increase from R1,2 billion in 2001/02 to R1,5 billion in 2002/03. Cabinet criteria for the allocation of these funds are that projects should :

- target the poorest areas in provinces, particularly rural areas,
- promote human development and build capacity among the poor and unemployed,
- provide jobs and community involvement,
- be sustainable in the long term.

In poverty relief projects, households with single women as the main breadwinners were specifically identified as a target group. On infrastructure projects, supporting food production and marketing was given priority. Job creation potential and affordability are the main additional aims of the Job Summit projects.

Job Summit criteria emphasise employment creation

To qualify for ongoing funding, projects should demonstrate their effectiveness in terms of these criteria. Unallocated funds for 2000/01 will be distributed to new projects, also according to these criteria.

Spending is progressing adequately for the larger and more established programmes such as the Working for water and community based public works programmes and the Department of Welfare's poverty alleviation programmes.

Incidence analysis

One of the key roles of the State is to ensure that all its citizens receive a basic level of service, irrespective of their level of income. Government aims to reduce inequality in income, to enable poor people to improve their livelihoods. By taxing a bigger share of the income of the wealthy and spending more on the poor, Government reduces inequalities and ensures that poor people have access to a minimum level of income and basic social services. This reduces the incidence of poverty and promotes economic growth by developing human potential through spending on education and health. In 1999 the Department of Finance initiated research to systematically investigate who benefits from the budget. Such studies, referred to as incidence analyses, can measure Government's effectiveness in redistributing income and evaluate the appropriateness of spending patterns.

*Incidence analysis
measures
redistribution*

The study of expenditure incidence focused on about 60 per cent of expenditure – education, health, social grants, water provision and housing – between 1993 and 1997. Other expenditures and the period after 1997 had to be excluded because of a lack of information. The distribution of expenditure between income groups, race groups and geographical areas was considered.

The study concludes that the first years after the political transition saw a large and significant shift of social spending from the affluent to the more disadvantaged members of society. Most social spending is relatively well targeted to poor people, as a result of:

*Social spending shifts
towards the poor*

- shifts of government spending to social services during the period 1993 to 1997
- changes in the composition of social spending, housing programmes and infrastructure, including water provision
- shifts between programmes, such as the increasing emphasis on primary health care, and more appropriate targeting, such as the notable shift in educator resources to the poor.

These factors resulted in the share of expenditure on the poorest 20 per cent (or quintile) of households increasing from 27,4 to 30,7 per cent of the total. Similar gains were made by the second poorest decile, from 21,9 to 25,8 per cent. The share of the richest quintile declined from 12,7 to 8,7 per cent.

*More spending on the
poorest 20%*

This signals sizeable increases in per capita social service expenditure on the poor – as much as 34,1 per cent between 1993 and 1997 for the poorest quintile. On the other hand, per capita expenditure on the richest group declined by more than 20 per cent over the same period, driven strongly by more equitable school education expenditure. Analysis of expenditure by race group shows a similar redistribution to the most disadvantaged.

Table 6.9 Social spending by income group, 1993 and 1997

	Year	Quintile – from the poorest 20% (1) to the richest 20% (5) of households					Total
		1	2	3	4	5	
Spending per capita (rand, 1997)	1993	1 730	1 280	1 464	1 790	1 673	1 555
	1997	2 320	1 977	1 875	1 743	1 334	1 924
Per capita increase (%)	1993 to 1997	34,1%	54,5%	28,0%	2,6%	-20,2%	23,8%
Share of spending (%)	1993	27,4%	21,9%	20,5%	17,6%	12,7%	100%
	1997	30,7%	25,8%	20,1%	14,7%	8,7%	100%

Table 6.10 Social spending by race group, 1993 and 1997

	Year	African	Coloured	Indian	White	Total
Spending per capita (rand, 1997)	1993	1 439	2 014	2 529	1 732	1 555
	1997	2 012	1 812	2 000	1 435	1 924
Share of spending (%)	1993	70,1%	11,2%	4,2%	14,5%	100%
	1997	80,2%	8,2%	2,6%	9,07%	100%

Some limitations to the methods

This general picture of an increasingly redistributive fiscal system must be qualified in a number of ways:

- Data sources are weak: Different data sources had to be linked and many assumptions made about the utilisation of services.
- Definitive results will only be possible from detailed and comparable information provided by future household and income surveys.
- The analysis focuses on expenditure and, therefore, on inputs rather than on outputs, such as the quality and usefulness of services. This is particularly true for education expenditure, where spending increases largely fund personnel expenditure. The quality of effectiveness of this increased spending might be compromised by inadequate textbook supplies or administrative deficiencies.

Inequalities still remain

In spite of the improvements, significant inequalities remain in per learner expenditure in schooling and in tertiary education. The analysis also emphasises that the benefits from expenditure depend on how effectively and appropriately resources are used. Despite these positive developments over the past few years, South Africa remains one of the most unequal countries in world, with the poorest 40 per cent of households still living below the minimum household subsistence level. An enhanced focus on service delivery therefore remains essential.

Economic breakdown of consolidated spending

Table 6.11 sets out an economic classification of estimated consolidated national and provincial spending.

Table 6.11 Economic consolidated national and provincial spending, 1996/97–2002/03

R million	Outcome	Estimate	Ave. growth 1996/97– 1999/00	Medium-term estimate			Ave. growth 1999/00– 2002/03
	1996/97	1999/00	%	2000/01	2001/02	2002/03	%
Current expenditure							
Goods and services	97 535	113 060	5,0	120 761	128 191	135 081	6,1
Personnel	76 626	91 715	6,2	96 933	101 530	106 666	5,2
Other goods and services	20 909	21 345	0,7	23 828	26 661	28 414	10,0
Interest	35 158	44 483	8,2	46 490	49 531	50 997	4,7
Current transfers	33 195	35 496	2,3	37 489	39 680	41 185	5,0
Subsidies to business enterprises	2 831	4 196	14,0	3 867	3 661	3 803	-3,2
<i>Non-financial public enterprises</i>	1500	1 961	9,3	1 790	1 720	1 720	-4,3
<i>Public financial Institutions</i>	66	25	-27,6	30	39	44	20,7
<i>Government departmental enterprises</i>	133	420	46,7	169	74	26	-60,4
<i>Private business</i>	1 132	1 791	16,5	1 878	1 828	2 013	4,0
Transfers to households	30 272	31 192	1,0	33 514	35 918	37 280	6,1
Transfers to foreign countries & international credit institutions	93	108	5,1	109	102	102	-1,9
Current transfers to other Government institutions & funds	11 108	15 940	12,8	20 675	22 874	24 542	15,5
Transfers to universities and technikons	4 398	6 385	13,2	6 805	6 705	7 005	3,1
Transfers to extra-budgetary agencies	4 472	7 228	17,4	11 039	13 139	14 304	25,5
Transfers to other levels of government	2 238	2 327	1,3	2 830	3 030	3 233	11,6
Total current expenditure	176 997	208 979	5,7	225 414	240 277	251 804	6,4
Capital expenditure							
Acquisition of fixed assets, stock and land	7 046	7 586	2,5	8 812	9 867	10 406	4,1
Capital transfers, loans, advances	3 829	6 999	22,2	6 846	7 623	8 042	4,7
Capital transfers to the rest of Government	–	4	–	4	4	4	–
Total capital expenditure	10 875	14 585	10,3	15 662	17 494	18 452	8,2
Standing appropriations	–	–	–	80	370	150	–
Reserve	–	–	–	2 269	4 349	8 417	–
Of which: National contingency reserve	–	–	–	2 000	4 000	8 000	–
Consolidated expenditure	187 872	223 564	6,0	243 425	262 490	278 823	4,6

Personnel expenditure

<i>Why Government is concerned with the size of the wage bill?</i>	Personnel expenditure is the largest item of expenditure on the budget. To achieve the best possible services, a balance is required between expenditure on personnel and on capital investment, maintenance and complementary inputs such as textbooks, medicines and equipment.
<i>Growth in personnel expenditure between 1995/96 and 1998/99</i>	Between 1995/96 and 1998/99, personnel expenditure grew from 46,6 per cent of total non-interest expenditure to 50,1 per cent. Since 1998/99, personnel expenditure has stabilised. Government efforts to control personnel expenditure centred on limiting public service employment and moderating general salary increases in line with inflation.
<i>Resources freed to investment</i>	In 1999/00, personnel expenditure declined to 49,6 per cent of the total. Over the medium term, Government plans to reduce the proportion of non-interest expenditure on personnel to 48,4 per cent by 2002/03. As Government achieves this target, more resources will be allocated to capital expenditure, maintenance and current expenditure on items such as textbooks, medicines and equipment.
<i>Strategies to manage personnel expenditure</i>	The Department of Public Service and Administration's 1999 <i>Personnel Expenditure Review</i> and the draft <i>Remuneration Policy</i> form the basis of Government's approach to managing personnel costs effectively while promoting improved service delivery through alternative options such as outsourcing non-core business, performance-related rewards and reducing staff numbers where appropriate.

Capital spending

	Capital spending includes direct investment in buildings, equipment and other durable assets, and capital transfers mainly to housing funds, municipalities and other government agencies. As Government expands its services to previously excluded sections of the population, the lack of basic infrastructure to deliver these services is a significant constraint. To improve both service delivery and economic development in the long run, investment in infrastructure must be prioritised.
<i>Capital transfers grow by 22,4%</i>	Capital transfers rose by an average of 22,2 per cent a year between 1996/97 and 1999/00 as spending on housing, water and municipal infrastructure gained momentum. This resulted in average annual growth of 10,3 per cent in total capital expenditure during the period.
<i>Rural infrastructure</i>	In 2000/01, the Consolidated Municipal Infrastructure Programme (CMIP) will be given an additional R90 million, increasing this programme to R883 million. The additional allocation will fund rural infrastructure – roads, bridges, and bulk water and sanitation projects.
<i>Strong economic infrastructure investment by parastatals</i>	Capital spending by parastatals, although not reflected in the table, is expected to increase strongly over the medium term. These investments in communications, transport, road and energy sectors are set to increase from R12,6 billion in 1995/96 to R16,7 billion in 1999/00. The acquisition of strategic equity partners by Telkom, the Airports Company and South African Airways has benefited infrastructure investment in the communications and transport sectors, respectively.

While investment in the energy sector has declined since 1997/98, the sector currently maintains a surplus capacity and is internationally competitive with regard to performance and service delivery.

Spatial development initiatives (SDIs) are a mechanism for coordinating economic infrastructure development, bringing private sector finance and management expertise into infrastructure provision. SDIs focus on specific areas or regions with unrealised economic potential, such as the Lubombo spatial development initiative.

SDIs catalyse economic infrastructure development

The Departments of Public Works and Correctional Services have signed a public-private partnership contract for two new maximum security prisons. In terms of the partnership, the contractors will design, finance, build and manage these prisons for 25 years, after which they will revert to State control. The facilities are located in Bloemfontein and Louis Trichardt and will each hold approximately 3 000 prisoners.

Public private partnership projects

A hospital rehabilitation grant was introduced in 1999, and rises from R400 million in 2000/01 to R520 million in 2002/03. This grant, and the construction of the Umtata Regional Hospital and the Durban Academic Hospital, reflect Government's commitment to expand the reach and quality of services in the health sector.

Health infrastructure

Total capital expenditure rises from R14,6 billion in 1999/00 to R15,5 billion in 2000/01, increasing to R17,5 billion in 2001/02 and R18,5 billion in 2002/03. This represents an average annual growth of 8,2 per cent. Capital spending over the medium-term is largely driven by stronger infrastructure spending in the provinces. After slow growth in 1999/00, provincial capital expenditure is projected to increase by about 20 per cent in 2000/01. This positive development reflects the improved financial status of the provinces.

Growth of 8,2% over the medium-term

Government intends supplementing provincial capital spending over the medium-term. R300 million will annually be available to provinces for special infrastructure grants. These will support school buildings, roads and other social infrastructure, particularly in rural areas. Investment in the maintenance of roads, in particular, avoids costly rehabilitation in the future. In addition, investment in tourism facilities is likely to boost the country's ability to attract tourists and create sustainable employment.

Infrastructure grant to support provincial infrastructure

Conclusion

Government's budgetary policies play a pivotal role in improving economic growth, attracting investment and creating jobs. Economic and fiscal policy alone will not guarantee lower poverty, higher employment and a better quality of life for all. The provision of affordable, high quality services in education, health, policing, transport, housing and technology improve the country's chances of achieving these aims.

Government's expenditure framework is crucial to improving the quality of services, redirecting resources towards greatest need and improving the long-term ability of the country deliver on its commitments within the limit of affordability.

The Budget supports these aims through:

- by understanding the nature, quality and quantity of services delivered, Government can link its policies and political priorities to its spending plans.
- by improving the budget process, Government ensures that the money spent is used wisely and in the best interests of the country as a whole.
- with access to more and better information about public services, the public and their representatives can hold Government accountable for delivery.