

Medium term expenditure estimates

The Medium Term Expenditure Framework aims to propel South Africa's growth and development strategy forward, while supporting the progressive realisation of the social and economic rights of our people. The 2003 Budget provides for a marked acceleration in spending on social services, investment in infrastructure and support for local development.

Additions to government spending plans over the next three years include:

- *Extension of the child support grant to children up to age 14 and stepped up allocations to primary school nutrition, adding a further R11,9 billion to meeting the needs of children*
- *R38 billion more for provinces to improve roads, revitalise hospitals, purchase medicines and school books and enhance treatment of HIV/Aids*
- *A further R6,5 billion for extending free basic services, investing in municipal infrastructure, rural water supply and sanitation and expansion of employment in community services*
- *Supplementary allocations of R2,7 billion for courts and the police, to streamline the justice process, improve protection of women and children and reinforce crime-fighting*
- *R1,7 billion more for higher education, and increased skills development funding*
- *R1,9 billion more for land restitution and the land reform programme*
- *R2,2 billion for administrative improvements to Home Affairs' services to citizens and building capacity of the SA Revenue Service*
- *R1,0 billion to supplement research and technology development*
- *R1,3 billion to support a growing international role, peace-keeping missions and the New Partnership for Africa's Development.*

Introducing measurable objectives

Building on foundations set out in the Reconstruction and Development Programme nearly a decade ago, the Government's spending plans are aimed at underpinning sustainable growth while also promoting broad-based development, employment creation and

Spending plans underpin sustainable growth and broad-based development

redistribution of income and opportunities. This year's Budget adds R105,4 billion to spending plans over the next three years, boosting social services, infrastructure investment and local development programmes. In real terms, spending on public services will grow by 5,3 per cent a year over the MTEF period, giving further impetus to South Africa's growth and development in the years ahead.

Measurable objectives improve accountability for services...

The 2003 Budget introduces *measurable objectives* for each of the programmes of a budget vote, as required by the Public Finance Management Act. These define the intended impact of a programme and reinforce accountability for services delivered.

...and invite comment to improve future budgets

The measurable objectives are set out for national departments in the *Estimates of National Expenditure*, together with output indicators and targets intended to clarify departmental plans and facilitate performance monitoring. Similarly, provincial treasuries will publish service delivery measures and targets as part of their budget documentation.

Measurable Objectives

Prescribed by section 27(4) of the Public Finance Management Act, measurable objectives are included in the 2003 *Estimates of National Expenditure* (ENE) for each main division within a vote. Alongside the specified *purpose* of a programme, a *measurable objective* is required which in turn underlies the programme's output indicators and targets. Although distinct quantifiable outcomes are difficult to formulate or to summarise for some programmes, the combination of measurable objectives and subprogramme outputs and targets in the ENE typically provides an informative scan of the service delivery performance that is planned.

Measurable objectives are defined as, *quantifiable results that can be achieved within a foreseeable time period*. They also serve as a roadmap towards the achievement of a Department's goals and define the actual impact on the public rather than the level of effort expended. Measurable objectives should contain at least three types of information:

- the action that the programme will undertake to achieve its mandate
- the mandate, or rationale for the programme's existence
- the level of performance at which the objective will be achieved.

These components are illustrated in the examples below.

"To develop telecommunication infrastructure within three years to monitor spectrum usage"

"To establish and operate programmes, instruments, and partnerships for the transfer of knowledge and technologies as measured by internationally accepted technology diffusion assessment methods"

"To reduce mortality and morbidity and to monitor and evaluate these trends through research and epidemiological surveillance to ensure that national health policies and programmes are having their desired impact"

Being a new reform, several steps were taken this year to support departments with the formulation of measurable objectives. These included the discussion of a detailed description in the Treasury Guidelines, distributed to departments in October 2002, followed by information sessions and meetings with all national departments. While commendable efforts have been made to develop appropriate objectives, the full potential of this reform has not yet been realised. The National Treasury will work closely with departments this year to improve the quality of measurable objectives and to strengthen the alignment between the objectives of national and provincial departments.

Monitoring the implementation of programmes and measurement of performance against stated objectives and targets will require close attention in the years ahead, with a view to strengthening the link between actual expenditures and the delivery of public services.

These reforms give substance to Government's commitment to transparent governance in pursuit of efficient and effective service delivery. Parliament, stakeholders and citizens are invited to reflect, debate and comment on these objectives and targets, with a view to their refinement and improvement in future budgets.

As in the past, this chapter draws on the work of the National Treasury, provincial treasuries and other departments in developing strategic plans, evaluating options and assessing spending priorities. It reflects the considered examination of plans and proposals by Cabinet and Provincial Executive Committees and the advice of numerous officials, analysts and external commentators. The Budget takes into account Parliamentary debate and resolutions, representations by business, labour and community stakeholders, expert analysis and public opinion. Government's spending plans cannot accommodate all needs and aspirations, but they are the outcome of an extensive planning and prioritisation process.

The Budget is the outcome of extensive planning and consultation

The chapter outlines the Government's broad policy objectives and medium-term priorities. It updates expenditure estimates for 2001/02 and 2002/03 and sets out planned expenditure for the next three years. It explains the main additions or changes to spending plans. National department allocations are summarised, followed by a review of consolidated national and provincial expenditure trends.

Medium term policy priorities

Expenditure priorities in the 2003 Budget

As indicated in the *Medium Term Budget Policy Statement (MTBPS)* published in October last year, the 2003 Budget builds upon and takes further the policy priorities laid down in the 2001 and 2002 Budgets. Progressive realisation of the social and economic rights of our people, as set out in the Constitution, is a primary focus of budget plans. In putting South Africa's growth and development on a sound footing, Government will continue to emphasize infrastructure investment and extension of the coverage and quality of social services. Other elements of the development strategy include strengthening employment creation incentives, deepening the skills base, reinforcing crime prevention and enhancing the investment environment.

2003 Budget builds on 2001 and 2002 priorities

The 2002 *MTBPS* identified the following priorities for this year's Budget:

Key priorities identified in the MTBPS

- Extending social assistance, health and education programmes administered by provinces
- Enhancing investment in municipal infrastructure and basic services in support of the rural development and urban renewal strategies
- Expanding capacity in the safety and security sector to prevent and combat crime, including a particular focus on the functioning of the courts system
- Higher education restructuring, including support for institutional mergers and investment in infrastructure
- Accelerating the land reform and restitution programmes

- Re-engineering services to citizens provided by the Department of Home Affairs
- Increasing support for the national research and development strategy to enhance growth and technology advancement
- A growing international role through increased regional representation, support for the African Union and NEPAD.

Details of spending plans are in ENE

Table 6.1 summarises the additional allocations in the 2003 Budget associated with these commitments. Details of the policy shifts and adjustments to spending plans are set out below, in the *Estimates of National Expenditure* and in provincial budget statements. These adjustments take forward the broader policy thrusts of the 2001 and 2002 Budgets – investing in infrastructure, addressing poverty and vulnerability, encouraging local partnerships in development and strengthening the fight against crime.

Stepping up investment in infrastructure

The 2001 Budget introduced a renewed focus on infrastructure investment, given effect through targeted allocations to national votes and a supplementary infrastructure grant to provinces.

Broad range of infrastructure projects are under way

Additional funding in 2001 and 2002 went to repairing flood-damaged roads, bridges and buildings, maintenance and rehabilitation of schools, clinics and hospitals, expanding the rural water supply and sanitation programme, refurbishment of the rolling stock of the SA Rail Commuter Corporation, extension of rail lines in Khayelitsha and Umtata, upgrading of roads at 14 border posts, rehabilitation of court buildings, police stations and labour offices, maintenance of national parks and harbour walls, development of the Limpopo transfrontier conservation area, construction and maintenance of prisons, investment by the Department of Home Affairs and Statistics SA in information technology, establishment of emergency call centers, maintenance of various heritage institutions and construction of the Freedom Park memorial at the Salvokop site in Pretoria. These projects are at various stages of implementation and have contributed to the marked acceleration in general government construction activity over the past two years.

New allocations include office and IT investment, security at courts, marine patrol vessels and further rail commuter rolling stock

In the present Budget, further allocations to national departments are made for office accommodation and technology investment by Home Affairs, maintenance and repair of general government buildings by the Public Works Department, forensic laboratory equipment for the Department of Health, further upgrading of court buildings and security, rehabilitation of the Masters' Office, investment by the SA Police Service in buildings, vehicles, computer equipment and a new radio communications network in Gauteng, acquisition by Environmental Affairs and Tourism of marine patrol vessels, rehabilitation of the Marion Island harbour and additional investment in rail commuter rolling stock.

Capital spending is growing strongly

Capital expenditure and capital transfers by national departments have grown by 28,1 per cent a year since 1999/00 and are budgeted to increase by 10,9 per cent a year over the next three years.

Table 6.1 2003 Budget priorities - policy allocations to selected votes

R million	2003/04	2004/05	2005/06	Total
Extension of the child support grant and primary school nutrition programme				
Social Development - child support extension grant	1 100	3 400	6 400	10 900
Health - Primary school nutrition	226	333	387	946
Enhancement of provincial education, health, welfare and other functions				
Provincial equitable share	8 693	12 075	15 627	36 395
Health - enhanced HIV/Aids response, hospital grants and other adjustments	323	603	699	1 625
Basic household services, municipal infrastructure and community employment				
Provincial and Local Government - grants to municipalities	1 450	2 000	2 412	5 862
Water Affairs and Forestry - rural water and sanitation	150	220	290	660
Fighting crime and streamlining of justice process				
Justice and Constitutional Development	352	423	462	1 237
Safety and Security	229	319	926	1 474
Higher education and skills development				
Education	360	605	690	1 655
Labour - skills development programme	450	530	727	1 707
Land restitution and land reform				
Land Affairs	550	610	730	1 890
Administrative systems and services to citizens				
Home Affairs	149	347	348	844
National Treasury - SA Revenue Service	150	665	575	1 390
Research and technology development				
Science and Technology	48	69	101	218
Other votes (science councils and the ICT Institute)	165	250	375	790
Support for NEPAD and international commitments				
Foreign Affairs	122	244	296	662
Defence - peacekeeping operations	200	200	200	600
Other adjustments	2 406	2 705	3 606	8 717
Total policy adjustments	17 123	25 598	34 851	77 572

At the provincial level, capital spending on roads, hospitals and schools has grown by some 30 per cent a year since 1999/00 and is projected to continue to increase robustly. Funding for the housing capital subsidy programme, also administered by provinces, grows strongly over the MTEF period as well.

Formal public-private partnerships, through which the private sector provides the initial finance for public infrastructure and takes on operational responsibility and risks associated with service provision, are also growing in importance. Prior to establishing the PPP regulatory framework, pioneering PPP transactions were concluded for the N3 and N4 toll roads, two high security prisons and a number of tourism concessions. Following promulgation of Treasury Regulations for PPPs in May 2000, some 50 projects have been registered. Six transactions have been concluded and a further six are likely to be finalised this year.

PPPs take advantage of private sector operational incentives and private finance

Public private partnerships – closed transactions and deals in negotiation: May 2000 – February 2003

Since the promulgation of regulations in terms of the Public Finance Management Act governing public private partnership contracts, six projects have reached financial closure and six projects are currently in final negotiation. The Albert Luthuli Hospital project was recently cited as “Best Health Sector PPP of the Year” by *Euromoney* magazine.

Project	Private Partner/ Preferred bidder	Status	Contract term	Value
Fleet Management Northern Cape	Pemberley Investments (Pty) Ltd comprising: Imperial Holdings and Africa Kosini	Closure: November 2001	5 years	R181 million
Inkosi Albert Luthuli Hospital, KwaZulu-Natal	Impilo Consortium (Pty) Ltd comprising: Mbekane Health & Wellbeing, AME International, Vulindlela Holdings, Siemens, Drake & Skull, Omame	Closure: December 2001	15 years	R4,5 billion
Eco-tourism, Limpopo Manyeleti reserve	Koko Moya Wilderness Trail (Pty) Ltd; Tinswala Lodges (Pty) Ltd; Pungwe Game Reserve (Pty) Ltd	Closure: December 2001	25 years	R25 million (cash proceeds to government)
Universitas and Pelonomi Hospitals co-location, Free State	Community Health Management / Netcare consortium	Closure: November 2002	16,5 years	R43 million cash plus R38 million in upgrade
Department of Labour Information Systems	Siemens Business Solutions Consortium	Closure: December 2002	10 years	R1,5 billion
Chapman's Peak Drive toll road, Western Cape	Capstone 252 (Pty) Ltd comprising: Concor, Thebe Investments, Marib Holdings, Haw & Ingles	Closure: December 2002	30 years	R450 million in capital works and operations
Dept Health State Vaccine Institute	Biovac Consortium	In negotiation	5 years	R15 million
Dept Education, Head Office accommodation	Sethekgo Consortium	In negotiation	27 years	R1 billion
Dept Trade & Industry, Head Office accommodation	Rainprop Consortium	In negotiation	27 years	R2,3 billion
Eastern Cape Dept Health Hospital co-location	Afrox Healthcare	In negotiation	In negotiation	In negotiation
Gauteng Cradle of Humankind World Heritage Site	Furneaux Stewart Gapp Consortium	In negotiation	10 years	R57 million cash
Western Cape Dept Health Hermanus hospital co-location	Mediclinic Holdings	In negotiation	In negotiation	In negotiation

Construction at Coega is under way

As part of Government's economic and industrial strategy, funds are set aside by both national government and provinces for investment in major projects associated with core spatial development initiatives. Construction of an industrial zone and a new R3,2 billion deep-water port at Coega near Port Elizabeth has begun and approximately 100 contractors have been appointed to undertake the initial development work. In East London, feasibility and environmental impact assessment studies have been completed with a view to establishing an industrial development zone. Within Gauteng, a major industrial zone

alongside Johannesburg International Airport and construction of a rapid-rail transit facility between the airport, Johannesburg, Sandton, Midrand and Pretoria are key infrastructure initiatives nearing completion of their planning phases.

Addressing poverty and vulnerability

Social assistance grants constitute Government's largest and most effective redistribution programme. The introduction of the child support grant in 1998 has added 2,4 million beneficiaries to monthly social security payments and the number of old age and disability grant beneficiaries has increased by some 513 000 over the same period. Over the next three years, the means-tested child support grant will be extended to children in need up to their 14th birthday, taking the total number of social assistance beneficiaries to more than 8 million by 2005.

Child support grant to be extended up to a child's 14th birthday

Unemployment insurance is an important source of income support to vulnerable households, providing unemployment, illness, maternity or death benefits to some 637 000 people a year for periods of up to six months. The social security net also includes the Road Accident Fund and Compensation funds, financed through levies on fuel and assessed levies on employers respectively. As noted in chapter 3, far-reaching proposals for reform of the RAF are set out in the recently completed Report of a Commission of Inquiry.

UIF, Road Accident Fund and compensation funds also part of social security net

While social assistance and compensation funds provide both short- and long-term relief to many of the most vulnerable people, Government's approach to redistribution and poverty reduction also gives priority to investing in skills. Improvements in schools, incentives for learnerships, renewal of the further education system and replenishment of the National Student Financial Aid Scheme are key elements in this strategy. Support for land redistribution and agricultural development, local employment initiatives and small business development are similarly focused on poverty reduction.

Poverty reduction also requires investment in skills

In preparing the 2003 Budget, special emphasis has been given to critical requirements for improving the quality of provincial health and education services – supplies of medicines, hospital and clinic management and staffing, supplies of books and other learner support materials in schools and the repair and maintenance of buildings and facilities. An early childhood development programme has been piloted and will be progressively extended over the years ahead. Through the hospital revitalisation programme, 18 additional hospitals will be upgraded and refurbished over the next three years. The budget provides for an additional R3,3 billion for the enhanced response to HIV/Aids, launched in 2002.

Quality enhancement in schools and hospitals and additional funding for HIV/Aids

Since the inception of special poverty relief allocations five years ago, about R4,5 billion has been spent on targeted employment, community development and relief projects. An in-depth assessment of this programme will be completed this year, with a view to refocusing and reinforcing Government's poverty reduction efforts.

Poverty relief programme is under review

National skills development strategy

“Vhutsila” or “instilling pride in doing this well” is the spirit that the National Skills Development Strategy (NSDS) endeavours to infuse into its strategies.

The strategic objectives of the NSDS are:

- Improving the foundations for life and work
- Increasing employer participation in lifelong learning
- Supporting employment growth
- Improving the supply of high-quality skills (particularly scarce skills) that are more responsive to societal and economic needs
- Linking the parts of the human resource development system.

The 2005 target for meeting the first objective requires that at least 70 per cent of all workers should have at least a level 1 qualification. To date 57 729 workers have achieved this.

Progress towards meeting the second objective has been satisfactory with 7 per cent of new and existing small firms of the 20 per cent targeted in 2005, registering for skills development initiatives.

In supporting employment growth, 26 per cent of funds have been allocated to social development projects. Moreover, 98 per cent of the 40 432 people that participated in training in the provinces have completed their courses. Training favoured Africans and women, which exceeded the desired equity targets set by the strategy.

In order to foster skills development in the formal economy, the 2005 target sets the participation rate by large enterprises in the levy-grant system at 75 per cent. At present, 67 per cent of large enterprises are paying the levy and receiving skills grants. For medium enterprises, the success rate is marginally below the target for 2005.

In March 2000, the Minister of Labour named 25 Sector Education and Training Authorities (Setas) of which 23 have signed Memoranda of Understanding with the Department of Labour to ensure compliance with the NSDS. The Setas replace the old industrial training boards as promoters of training and are organised according to sectors rather than industries.

Their main tasks are:

- To make sector skills plans
- To see where learnerships are needed and design, market, and register the learnerships
- To act as Education Training Qualification Assurers for standards and qualifications in their sectors
- To disburse money from the National Skills Development Levy
- To provide information about the sector to employment services.

Finally, linking the Human Resource Development system to the NSDS has shown tremendous success. In the four months after March 2002, the number of learners under the age of 30 enrolled for learnerships more than doubled, with 22 884 learners enrolling compared to the first year target of 3 000 learners, meeting nearly 30 per cent of the 2005 target. Just of half of the total are registered for learnerships at NQF level 6 or higher. The new target for this year is to register 50 000 learners under the age of 30. Moreover, there is government commitment to enrol learners within the public service.

As the skills development strategy gathers momentum, its contribution to addressing the skills challenges facing the South African economy will increasingly translate into productivity and employment gains.

Additional funding for food relief has been set aside

As announced in the 2002 MTBPS, an additional R400 million a year has been set aside for food relief for households without other means of support. This initiative will be led by the national Department of Social Development and involve other departments.

Deepening local development partnerships

Financial support for municipalities is to be increased strongly

Led by the Department of Provincial and Local Government and National Treasury, a concerted drive is under way to put municipal government on a sound footing and give impetus to the rural

development and urban renewal strategies. National government funding includes a rising local government equitable share, distributed on the basis of a poverty-weighted allocation formula, municipal infrastructure grants, targeted support for water and electricity services and several capacity building initiatives. Other significant areas of partnership between national departments, provinces and municipalities include the housing capital subsidy programme, targeted support for building sports facilities, rehabilitation of fishing harbours, subsidisation of municipal clinics, support for emergency services and funding of economic and environmental planning.

Broadening access to water and electricity services has been a central thrust of government policy since 1994. Reliable, clean water supplies have been brought to an estimated 8,5 million people, and electricity has been connected to 3,5 million formerly unserved households. Over the next three years it is proposed that these programmes should be consolidated with the existing municipal infrastructure grant, with a view to rationalising and improving capital transfers to local government. R1 billion has been added to the municipal infrastructure programme over the next three years to accelerate employment creation in community development projects.

Infrastructure grants to municipalities will be consolidated

Additional funding is also being phased in to ensure adequate maintenance of services and subsidisation of free basic electricity, water and other services for poor households. Responsibility for water services will increasingly be devolved to municipalities and district councils. A far-reaching overhaul of the electricity distribution industry is expected to get under way in 2003, aimed at consolidating capacity in a limited number of regional distributors and rationalising tariffs and service standards. Implications for municipalities have been examined by the Financial and Fiscal Commission. The task of establishing regional electricity distributors vests with a holding company formed by the Department of Minerals and Energy.

Funding of free basic services is channelled to municipalities

Rural water supply and sanitation – partnership between national government and communities

Assurance of clean water supplies to rural communities and eradication of the sanitation backlog are key elements in the national Government's partnership with local communities.

The target date set for the eradication of the household sanitation backlog is March 2010. The National Sanitation Strategy Framework estimates the sanitation backlog at 18 million people, of which 76 per cent are in rural areas. This implies a rural backlog of some 2,23 million households, which are the target of the Department of Water Affairs and Forestry sanitation programme. By the end of March 2002, 70 310 households had been provided with sanitation facilities through the Department's programme.

Over time, water schemes will be transferred to municipalities and appropriate district authorities. In many instances, the infrastructure to be transferred is in a poor state of repair and administrative support systems are not very well developed. The refurbishment of the schemes to be transferred aims to ensure that the receiving water services institutions inherit sound and reliable facilities and over time are able to maintain and improve services through cost recovery. The budget required to effect refurbishment and provide support will be incorporated into the operating subsidy as a "grant in kind" and will eventually be converted to a "conditional grant" once transfer agreements are concluded with receiving institutions. Future budgets for refurbishment and support will be refined based on the outputs from financial and functional assessments being conducted on all water services infrastructure.

The estimated replacement value of the infrastructure identified for transfer is R11,3 billion and the refurbishment cost is estimated at R727 million.

Coordinated urban and rural development is based on local IDPs

Building on the integrated development plans (IDPs) now required as the core planning tool for local economic development, the urban renewal and rural development strategies aim to promote coordinated service delivery across the spheres of government to improve livelihoods and accelerate development in poor communities. Resources have initially been concentrated on 13 rural and eight urban nodes, identified at the start of 2001. The two programmes have made significant progress in focusing government spending on the nodes.

227 anchor projects in 21 rural and urban development nodes

Just over R2 billion of national spending has been directed to the 21 nodal municipalities, targeted at financing anchor projects. To date, the two programmes have identified 227 anchor projects, with 60 per cent of these being in the design and implementation phase. Due to major backlogs that still characterise nodal areas, about two-thirds of these projects are infrastructure-related. Nineteen percent of projects fall into the economic development category while 10 per cent and 4 per cent can be classified as social and capacity-building respectively. Prominent partners in supporting project implementation include the National Coalition for Municipal Service Delivery, the Umsobomvu Youth Fund and a number of international organisations and foreign donors. Improving cooperation between the three spheres of government around the budgeting and planning of these initiatives remains a key challenge.

Reinforcing security and the fight against crime

Priority to improving case management in the justice system

Improved cooperation within the criminal justice sector remains a key priority in preparing medium term expenditure plans. This year's Budget gives priority to improving case management through information systems and cooperation between the justice system departments. Substantial additional funding goes to the management of courts, system improvements in the Department of Justice and Constitutional Development and further expansion of the sector policing strategy. Personnel of the SA Police Service will increase from 122 750 in 1999 to a projected 155 260 in 2006.

Progress in reducing courts backlogs and modernising the justice process

The Automated Fingerprint Identification System (AFIS) has been successfully introduced and has significantly reduced search times in managing criminal records. Notable progress has also been made in reducing the outstanding cases on magistrates' court rolls through the introduction of Saturday and Additional Courts, and the Durban Court Processes Project has successfully demonstrated the potential for reducing the incidence of lost and late dockets. Key projects over the MTEF period ahead will include a public-private partnership for the administration of monies held in trust by the Department of Justice, further investment in court security and improvements to court buildings and increased employment of personnel in the SA Police Service.

Increasing focus on rehabilitation in Correctional Services

Construction will start on four new prisons in 2003, scheduled for completion in 2005/06. Work is also in progress on a lower-cost prison design, new approaches to prisons management and a reorientation of Correctional Services towards effective rehabilitation and restorative justice, alongside the Department's responsibility for

secure custody of offenders. Together with other justice, crime prevention and security departments, efforts to reduce the numbers of awaiting trial prisoners have been prioritised.

The national Budget provides both for fighting crime within South Africa's borders and for security within the regional and international context. The strategic defence procurement programme, aimed at modernising critical equipment of the National Defence Force, enters its fourth year in 2003/04 and will shortly see delivery of the first tranches of light utility helicopters and trainer aircraft and the first of four corvettes. The 2003 Budget makes provision for acquisition of maritime helicopters to complement the investment in naval vessels.

2003 Budget makes provision for maritime helicopters

This Budget also provides for an enhancement in the capacity of the National Intelligence Agency, including the establishment of a new Intelligence Academy and modernisation of communication interception and monitoring capacity.

Modernisation of intelligence services is in progress

Promoting NEPAD and multilateral cooperation

South Africa remains at the forefront of multilateral initiatives aimed at promoting a more equitable international order and securing a better future for Africa's people.

NEPAD focuses on peace and security, good governance, human rights and economic management

The New Partnership for Africa's Development (NEPAD), focussed on peace and security in Africa, good governance, human rights and sound economic management as conditions for sustainable development, is at the centre of South Africa's engagement with African countries and the wider international community.

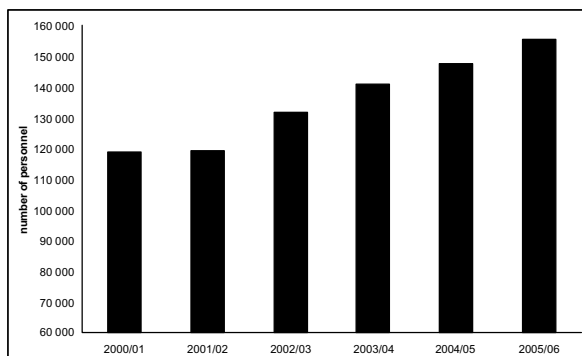
Stepping up the fight against crime – sector policing

In 2002/03, the Department of Safety and Security introduced a sector policing strategy. This labour intensive strategy entails policing smaller and more manageable areas and increased police presence, especially in priority crime hotspots. An additional R4,9 billion is proposed over the next three years to implement this strategy, which includes employing approximately 21 000 new officers.

In total, by the end of 2005/06 the Department will have recruited 30 200 entry level constables and 15 360 civilians, including replacements necessary because of staff turnover. The employment of civilians will alleviate the administrative burden on police officers actively involved in combating crime. The South African Police Service will have 155 260 employees at the end of 2006, over 30 per cent more than in 2001.

An additional allocation of R867 million in 2003/04 will enable the South African Police Service to finalise the modernisation of their vehicle fleet and build more police stations, further strengthening the sector policing strategy. The graph below shows how personnel numbers in the SAPS is set to rise over the MTEF period.

Number of personnel in the South African Police Service



Peace support operations in Africa

South Africa, through the White Paper on Peacekeeping Operations, is committed to participating in United Nations (UN) mandated peace support operations. As part of the UN Observer Mission to the Democratic Republic of the Congo (DRC), a Capital Liaison Officer was deployed in September 1999. At the request of the UN additional members was deployed, bringing the total number to 101 in April 2001, at an annual cost of R46 million. In April 2002 a group of 48 Military Police Officers was deployed, increasing the annual cost to R51 million. In 2003/04, R55 million is budgeted for maintaining this presence.

The SANDF is also committed to peace support operations for Organisation for African Unity and African Union missions. During October 2001, just under 700 members were deployed to Burundi to provide VIP protection services to returning opposition leaders. The annualised cost for the five-month deployment is estimated at R284 million. In April 2002, the number of members was increased to 750, at an annual cost of R330 million. The projected cost for 2003/04 is slightly lower, as provision is not made for the return of equipment.

On a much smaller scale, the SANDF is also involved in peace support operations in the Comores, Ethiopia and Eritrea. Although not finalised, it is anticipated that the SANDF's involvement in the DRC may increase with the provision of 1 268 additional members.

Foreign missions in Africa to be increased

The 2003 Budget accommodates a phased establishment of 16 new missions in African countries, contributions to the funding of the African Union and the NEPAD Secretariat and increased contributions to regional development through the African Renaissance Fund administered by the Department of Foreign Affairs. The MTEF provides for continued participation in peace-keeping initiatives in Burundi and the Democratic Republic of Congo.

The SACU Agreement provides for development assistance to neighbouring countries

Although not classified as expenditure in the government accounts, South Africa's participation in the Southern African Customs Union represents a substantial programme of indirect budgetary support to other member countries. The revised structure of the agreement provides for a development fund, distributed between countries in relation to their levels of development.

Assistance to regional food programme

A contribution of 100 000 tons of maize was made to the World Food Programme in early 2003 in recognition of the severity of the drought affecting many Southern African countries.

Division of nationally collected revenue

Division of revenue between the three spheres of government is the outcome of policy priority deliberations

The equitable division of revenue between national, provincial and local government – as required by section 214 of the Constitution – is described below. This allocation of funds is given effect in law for the 2003/04 year in the Division of Revenue Bill, and the accompanying explanatory memorandum is included in this *Review* as Annexure E. The division of resources is an outcome of Government's policy priority deliberations. It reflects the executive's balanced approach to meeting Government's policy priorities over the medium term, taking into account the spending responsibilities and the capacity of national, provincial and local government.

Division between spheres: 1999/00 – 2005/06

Table 6.2 summarises the division of revenue since 1999/00 and planned spending from the National Revenue Fund, or the main budget, for the next three years. It excludes social security funds and other extra-budgetary accounts and agencies, but nonetheless accounts for the greater part of general government activity, and amounts to about 26 per cent of GDP in 2002/03.

Expenditure on main budget is 26 per cent of GDP

Table 6.2 Main budget expenditure: 1999/00–2005/06

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Outcome	Outcome	Outcome	Revised	Medium-term estimates		
National departments ¹	66 385	73 178	87 709	98 853	108 983	117 549	126 323
Provinces	99 465	108 899	121 099	136 919	158 995	175 468	191 590
<i>Equitable share</i>	89 094	98 398	107 460	123 457	142 386	155 313	167 556
<i>Conditional grants</i>	10 370	10 501	13 638	13 462	16 609	20 155	24 033
Local government	4 610	5 536	6 516	8 801	12 001	13 249	14 624
<i>Equitable share</i>	2 163	2 315	2 607	3 964	6 343	7 078	7 698
<i>Conditional grants</i>	2 447	3 221	3 909	4 837	5 658	6 171	6 926
Non-interest allocations	170 460	187 613	215 324	244 573	279 979	306 266	332 536
<i>Percentage increase</i>	7,4%	10,1%	14,8%	13,6%	14,5%	9,4%	8,6%
State debt cost	44 290	46 321	47 581	47 250	50 986	53 079	55 070
Contingency reserve	–	–	–	–	3 000	4 000	8 000
Main budget expenditure	214 750	233 934	262 905	291 823	333 965	363 345	395 606
<i>Percentage increase</i>	6,6%	8,9%	12,4%	11,0%	14,4%	8,8%	8,9%
Percentage shares							
<i>National departments</i>	38,9%	39,0%	40,7%	40,4%	38,9%	38,4%	38,0%
<i>Provinces</i>	58,4%	58,0%	56,2%	56,0%	56,8%	57,3%	57,6%
<i>Local government</i>	2,7%	3,0%	3,0%	3,6%	4,3%	4,3%	4,4%

1. Includes a transfer of R855 million to the Umsobomvu Fund in 1999/00.

The main budget provides for total expenditure of R334,0 billion in 2003/04, rising to R395,6 billion in 2005/06. After setting aside provision for state debt costs and an unallocated contingency reserve, the budget framework provides for R280,0 billion in 2003/04, R306,3 billion in 2004/05 and R332,5 billion in 2005/06, distributed between the national, provincial and local government spheres.

Total expenditure of R334 billion in 2003/04

Of the total non-interest expenditure available for allocation in 2003/04, national departments receive about 39 per cent, provinces about 57 per cent and local government just over 4 per cent. Table 6.2 indicates that the provincial and local shares increase moderately and the national share falls over the years ahead. Details of the provincial and local government shares, the distribution of funds between provinces and the various conditional grants to provinces and municipalities are set out in chapter 7.

Provinces and local government receive increased shares of allocated expenditure

State debt costs – discussed in chapter 5 – are projected to be 16,2 per cent of main budget expenditure in 2002/03, falling to 13,9 per cent in 2005/06.

State debt costs decline to 13,9% of expenditure

Contingency reserve provides for unanticipated adjustments and policy changes

The contingency reserve serves two broad purposes. It provides for in-year adjustments that cannot be anticipated at the time of the Budget. For the outer years of the MTEF, it also provides for new policies or for changes in the macroeconomic outlook that might affect the affordable spending level.

Recapitalisation of the Post Office, scrapping allowance for taxis and critical infrastructure in Adjustments Budget

For the 2003/04 year, a reserve of R3 billion is set aside for unforeseen and unavoidable expenditure, and also for expenditure items that are not yet included in departmental allocations. Subject to finalisation of business plans, the Minister of Finance may include proposals for the recapitalisation of the Post Office and separation of the Post Bank, for the introduction of a scrapping allowance to support recapitalisation of the minibus taxi industry, and for further critical industrial infrastructure projects in the Adjustments Budget. The contingency reserve rises to R8 billion in 2005/06.

Changes to the 2002 Budget estimates

2003 Budget provides for additional spending of R105 billion

The 2003 Budget provides for additional expenditure allocations to the national, provincial and local spheres amounting to R105,4 billion over the next three years, when compared with the 2002 Budget forward estimates. (For budget planning purposes, the baseline for 2005/06 is assumed to be 6 per cent above the 2002 estimates for 2004/05.) The additional MTEF allocations, together with adjustments to the original 2002/03 estimates, are set out in table 6.3. The additional allocations in part compensate for higher inflation than anticipated in the 2002 Budget, but also accommodate substantial policy adjustments for all three spheres.

Significant adjustments include provision for the child support grant and free basic municipal services

Changes to the provincial share provide for increases in social grants and the extension of the child support grant, improvements to schooling and health services and further investment in roads and other infrastructure. Increases to the local government share provide further support for free basic services and the extension of infrastructure to formerly unserved neighbourhoods. Supplementary national department allocations go to higher education, land restitution, upgrading of courts, transport infrastructure, extending foreign representation, amongst other functions. Details are provided later in this chapter.

Table 6.3 Additional allocations in the 2003 MTEF

R million	2002/03	2003/04	2004/05	2005/06 ¹	Total
Inflation related adjustments					
National departments	1 115	2 265	2 841	3 082	8 188
Provinces	2 185	5 534	6 512	7 010	19 056
<i>Equitable share</i>	2 005	5 227	6 149	6 615	17 991
<i>Conditional grants</i>	180	307	363	395	1 065
Local government	100	171	187	198	556
Subtotal	3 400	7 970	9 540	10 290	27 800
Policy adjustments					
National departments	2 332	4 911	6 798	8 855	20 564
Provinces	2 314	10 616	16 593	23 074	50 283
<i>Equitable share</i>	2 000	8 692	12 075	15 627	36 394
<i>Conditional grants</i>	314	1 924	4 518	7 448	13 889
Local government	120	1 595	2 208	2 921	6 725
Subtotal	4 767	17 123	25 598	34 851	77 572
Total additional allocations					
National departments	3 447	7 176	9 639	11 937	28 752
Provinces	4 499	16 150	23 105	30 085	69 339
Local government	221	1 767	2 395	3 119	7 281
Total	8 167	25 093	35 138	45 141	105 372

1. The assumed baseline for 2005/06 is the 2004/05 baseline plus 6 per cent.

Revised estimates of expenditure: 2001/02 and 2002/03

Table 6.4 shows the preliminary outcome of main budget expenditure for 2001/02 and the revised expenditure estimate for 2002/03.

Main budget expenditure in 2001/02 was R262,9 billion, 1,8 per cent more than the original budget estimate and R314 million more than the revised estimate published in the February 2002 *Budget Review*. Under-spending and departmental savings of R1,5 billion was recorded.

Preliminary outcome for 2001/02 is R4,6 billion more than the main budget estimate

For 2002/03, the revised estimate of expenditure is R291,8 billion, or R3,9 billion more than the original estimate and 11,0 per cent more than expenditure in 2001/02.

Revised estimate of R292 billion expenditure in 2002/03

The main changes approved by Parliament in the 2002 Adjustments Budget were the following:

- A supplementary amount of R700 million announced in the 2002 Budget Speech for infrastructure, of which R465 million went to national departments and R235 million to provinces and local government
- Roll-overs of R1,2 billion from the previous year
- Adjustments for higher inflation amounting to R3,4 billion
- Additional allocations of R3,8 billion for unforeseen and unavoidable expenditure, of which R2,3 billion went to provinces.

Table 6.4 Preliminary 2001/02 expenditure outcome and 2002/03 revised estimate

R million	2001/02			2002/03		
	Budget	Revised estimate	Preliminary outcome	Budget	Adjustments	Revised estimate
Direct charges to the National Revenue Fund						
State debt cost	48 138	47 515	47 581	47 503	-253	47 250
Provincial equitable shares	104 137	107 460	107 460	119 452	4 005	123 457
<i>Unforeseeable and unavoidable expenditure</i>					2 000	
<i>Inflation adjustments</i>					2 005	
Skills development funds	2 800	2 750	2 541	2 950		2 950
Other statutory amounts	304	321	335	324		324
Standing appropriations	300	300	294	65	-35	30
Total	155 679	158 346	158 211	170 294	3 717	174 011
Appropriation by vote						
Main appropriation	98 834	96 710		113 615		
Supplementary allocations	1 805	1 743		700	-700	
Contingency reserve	2 000			3 300	-3 300	
Adjustments						
Approved rollovers from previous year		2 162			1 238	
Unforeseeable and unavoidable expenditure		3 242			1 438	
<i>National departments</i>		2 614			1 219	
<i>Conditional grants to provinces</i>		300			197	
<i>Local government grants</i>		328			22	
Other adjustments					1 394	
<i>Inflation adjustments</i>					1 114	
<i>National departments</i>		200			180	
<i>Conditional grants to provinces</i>					100	
<i>Local government grants</i>					173	
Self financing expenditure		30			700	
Supplementary infrastructure allocations					465	
<i>National departments</i>					120	
<i>Conditional grants to provinces</i>					115	
<i>Local government grants</i>					-38	
Savings identified by departments		-3				
Extraordinary Appropriations		2 130				
Food Relief					400	
Total appropriated	102 639	106 214	106 214	117 615	1 305	118 921
Underspending and savings		-1 970	-1 520			-1 109
Total expenditure	258 318	262 590	262 905	287 909		291 823
<i>Percentage increase over Budget</i>			1,8%			1,4%
<i>Percentage increase over 2001/02</i>						11,0%

Increases to social grants and provision for food relief in 2002/03

With effect from October 2002, the old-age and disability grants were increased by R20 a month and the child support grant by R10, bringing the total increases in grants in 2002/03 to 12,3 per cent for the old age and disability grants and 27 per cent for the child support grant. In addition, an amount of R400 million was provided in the Adjustments Budget for emergency food relief.

R1,1 billion of departmental savings estimated this year

At this stage, state debt costs are estimated to be R253 million less than budgeted. Departmental savings and underspending of R1,1 billion is projected for 2002/03, or 0,9 per cent of voted appropriations.

Appropriations from the National Revenue Fund: 1999/00 – 2005/06

Appropriations from the National Revenue Fund can be made in two ways. Certain expenditure commitments governed by law, or by prior contractual obligations, form *direct charges* against the National Revenue Fund and do not require separate Parliamentary appropriation. All other expenditure is *voted* by Parliament and set out in an Appropriation Bill that specifies authorised amounts for departmental *programmes*, broken down into current and capital expenditure. The Appropriation Bill specifies the purpose of each programme, and itemises various transfer payments and earmarked allocations.

Statutory appropriations are direct charges; other funds are appropriated by vote

Direct charges include:

- Standing appropriations in terms of specific agreements, such as claims on guarantees and subscription payments to certain international organisations
- State debt costs – mainly interest payments on domestic and foreign debt obligations
- Provincial equitable share transfers, governed by section 213 of the Constitution and the annual Division of Revenue Act
- Transfers of skills development levy receipts to the National Skills Fund and sectoral education and training authorities
- Salaries of the President, Deputy President, Members of Parliament and judges.

Table 6.5 shows the breakdown of statutory expenditure and voted appropriations since 1999/00 and estimates for the forthcoming MTEF period. Also shown are the actual amounts spent out of voted funds and aggregate unspent balances for the past three years and an estimate for the current year. (Unspent balances approved for rollover are included in the Adjustments Budget for the subsequent year.)

Table 6.5 Main budget appropriation: 1999/00–2005/06

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
R million	Outcome	Outcome	Outcome	Revised	Medium-term estimates		
Direct charges to the National Revenue Fund							
State debt cost	44 290	46 321	47 581	47 250	50 986	53 079	55 070
Provincial equitable share	89 095	98 398	107 460	123 457	142 386	155 313	167 556
Skills development funds	–	902	2 541	2 950	3 600	3 900	4 300
Other statutory amounts ¹	1 136	301	335	324	351	375	398
Standing appropriations	43	39	294	30	35	34	22
Total	134 563	145 960	158 211	174 011	197 359	212 702	227 347
Appropriation by vote							
Main appropriation	76 259	86 496	96 710	113 616	133 607	146 644	160 260
Adjustments	7 076	4 252	9 504	5 305	–	–	–
Contingency reserve	–	–	–	–	3 000	4 000	8 000
Total	83 335	90 748	106 214	118 921	136 607	150 644	168 260
Savings and underspending	-3 148	-2 774	-1 520	-1 109	–	–	–
Total expenditure	214 750	233 934	262 905	291 823	333 965	363 345	395 606

1. Includes an R855 million transfer to the Umsobomvu Fund in 1999/00

Allocations to National Departments

The discussion and tables below summarise allocations to national departments for the forthcoming three years and changes to the 2002 Budget baseline estimates. Changes to baseline include allocations to effect policy changes, increase expenditure on existing programmes, implement new programmes and compensate for the carry through of higher than anticipated inflation.

2003 Estimates of National Expenditure has details of spending plans

Details of policy developments and progress with service delivery by national departments are published in the 2003 Estimates of National Expenditure.

Central government and administration services

Moderate increase for the Presidency

The Presidency receives a moderate adjustment to its MTEF allocations to enhance management capacity, contribute to the costs of the President's *imbizo* programme and strengthen leadership at the centre of government. Expenditure of R152 million is anticipated in 2003/04, rising to R177 million in 2005/06.

R126 million for improved functioning of the legislature

Substantial upward adjustments are proposed for *Parliament*, recognising the need to improve administration, enhance support for portfolio committees, upgrade critical equipment and support the effective functioning of the legislature. An increase to baseline of R122 million in 2003/04 is proposed, bringing the total allocation to R628 million, of which R183 million is a statutory provision for members' remuneration.

Provision for expanded foreign representation

After several years of strong growth in expenditure on the *Foreign Affairs* vote, a more stable trend is anticipated for the next three years following the recent strengthening of the rand. Increases to baseline include provision for expansion of South Africa's representation in the developing world, support for the NEPAD Secretariat and an allocation of R50 million a year for the African Renaissance Fund. Expenditure of R2,2 billion is budgeted for 2003/04, rising to R2,7 billion in 2005/06.

Enhancement of Home Affairs services to citizens

The Department of *Home Affairs* receives R2,0 billion in 2003/04, rising to R2,4 billion in 2005/06. Additional allocations are included to expand its personnel establishment, improve equipment and information systems and step up maintenance and rehabilitation of offices. Funds are set aside for an Automated Fingerprint Identification System (AFIS) and work is in progress on a public-private partnership for the HANIS "smart identity card" project.

R641 million for the IEC in 2003/04

The Home Affairs vote includes allocations of R641 million, R478 million and R664 million over the next three years for the Independent Electoral Commission, to meet the costs of the forthcoming national and local elections.

An increase of R1,6 billion for local government in 2003/04

The *Provincial and Local Government* vote increases by R1,6 billion in 2003/04, R2,2 billion in 2004/05 and R2,6 billion in 2005/06, mainly as a result of the substantial increase proposed for the local government equitable share. Additions to the equitable share include support for the provision of free basic electricity and water.

Conditional grants to municipalities also increase strongly, and include a supplement of R1 billion over three years to the Consolidated Municipal Infrastructure Programme to stimulate local development through labour-based infrastructure and services.

Expenditure on the *Public Works* vote, budgeted at R4,5 billion in 2003/04, is mainly accounted for by the costs of providing accommodation to national departments. Upward adjustments to the MTEF allocations reflect higher expenditure on rented accommodation, increased rates and municipal charges and increased provision for maintenance of buildings. The appropriation for 2003/04 includes R274 million of poverty relief funding for the community based public works programme. This programme is under review, and the allocation is not included in the subsequent two years.

Public Works expenditure of R4,5 billion, includes R274 million for community based projects in 2003/04

Table 6.6 Central government administration: expenditure by vote

R million	1999/00 Outcome	2000/01 Outcome	2001/02 Outcome	2002/03 Revised estimate	2003/04 Medium-term estimates	2004/05 Medium-term estimates	2005/06 Medium-term estimates
Appropriation by vote							
Presidency	78	91	101	130	150	165	175
Parliament	203	267	270	312	445	476	512
Foreign Affairs	1 375	1 435	1 995	2 430	2 244	2 497	2 689
Home Affairs	1 316	1 646	1 120	1 432	1 971	2 119	2 385
<i>Independent Electoral Commission</i>	714	768	100	211	641	478	664
Provincial and Local Government	3 302	3 648	4 653	6 568	9 399	10 600	11 529
<i>Local government equitable share</i>	2 163	2 315	2 607	3 964	6 343	7 078	7 698
<i>Other local government transfers</i>	706	1 029	1 737	2 131	2 561	3 023	3 537
<i>Transfers to provinces</i>	217	150	163	293	271	261	44
Public Works	3 159	3 570	3 705	3 975	4 467	4 445	4 718
<i>Local government transfers</i>	356	374	353	260	260	–	–
	9 433	10 657	11 843	14 846	18 675	20 301	22 010
Statutory appropriations							
Presidency	1	1	2	2	2	2	2
Parliament	142	150	162	168	183	197	208
Total	9 576	10 808	12 007	15 016	18 860	20 500	22 220
Changes to baseline (2002 Budget allocations)							
Presidency				4	15	17	18
Parliament				11	122	130	146
Foreign Affairs				350	103	238	295
Home Affairs				181	232	437	603
<i>Independent Electoral Commission</i>				2	51	49	209
Provincial and Local Government				183	1 581	2 151	2 573
<i>Local government equitable share</i>				111	1 322	1 617	1 910
<i>Other local government transfers</i>				-222	-24	256	603
<i>Transfers to provinces</i>				19	-0	0	-233
Public Works				244	450	477	513
<i>Local government transfers</i>				–	–	–	–
Statutory appropriations				973	2 502	3 450	4 148
Presidency				–	–	–	–
Parliament				–	4	4	4
Total				973	2 506	3 455	4 152

Additional allocations to International Marketing Council

Upward adjustments for the *Government Communication and Information System* (GCIS) include additional allocations to the International Marketing Council and provision for the Media Development and Diversity Agency.

Further reinforcement of the SA Revenue Service and of the intelligence agencies

The main expenditure items on the *National Treasury* vote are infrastructure transfers to provinces, local government restructuring and financial management grants, provision for civil and military pensions and post-retirement medical benefits, funding for the SA Revenue Service and provision for secret services. Baseline adjustments of R217 million, R740 million and R654 million over the next three years are proposed for the transformation and infrastructure requirements of the Revenue Service.

Table 6.7 Financial and administrative services: expenditure by vote

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
R million	Outcome	Outcome	Outcome	Revised estimate	Medium-term estimates		
Appropriation by vote							
Government Communication & Information System	60	66	123	152	176	192	207
National Treasury	6 612	6 698	8 165	10 102	11 772	13 416	13 837
<i>South African Revenue Service</i>	2 317	2 529	2 863	3 502	3 792	4 603	4 748
<i>Secret Services</i>	836	890	983	1 329	1 769	2 055	1 980
<i>Transfers to provinces</i>	1 520	970	1 824	1 950	2 534	2 876	3 056
<i>Local government transfers</i>	–	275	290	405	527	542	572
Public Enterprises	36	34	196	231	60	64	68
Public Service and Administration	156	85	99	143	158	126	143
Public Service Commission	34	43	53	57	64	69	74
SA Management Development Institute	14	19	23	26	42	39	35
Statistics SA	101	205	898	355	293	436	581
	7 014	7 149	9 556	11 066	12 566	14 342	14 946
Statutory appropriations							
State debt cost	44 290	46 321	47 581	47 250	50 986	53 079	55 070
Provincial equitable share	89 095	98 398	107 460	123 457	142 386	155 313	167 556
Total	140 399	151 868	164 597	181 773	205 938	222 734	237 572
Changes to baseline (2002 Budget allocations)							
Government Communication & Information System				7	24	30	35
National Treasury				108	684	1 306	1 000
<i>South African Revenue Service</i>				85	217	740	654
<i>Secret Services</i>				23	271	350	173
<i>Transfers to provinces</i>				–	20	24	32
<i>Local government transfers</i>				- 49	50	50	572
Public Enterprises				176	2	2	2
Public Service and Administration				5	4	14	24
Public Service Commission				2	6	7	9
SA Management Development Institute				6	21	16	11
Statistics SA				83	47	198	329
				387	786	1 573	1 411
State debt cost				- 253	1 141	645	- 510
Provincial equitable share				4 005	13 920	18 224	22 242
Total				4 139	15 848	20 443	23 143

Allocations to the National Treasury vote include increases for the Secret Services Account, which funds the National Intelligence Agency, SA Secret Services and certain crime intelligence activities of the Police Service. Upward adjustments are made to the rand monetary compensation payments to Lesotho and Namibia.

Additional amounts of R10 million and R20 million are allocated to the Department of *Public Service and Administration* for 2004/05 and 2005/06 respectively, to fund the implementation of an HIV/Aids strategy for the public service. Supplementary allocations to the *Public Service Commission* include provision for anti-corruption investigations and creation of a Monitoring and Evaluation Unit. Additional funds also go to the *SA Management and Development Institute* to contribute to the costs of public service training.

Additional funding for public service HIV/Aids strategy

Statistics South Africa continues its restructuring process, aimed at improving the quality and scope of statistical information and developing a coordinated national statistics system. Additional amounts of R47 million in 2003/04, R198 million in 2004/05 and R329 million in 2005/06 will contribute to statistical infrastructure, improved economic and social reporting and preparation for the 2006 census.

Improvements in national statistics in progress

Social services

In 2002, Cabinet approved the establishment of two separate departments: Arts and Culture and Science and Technology.

Increases on the *Arts and Culture* vote include additional amounts of R80 million for the 2004 Freedom Day celebrations and R135 million over the MTEF period for increased financial assistance to arts, culture and heritage institutions. An additional amount of R240 million is allocated over the period to address the infrastructure requirements for the National Library and National Archives. Baseline adjustments are also made for the establishment of the new Department as well as an increase on the financial assistance to the Pan South African Language Board.

Increased financial assistance for arts and culture institutions

Additional allocations over the MTEF period for the *Education* vote include R90 million, R80 million and R110 million for the National Students Financial Aid Scheme, R53 million, R200 million and R250 million to supplement subsidies to higher education institutions, and an aggregate amount of R800 million to contribute to recapitalisation, harmonisation of systems and facilitation of restructuring of higher education institutions.

R800 million for higher education restructuring

Substantial additions to the *Health* vote are proposed over the MTEF period. These include inflation-related adjustments to transfers to provinces for tertiary hospital services and professional training, a further R878 million for rehabilitation and revitalisation of provincial hospitals and replenishing medical equipment, further allocations for the enhanced response to HIV/Aids and a marked increase in provision for the Primary School Nutrition Programme.

Revitalisation of hospitals and the enhanced response to HIV/Aids are key priorities in health spending

The HIV/Aids and Tuberculosis programme, which includes grants to provinces for the prevention of mother-to-child transmission,

R3,1 billion set aside to improve provincial hospitals

distribution of condoms, contributions to the Global Fund for HIV/Aids and partnerships with non-governmental organisations, increases from R666 million in 2003/04 to R903 million in 2005/06. The Integrated Nutrition Programme increases from R809 million next year to R1,0 billion in 2005/06. Over the MTEF period, R3,1 billion will be spent on hospital rehabilitation and re-equipping and on improved hospital management.

Table 6.8 Social services: expenditure by vote

R million	1999/00 Outcome	2000/01 Outcome	2001/02 Outcome	2002/03 Revised estimate	2003/04 Medium-term estimates	2004/05 Medium-term estimates	2005/06 Medium-term estimates
Appropriation by vote							
Arts and Culture	393	411	457	619	927	1 071	1 121
Education	7 112	7 558	8 104	8 821	9 883	10 485	11 161
<i>Transfers to provinces</i>	192	231	297	409	443	377	400
Health	5 859	6 667	6 736	7 609	8 387	9 240	9 905
<i>Transfers to provinces</i>	5 342	6 030	5 984	6 821	7 414	8 193	8 804
Labour	866	732	1 397	1 296	1 291	1 292	1 218
<i>Transfers to provinces</i>	56	–	–	–	–	–	–
Science and Technology	465	567	683	780	1 031	1 153	1 364
Social Development	500	472	2 328	644	1 953	4 226	7 269
<i>Transfers to provinces</i>	72	55	2 020	58	1 554	3 858	6 862
Sport and Recreation South Africa	128	70	101	167	226	107	114
<i>Local government transfers</i>	–	–	36	76	123	–	–
	15 322	16 478	19 807	19 937	23 696	27 573	32 153
Statutory appropriations							
Labour	–	902	2 541	2 950	3 600	3 900	4 300
Total	15 322	17 380	22 348	22 887	27 296	31 473	36 453
Changes to baseline (2002 Budget allocations)							
Arts and Culture				11	178	224	224
Education				18	539	808	904
<i>Transfers to provinces</i>				-9	3	4	4
Health				424	730	1 054	1 228
<i>Transfers to provinces</i>				421	609	936	1 112
Labour				79	59	74	-73
<i>Transfers to provinces</i>				–	–	–	–
Science and Technology				25	153	259	416
Social Development				235	1 546	3 868	6 890
<i>Transfers to provinces</i>				0	1 490	3 790	6 790
Sport and Recreation South Africa				7	21	25	26
<i>Local government transfers</i>				-8	–	–	–
				798	3 226	6 312	9 615
Labour				–	450	530	728
Total				798	3 676	6 842	10 343

Increase in statutory skills development funds to R3,6 billion in 2003/04

Supplementary allocations to the *Labour* vote include R120 million over the next three years to hire administrative personnel and inspectors and improve the functioning of local labour centres. The Department is restructuring and decentralising its administrative functions, in order to regulate the labour market effectively and efficiently, in terms of the new labour laws.

The Department of Labour is also responsible for the disbursement of skills development funds to the National Skills Fund and sector

education and training authorities. The MTEF framework reflects transfers of R3,6 billion to these funds in 2003/04, rising to R4,3 billion in 2005/06. The upward revision of R450 million in projected spending on this programme next year is a result of strong growth in earnings in the economy and improved collection of skills levies.

The increase for the Department of *Science and Technology* over the MTEF provides for a significant step forward in the implementation of the National Research and Development Strategy. The Department also receives baseline adjustments for establishing its administrative capacity. This year's MTEF adjustments include supplementary allocations of R182 million, R292 million and R452 million for the implementation of the national research and development strategy. These include additional allocations to science councils, funded on the Agriculture, Health, Science and Technology, Minerals and Energy and Trade and Industry votes, and further contributions to the Innovation Fund and the Biotechnology Strategy administered by the Science and Technology Department.

Supplementary allocations to science councils and the biotechnology strategy

The budget of *Sport and Recreation SA* is increased moderately over the MTEF period to promote sports tourism and assist in improving the level of participation in sport and recreation. The 2003/04 allocation includes R123 million of poverty relief funding for community sports facilities.

R123 million for sports facilities in 2003/04

The *Social Development* vote, which included an extraordinary R2,0 billion transfer to provinces in 2001/02 to meet social grant backlogs, sees the introduction of a new provincial transfer in 2003/04 to meet the costs of extending the means-tested child support grant to children up to their 14th birthday. The budget provides R1,1 billion, R3,4 billion and R6,4 billion for increasing the age threshold to nine in 2003/04, 11 in 2004/05 and 14 in 2005/06. Additional allocations are also made for the development of a new social grants administration system, implementation of revised norms and standards for social assistance and enhanced management of welfare services.

Grant to provinces for extension of the child support grant up to age 14

The Social Development vote includes a supplementary R400 million a year for urgent food relief projects, to be administered by provincial departments. An amount of R71 million will be transferred in 2003/04 to the Independent Development Trust for poverty relief projects. This programme is under review and no allocations are made for subsequent years.

R400 million a year for food relief

Justice and protection services

In addition to inflation-related adjustments, supplementary amounts of R35 million, R36 million and R135 million over the next three years are allocated to the *Correctional Services* vote to staff three new prisons and implement a comprehensive anti-corruption strategy. The Department's budget includes substantial provision for infrastructure expenditure, to expand accommodation for the growing prisoner population and address urgent repair and maintenance requirements.

Substantial expenditure on prisons infrastructure in progress

Table 6.9 Justice and protection services: expenditure by vote

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Outcome	Outcome	Outcome	Revised estimate	Medium-term estimates		
Appropriation by vote							
Correctional Services	5 145	5 475	6 549	7 027	7 677	8 445	9 058
Defence	10 717	13 932	16 045	18 845	20 050	20 489	22 532
Independent Complaints Directorate	24	26	27	32	37	41	44
Justice and Constitutional Development	2 654	2 738	3 762	4 212	4 548	4 946	5 262
Safety and Security	14 572	15 597	17 670	19 634	21 884	24 160	26 232
	33 113	37 768	44 053	49 749	54 196	58 082	63 129
Statutory appropriations							
Justice and Constitutional Development	138	150	171	154	166	177	188
Total	33 251	37 917	44 224	49 903	54 363	58 259	63 317
Changes to baseline (2002 Budget allocations)							
Correctional Services				142	253	329	455
Defence				430	712	606	1 456
Independent Complaints Directorate				1	3	4	5
Justice and Constitutional Development				119	474	578	633
Safety and Security				430	890	1 226	1 922
				1 122	2 331	2 744	4 472
Justice and Constitutional Development				-	4	6	6
Total				1 122	2 336	2 750	4 478

Expenditure on land and buildings for Correctional Services increases from R1,1 billion in 2003/04 to R1,3 billion in 2005/06. Personnel spending will rise from R5,0 billion in 2003/04 to R5,7 billion in 2005/06, in keeping with the personnel intensive nature of incarceration and overtime expenditure associated with the full-time staffing of correctional facilities.

Defence vote makes provision for acquisition of maritime helicopters, and continued peace support operations

Additional allocations to the *Defence* vote provide for expenditure of R1,2 billion over the next three years on the acquisition of four maritime helicopters, and R200 million a year to contribute to the costs of peace support operations. After growing strongly since 1999/00 to accommodate the strategic defence procurement programme, the Department of Defence budget increases by an average of 6,1 per cent over the MTEF period, rising from R20,1 billion in 2003/04 to R22,5 billion in 2005/06.

Revised estimates of expenditure on the strategic arms procurement programme, through which the Defence Force will acquire four naval corvettes, three submarines, 30 light utility helicopters, 24 trainer aircraft and 28 fighter aircraft, at a total cost in 1999 prices of US\$4,8 billion, are set out below:

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
R million	2 899	4 223	6 476	6 889	5 454	7 838	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
R million	5 800	4 386	3 499	1 606	1 378	1 385	52 944

Skills training for army members

A programme to rejuvenate the Army has also been implemented by the department. Members who participate will be further empowered

by general life skills to equip them to compete in the labour market. In 2003/04 an amount of R50 million, increasing to R120 million in 2005/06, is provided to start the military skills development system, aimed particularly at rejuvenating landward defence.

In line with its expanded mandate to investigate allegations against municipal police officers, in addition to deaths and criminal offences associated with SA Police Service action, the *Independent Complaints Directorate* receives R37 million in 2003/04, rising to R44 million in 2005/06.

Expanded investigative mandate of the ICD

Additional allocations to *Justice and Constitutional Development* include R150 million in 2003/04 to meet personnel shortfalls in courts administration, R109 million to improve court performance and upgrade the Masters' Office and R40 million to provide improved protection to women and children in the court process. Special attention is focused on the court processes project, which aims to improve case flow management through information technology systems and links between the justice system departments. Additional allocations are also proposed for courts security and a new system for managing monies held in trust within the justice system. Policy adjustments to this vote rise from R352 million in 2003/04 to R462 million in 2005/06. Supplementary allocations are also proposed for the Public Protector, the SA Human Rights Commission and the Commission on Gender Equality.

Streamlining the court process, improved security and cash management and protection for women and children

The *Safety and Security* vote receives additional funding to enhance the vehicle fleet, computer equipment and radio communication networks, to invest in improved physical infrastructure and to supplement death benefits of police officers. Funds are also provided to continue the expansion of personnel of the Police Service, now projected to reach 155 260 members by 2006. The employment of the civilian personnel will alleviate the administrative burden and enable functional police members to focus on crime prevention. This contributes to the effectiveness of the sector policing strategy, which entails policing in smaller, more manageable areas to increase police visibility, especially in priority crime areas.

Expanded employment in the Police Service over the next three years

The total allocation to the Safety and Security vote is R21,9 billion in 2003/04, rising to R26,2 billion in 2005/06. Personnel costs accounts for R 16,9 billion in 2003/04, while provision for vehicles, equipment, land and buildings increases from R 1,3 billion in 2003/04 to R 1,7 billion by 2005/06.

Total expenditure on SA Police Service of R22 billion in 2003/04

Economic services

Additional allocations to the *Agriculture* vote over the MTEF period include R55 million for the Land Redistribution for Agricultural Development support programme, which provides financial support to emerging farmers, and a further R110 million for strengthening national agricultural regulatory services. This will provide improved management of risks associated with animal and plant diseases, enhanced food safety, regulation of the use of genetically modified organisms, stepped up agricultural controls at border posts and

Additional support for emerging farmers and agricultural regulatory functions

strengthening of the fence infrastructure around the Kruger National Park.

ICT Institute to be established

The *Communications* vote receives supplementary funding to provide support to the Presidential National Commission on the Information Society and Development, and a total amount of R40 million for initial investment in the proposed Information and Communications Technology Institute, to promote cooperation between universities, industry and government on research, development and innovation in this field. Over the MTEF period, R31 million is added to the Independent Communications Authority (ICASA) allocation to strengthen its regulatory capacity in anticipation of increased competition in the communications sector.

R300 million a year for the Post Office

Expenditure of the Communications Department included a R600 million subsidy to the Post Office in 2001/02, and the MTEF allocations include R300 million a year for this purpose. Provision for ICASA in 2003/04 amounts to R129 million.

Strengthening of fisheries industry, tourism promotion and infrastructure investment

Supplementary allocations to *Environmental Affairs and Tourism* include provision for overseeing the expansion of the fisheries industry in Kwazulu-Natal and the Eastern Cape, a further R90 million for tourism marketing initiatives, R116 million for replacement of the Marion Island Research Base and other infrastructure projects, and an additional R60 million in 2004/05 to complete the acquisition of new marine patrol vessels.

Housing subsidies adjusted for inflation

Increases to the *Housing* vote allow for inflation-related adjustments to the housing capital subsidy programme and a moderate expansion in administrative capacity of the national Department. Modifications to the allocation of capital subsidy funds and implementation of the programme are noted in chapter 7 and Annexure E.

Additional R1,9 billion for land restitution and land reform

In support of an accelerated land restitution programme and enhancement of the Land Redistribution for Agricultural Development initiative, the *Land Affairs* MTEF allocation is increased by R1,9 billion, or a total of R2,0 billion including inflation adjustments. Expenditure on land restitution has gained momentum as settlement is reached on the larger and more complex rural claims. Expenditure on this vote has increased from R685 million in 1999/00 to R1,6 billion in 2003/04, rising to R2,0 billion in 2005/06.

Funding for establishing regional electricity distributors, and enhanced oversight of the mining sector

Expenditure on the *Minerals and Energy* vote has increased markedly since 2000/01, mainly because the electrification programme has been brought on budget. In keeping with a recent tax ruling, the MTEF allocations are increased by R117 million a year to provide for VAT on the transfer payment to Eskom for household electrification. Additional allocations amounting to R150 million are made for the Electricity Distribution Industry Holdings Company, established to transform the Eskom and municipal electricity distribution systems into six regional electricity distributors. Supplementary amounts are also proposed for enhancement of the Department's management and information systems, expanded capacity to oversee and regulate the mining industry, and further support for small-scale mining companies.

Table 6.10 Economic services and infrastructure: expenditure by vote

R million	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Outcome	Outcome	Outcome	Revised estimate	Medium-term estimates		
Appropriation by vote							
Agriculture	676	723	871	919	1 072	1 016	1 120
<i>Transfers to provinces</i>	19	18	28	24	38	–	–
Communications	767	456	1 128	888	843	867	907
ICASA	99	108	117	149	129	135	137
Environmental Affairs and Tourism	506	751	1 068	1 367	1 413	1 137	1 116
Housing	3 494	3 329	3 721	4 235	4 779	5 040	5 346
<i>Transfers to provinces</i>	2 952	3 047	3 322	3 907	4 355	4 589	4 868
Land Affairs	685	770	976	1 092	1 639	1 788	1 980
Minerals and Energy	611	592	1 233	1 868	1 808	1 887	2 004
<i>Local government transfers</i>	–	–	–	228	240	245	258
Trade and Industry	1 827	2 160	2 016	2 337	2 675	2 844	3 016
Transport	4 062	4 099	4 937	5 774	6 159	6 451	6 818
<i>Local government transfers</i>	30	22	38	40	9	–	–
Water Affairs and Forestry	2 676	3 042	3 483	3 733	4 087	3 654	3 954
<i>Local government transfers</i>	1 342	1 515	1 454	1 699	1 938	1 806	1 971
Total	15 304	15 922	19 434	22 213	24 474	24 683	26 260
Changes to baseline (2002 Budget allocations)							
Agriculture				2	61	80	128
<i>Transfers to provinces</i>				–	–	–	–
Communications				64	51	48	39
ICASA				38	12	12	7
Environmental Affairs and Tourism				217	126	219	143
Housing				-9	115	141	154
<i>Transfers to provinces</i>				63	108	127	138
Land Affairs				128	580	648	771
Minerals and Energy				42	215	215	233
<i>Local government transfers</i>				–	30	35	35
Trade and Industry				-132	48	57	62
Transport				431	535	555	568
<i>Local government transfers</i>				–	-32	-44	-47
Water Affairs and Forestry				174	259	360	461
<i>Local government transfers</i>				115	150	220	290
Total				916	1 991	2 322	2 557

Aside from inflation adjustments, no changes to the *Trade and Industry* allocations are proposed. Within the vote, however, increased allocations go to international trade development and enterprise development, following an in-depth reappraisal of the Department's activities and priorities. The restructuring is informed by the Integrated Manufacturing Strategy published in 2002, which gives emphasis to spatially coherent industrial investment, promoting high value-added production, extending information, communication and logistical capacity, investing in technology development and diversifying enterprises and skills. A new Marketing programme, with a budget of R49 million in 2003/04, gives effect to the Department's commitment to improving customer care and access to services.

Restructuring of Trade and Industry informed by Integrated Manufacturing Strategy

Increased subsidies for commuter transport and rail infrastructure

Additional allocations to *Transport* over the MTEF period include R350 million a year to supplement commuter bus and rail subsidies, and R100 million a year to increase investment in rail rolling stock. Provision is also made to establish a railway safety regulator and expand the network of traffic control centres. The Transport vote of R6,2 billion in 2003/04 includes R1,3 billion for the SA National Roads Agency and R655 million for rail infrastructure. Amounts of R2,0 billion for bus operator subsidies and R1,7 billion for commuter rail operations are allocated.

Supplementary funding for water supply and sanitation and refurbishment of water schemes

Water Affairs and Forestry receives supplementary allocations of R259 million, R360 million and R461 million over the MTEF period, mainly for the community water and sanitation programme and refurbishment of water schemes, ahead of their transfer to local authorities. Together with inflation adjustments, this brings the Water Affairs and Forestry appropriation to R4,1 billion in 2003/04. Expenditure falls to R3,7 billion in 2004/05 and R4,0 billion in 2005/06 as responsibility for the operation of water management resources devolves to catchment management agencies, and because an amount of R330 million in 2003/04 for the Working for Water project is excluded in subsequent years, as the programme is under review.

Consolidated national and provincial expenditure

Growth in consolidated spending averages 10,2 per cent a year

Consolidated national and provincial expenditure comprises national and provincial spending, together with expenditure of the social security funds and the RDP Fund. Consolidated expenditure is projected to increase by 10,2 per cent a year over the next three years. In real terms, after adjusting for CPIX inflation, non-interest spending increased by 5 per cent a year between 1999/00 and 2002/03 and non-interest allocations increase by an average of 5,3 per cent a year over the MTEF period ahead.

Functional distribution of consolidated expenditure

The functional classification is sometimes called a government purpose classification, and is designed to reflect the distribution of spending among the various services provided. It indicates the structure and direction of public policy and government services.

Table 6.11 provides a summary of the functional distribution of consolidated national and provincial expenditure based on amount voted at national level and an assessment of provincial budgets, to be tabled in the week after the national budget. Social services continue to dominate the overall distribution, accounting for 58,3 per cent of allocations in 2003/04. Protection services take up 19,7 per cent of the total. Notable trends include the following:

- Within the protection services category, defence and justice have grown most rapidly over the past three years, and are set to expand more moderately in the years ahead. Expenditure on police services grows fastest, while spending on prisons also increases strongly as capital spending gets under way and provision is made for increasing staff numbers and inmates.

Table 6.11 Consolidated national and provincial spending by function: 1999/00–2005/06

R million	2002/03	2003/04	2004/05	2005/06	Average annual Growth	
	Revised estimate	Medium-term estimates			1999/00–2002/03	2002/03–2005/06
Protection Services	53 335	58 475	62 648	67 771	14,4%	8,3%
Defence and intelligence	20 763	22 481	23 203	25 212	20,0%	6,7%
Police	20 529	22 806	25 083	27 217	10,6%	9,9%
Prisons	7 313	8 077	8 843	9 477	10,5%	9,0%
Justice	4 730	5 111	5 518	5 866	15,6%	7,4%
Social Services	153 341	173 496	190 767	207 498	12,4%	10,6%
Education	62 757	69 063	74 329	79 003	9,9%	8,0%
Health	34 940	39 077	42 543	45 684	11,1%	9,3%
Welfare (incl. social security)	41 966	48 652	55 314	63 004	16,6%	14,5%
Housing	5 553	6 548	7 320	8 062	13,5%	13,2%
Community development	8 125	10 156	11 261	11 746	19,5%	13,1%
Economic Services	36 242	43 649	45 585	49 653	19,2%	11,1%
Water schemes, related services	4 540	6 029	6 169	6 753	16,7%	14,1%
Fuel and energy	1 508	1 696	1 960	2 143	64,3%	12,4%
Agriculture, fishing and forestry	5 729	6 710	7 068	7 545	13,4%	9,6%
Mining, manufacturing and construction	1 503	1 821	1 977	2 106	8,5%	11,9%
Transport and communication	13 825	15 537	16 656	19 090	16,8%	11,4%
Other economic services	9 137	11 857	11 755	12 016	27,2%	9,6%
General government services and unallocated expenditure	20 063	21 733	24 700	27 019	14,7%	10,4%
Allocated expenditure	262 980	297 352	323 699	351 942	13,8%	10,2%
Interest	47 250	50 986	53 079	55 070	2,2%	5,2%
Unallocated	–	3 000	4 000	8 000		
Consolidated expenditure	310 230	351 338	380 778	415 012	11,7%	10,2%

- Education remains the largest category of expenditure, at 23,2 per cent of non-interest spending in 2003/04. However, health, welfare and housing will continue to grow more strongly, reflecting the broadening of social service priorities. The community services function increases sharply as a result of the reinforcement of local government equitable share funding over the MTEF period.
- Welfare and social security services increase markedly over the years ahead, mainly because of the phasing in of an extension to the child support grant and real increases in the value of social assistance payments.
- Transport and communication functions are the largest spending category in the economic services cluster, and reflect both rising investment in roads and further increases in commuter subsidies. Strong growth in “other economic services” is accounted for by tourism-related services and the growing pace of the skills development programme. Water infrastructure and services continue to grow strongly.

- Growth in general government administration includes the reinforcement of the Revenue Service, Home Affairs and Foreign Affairs functions.

Reprioritisation and development – ten years in review

Strong expansion of spending on priority functions in MTEF ahead

The 2003 Budget provides for a strong acceleration of spending on government services, it reprioritises spending towards social development and investment, and it focuses on improving the quality of spending. The Budget directs increased resources to provinces and local government, extends social security coverage and reinforces growth-oriented spending programmes.

Table 6.12 Consolidated expenditure: 1992/93 and 2002/03

R billion	1992/93		2002/03		Real growth	
		%		%	total	average annual
Social services	53,7	52,9%	153,3	58,3%	34,8%	3,0%
<i>Education</i>	24,2	23,8%	62,8	23,9%	22,4%	2,0%
<i>Health services</i>	12,7	12,5%	34,9	13,3%	29,7%	2,6%
<i>Welfare and social security</i>	12,1	12,0%	42,0	16,0%	63,0%	5,0%
<i>Housing & other social services</i>	4,6	4,6%	13,7	5,2%	39,5%	3,4%
Police, prisons & courts	10,8	10,6%	32,6	12,4%	42,2%	3,6%
Defence & intelligence	10,4	10,2%	20,8	7,9%	-5,5%	-0,6%
Economic services	17,6	17,4%	36,2	13,8%	-3,0%	-0,3%
General administration	9,1	8,9%	20,1	7,6%	4,5%	0,4%
Non-interest expenditure	101,5	100,0%	263,0	100,0%	22,2%	2,0%
Interest on debt	17,5		47,3			
Total expenditure	119,0		310,2		22,9%	2,1%

Discounted by the consumer price index.

Substantial redistribution of spending since 1992/93

This year's Budget builds on firm foundations. Over the past decade, spending has grown in real terms and considerable redistribution of expenditure has been achieved, providing a sound platform for the MTEF period ahead. Table 6.12 summarises changes in the functional distribution of expenditure between 1992/93 and 2002/03. It shows how defence and economic services have declined in relative terms, while health services, welfare and social security, and the criminal justice functions have increased their shares. Spending on social services has increased by 34,8 per cent in real terms.

Significant policy changes affect spending within functions

The comparative figures should be read with caution – the large export incentive and drought relief programmes of 1992/93 have entirely fallen away, and substantial policy changes have occurred within each of the broad spending categories tabulated.

Overall trend illustrates development progress

But the overall trend is a striking illustration of Government's determined progress towards sustainable growth, development and poverty reduction.