

# Vote 21

## Defence

| R thousand                                | 2006/07<br>To be appropriated                | 2007/08           | 2008/09           |
|---|--|-------------------|-------------------|
| <b>MTEF allocations</b>                   | <b>23 830 105</b>                            | <b>24 665 776</b> | <b>25 733 754</b> |
| <i>of which:</i>                          |  |                   |                   |
| Current payments                          | 14 896 326                                   | 16 172 446        | 17 430 149        |
| Transfers and subsidies                   | 8 635 529                                    | 8 134 953         | 7 909 877         |
| Payments for capital assets               | 298 250                                      | 358 377           | 393 728           |
| <b>Statutory amounts</b>                  | <b>-</b>                                     | <b>-</b>          | <b>-</b>          |
| Executive authority<br>Accounting officer | Minister of Defence<br>Secretary for Defence |                   |                   |

### Aim

*The aim of the Department of Defence is to defend and protect the Republic of South Africa, its territorial integrity and its people, in accordance with the Constitution and the principles of international law regulating the use of force.*

### Programme purposes

#### Programme 1: Administration

Conduct the policy development, management and administration of the department.

#### Programme 2: Landward Defence

Provide prepared and supported landward defence capabilities for the defence and protection of South Africa.

#### Programme 3: Air Defence

Provide prepared and supported air defence capabilities for the defence and protection of South Africa.

#### Programme 4: Maritime Defence

Provide prepared and supported maritime defence capabilities for the defence and protection of South Africa.

#### Programme 5: Military Health Support

Provide prepared and supported medical combat support elements and other services.

#### Programme 6: Defence Intelligence

Provide a defence intelligence and counter-intelligence capability.

### **Programme 7: Joint Support**

Provide joint support capabilities and services to the department.

### **Programme 8: Force Employment**

Provide and manage Defence capabilities, including an operational capability to successfully conduct all operations and joint and multinational military exercises.

### **Programme 9: Special Defence Account**

Provide for special defence activities and purchases.

## **Strategic overview and key policy developments: 2002/03 – 2008/09**

The Department of Defence carries out its mandate of defending and protecting South Africa in accordance with the Constitution and the principles of international law. It has the following military strategic objectives:

- improving and maintaining comprehensive defence capabilities
- promoting peace, security and stability in the region and in Africa
- supporting the people of South Africa.

### *Strategic direction*

Two policy documents, the White Paper on Defence (1996) and the Defence Review (1998), currently guide the department. The white paper gives guidance on conducting defence in a democracy, and the defence review details the required force design and structure. Global developments and subsequent changes in legislation, such as the Public Finance Management Act (1999) and the Defence Act (2002), require that both documents be updated to reflect changing legal obligations. The update will be completed during 2006.

A comprehensive study on organisational structures and processes is still to be done, with a view to improving productivity, affordability and sustainability of the department's operations. The outcome may result in organisational restructuring and a concomitant impact on the *Joint Support* programme's budget in particular. The impact on the budget would be visible from 2006/07.

The growing threat of global terrorism has necessitated a review and update of the Regulation of Foreign Military Assistance Act (1998). The amendments, made in consultation with various stakeholders and role-players, are currently before Parliament.

From April 2006, the Department of Public Works will devolve its maintenance, property rates, municipal service and leasing budgets to national departments. The department will thus be accountable for R3,3 billion over the 2006 medium-term expenditure framework (MTEF) period and will create the capability to fully implement these functions.

### *Human resources*

The department's human resources strategy for 2010 focuses on rejuvenating the human resources of the South African National Defence Force (SANDF), and the military skills development system (MSDS) is pivotal to this. The aim of the system is two-fold: to improve the SANDF's mission readiness through annual intakes of young, fit and healthy members, representative of South Africa's population, and to provide development opportunities for young people. By December 2005, the department had trained and engaged 7 626 school leavers through the system, since its inception in January 2003. By January 2005, about 3 000 members were already employed on a more long-term basis in the core service system. An MSDS intake of

4 304 members is planned for January 2006. This will bring the total strength of MSDS members enrolled into the SANDF to 11 930.

The combination of the MSDS, selective appointments into the core service system and the effective implementation of the approved employer-initiated mobility exit mechanism (voluntary severance packages), should enable the department to renew the human resources component of the SANDF.

The increased capacity of the law enforcement agencies to deal with crime has meant that there is less need for the SANDF to help the South African Police Service (SAPS) with law enforcement. The SANDF is therefore continuing with its phased withdrawal from routine support to the SAPS. The planned end-date for this is March 2009.

### *Capital investment*

The department will make sure that the weapon systems acquired through the strategic armaments procurement programme are delivered on time and efficiently integrated into existing structures. The transfer of sufficient skills and technology to the SANDF to ensure future readiness supports this. The SANDF's core capabilities will be improved by these new combat systems. The *Landward Defence* and *Military Health Support* programmes will be the priority focus for modernising the force in the medium to longer term.

### *Foreign policy initiatives*

The department will continue to engage with its regional counterparts in Africa around the security-related objectives of the African Union (AU) and the New Partnership for Africa's Development (Nepad). Specific developments include the mutual defence pact, the African Standby Force and the establishment of continental and regional early warning centres. The UN asked the SANDF to continue to participate in peace support operations in the Democratic Republic of Congo, Burundi and Côte d'Ivoire. The SANDF is also participating in the AU peace support operation in Sudan. Military observers and staff officers are attached to UN missions in Eritrea, Ethiopia/Somalia and Liberia. The department currently deploys more than 3 000 members in external peace support missions, which is more than three times the number envisaged in the 1998 defence review.

## Expenditure estimates

**Table 21.1 Defence**

| Programme                      | Audited outcome   |                   |                   | Adjusted appropriation | Revised estimate  | Medium-term expenditure estimate |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------|------------------------|-------------------|----------------------------------|-------------------|-------------------|
|                                | 2002/03           | 2003/04           | 2004/05           | 2005/06                | 2006/07           | 2007/08                          | 2008/09           |                   |
| R thousand                     |                   |                   |                   |                        |                   |                                  |                   |                   |
| 1. Administration              | 1 114 860         | 1 255 628         | 1 433 680         | 1 536 359              | 1 536 359         | 1 759 149                        | 1 926 859         | 2 040 712         |
| 2. Landward Defence            | 3 402 517         | 3 150 985         | 3 340 039         | 3 511 832              | 3 511 832         | 4 055 575                        | 4 295 402         | 4 600 924         |
| 3. Air Defence                 | 2 086 904         | 2 176 210         | 2 242 812         | 2 388 866              | 2 388 866         | 2 504 488                        | 2 656 060         | 2 882 823         |
| 4. Maritime Defence            | 981 805           | 1 025 679         | 1 097 975         | 1 218 812              | 1 218 812         | 1 319 173                        | 1 418 341         | 1 514 336         |
| 5. Military Health Support     | 1 235 152         | 1 354 674         | 1 320 428         | 1 583 867              | 1 583 867         | 1 683 822                        | 1 808 359         | 1 940 132         |
| 6. Defence Intelligence        | 132 258           | 133 907           | 135 789           | 144 741                | 144 741           | 143 662                          | 151 271           | 158 839           |
| 7. Joint Support               | 1 965 375         | 2 100 636         | 2 343 384         | 2 492 228              | 2 492 228         | 2 729 531                        | 3 243 457         | 3 611 267         |
| 8. Force Employment            | 746 322           | 1 291 195         | 1 242 236         | 1 380 634              | 1 380 634         | 1 410 145                        | 1 457 952         | 1 522 255         |
| 9. Special Defence Account     | 7 807 718         | 8 015 772         | 7 045 000         | 9 258 839              | 9 258 839         | 8 224 560                        | 7 708 075         | 7 462 466         |
| <b>Total</b>                   | <b>19 472 911</b> | <b>20 504 686</b> | <b>20 201 343</b> | <b>23 516 178</b>      | <b>23 516 178</b> | <b>23 830 105</b>                | <b>24 665 776</b> | <b>25 733 754</b> |
| Change to 2005 Budget estimate |                   |                   |                   | 1 056 746              | 1 056 746         | 1 242 401                        | 2 513 508         | 3 259 497         |

Table 21.1 Defence (continued)

| R thousand                                       | Audited outcome   |                   |                   | Adjusted appropriation | Revised estimate  | Medium-term expenditure estimate |                   |                   |
|--|-------------------|-------------------|-------------------|------------------------|-------------------|----------------------------------|-------------------|-------------------|
|  | 2002/03           | 2003/04           | 2004/05           | 2005/06                |                   | 2006/07                          | 2007/08           | 2008/09           |
| <b>Economic classification</b>                   |                   |                   |                   |                        |                   |                                  |                   |                   |
| <b>Current payments</b>                          | <b>10 823 211</b> | <b>11 647 930</b> | <b>12 363 974</b> | <b>13 606 310</b>      | <b>13 606 310</b> | <b>14 896 326</b>                | <b>16 172 446</b> | <b>17 430 149</b> |
| Compensation of employees                        | 6 754 068         | 7 192 733         | 7 722 601         | 8 442 882              | 8 442 882         | 8 975 985                        | 9 504 633         | 10 027 141        |
| Goods and services                               | 4 041 937         | 4 430 044         | 4 606 531         | 5 163 428              | 5 163 428         | 5 920 341                        | 6 667 813         | 7 403 008         |
| <i>of which:</i>                                 |                   |                   |                   |                        |                   |                                  |                   |                   |
| Communication                                    | 96 848            | 108 880           | 97 230            | 80 718                 | 80 718            | 96 302                           | 102 353           | 102 518           |
| Computer Services                                | 424 303           | 430 363           | 600 735           | 572 501                | 572 501           | 670 818                          | 697 090           | 753 895           |
| Consultants, contractors and special services    | 136 756           | 111 602           | 128 916           | 144 819                | 144 819           | 153 422                          | 196 460           | 235 567           |
| Inventory  | 824 392           | 937 734           | 862 272           | 991 902                | 991 902           | 1 224 559                        | 1 342 985         | 1 480 799         |
| Maintenance repair and running cost              | 1 318 036         | 1 221 915         | 1 251 388         | 1 526 652              | 1 526 652         | 1 853 363                        | 2 312 259         | 2 658 606         |
| Operating leases                                 | 134 055           | 150 355           | 166 215           | 192 203                | 192 203           | 199 768                          | 215 615           | 230 825           |
| Travel and subsistence                           | 346 697           | 497 022           | 590 135           | 640 547                | 640 547           | 653 975                          | 671 837           | 693 639           |
| Financial transactions in assets and liabilities | 27 206            | 25 153            | 34 842            | –                      | –                 | –                                | –                 | –                 |
| <b>Transfers and subsidies</b>                   | <b>8 040 747</b>  | <b>8 291 648</b>  | <b>7 352 675</b>  | <b>9 644 999</b>       | <b>9 644 999</b>  | <b>8 635 529</b>                 | <b>8 134 953</b>  | <b>7 909 877</b>  |
| Provinces and municipalities                     | 11 960            | 14 234            | 14 855            | 16 632                 | 16 632            | 3 699                            | –                 | –                 |
| Departmental agencies and accounts               | 7 813 118         | 8 021 549         | 7 050 886         | 9 265 941              | 9 265 941         | 8 232 493                        | 7 716 466         | 7 471 281         |
| Public corporations and private enterprises      | 209 441           | 249 635           | 284 097           | 359 515                | 359 515           | 396 286                          | 415 300           | 435 265           |
| Non-profit institutions                          | 6 228             | 6 230             | 2 837             | 2 911                  | 2 911             | 3 051                            | 3 187             | 3 331             |
| <b>Payments for capital assets</b>               | <b>608 953</b>    | <b>565 108</b>    | <b>484 694</b>    | <b>264 869</b>         | <b>264 869</b>    | <b>298 250</b>                   | <b>358 377</b>    | <b>393 728</b>    |
| Buildings and other fixed structures             | 55 026            | 43 672            | 79 638            | 70 203                 | 70 203            | 74 097                           | 77 819            | 81 707            |
| Machinery and equipment                          | 553 892           | 521 347           | 405 056           | 193 019                | 193 019           | 222 598                          | 279 113           | 310 473           |
| Cultivated assets                                | 35                | 89                | –                 | –                      | –                 | –                                | –                 | –                 |
| Software and other intangible assets             | –                 | –                 | –                 | 1 647                  | 1 647             | 1 555                            | 1 445             | 1 548             |
| <b>Total</b>                                     | <b>19 472 911</b> | <b>20 504 686</b> | <b>20 201 343</b> | <b>23 516 178</b>      | <b>23 516 178</b> | <b>23 830 105</b>                | <b>24 665 776</b> | <b>25 733 754</b> |

## Expenditure trends

Expenditure trends are markedly influenced by the payments for the strategic armaments, which take place within the *Special Defence Account* programme. If the allocations to the strategic armaments are excluded, the department's budget grows at an average annual rate of 7,8 per cent from 2002/03 to 2008/09, compared to a growth rate of 4,8 per cent when these allocations are included.

Overall expenditure increases from R19,5 billion in 2002/03 to R23,5 billion in 2005/06, at a rate of 6,5 per cent. Expenditure grows at a slower rate of 3 per cent over the MTEF, increasing gradually to R25,7 billion by 2008/09 because of the reduced *Special Defence Account* allocation.

Despite the decline in expenditure on its *Strategic Defence Procurement* subprogramme, the *Special Defence Account* remains the largest programme on the vote, consuming on average 35,6 per cent of the department's total expenditure. Over the medium term, the *Strategic Defence Procurement* subprogramme declines by an average rate of 23 per cent.

In the 2006 Budget, additional allocations of R876 million for 2006/07, R1,4 billion for 2007/08 and R2,1 billion for 2008/09 are made for: modernising defence equipment; renewing defence information and communication systems; further rejuvenating the human resources component; investing in the maintenance and repair of defence infrastructure and facilities; expanding the department's anti-retroviral rollout programme; and financing Armscor's value-added tax obligation. These additional allocations and the devolution of the property management portfolio are the reasons for the large increase in the provision for goods and services between 2006/07 and 2008/09.

## Science and technology activities

The department's science and technology activities focus mainly on researching new forms of conflict, new defence technologies and the globalisation of defence production, especially to do with ergonomics, military health and special operations.

About 4 per cent of science and technology expenditure is on scientific and technical education and training. A further 15 per cent is related to science and technology services for the in-flight test capability at the Overberg Test Range, the ammunition and vehicle test facilities at Alkantpan and Gerotek, respectively, and the wind tunnels at Defencetek. Research and development expenditure amounts to about 41 per cent of total science and technology expenditure for work being done at the Defence Evaluation and Research Institute, Armscor business institutes, Defencetek and the Council for Scientific and Industrial Research. Scientific and technological innovation accounts for approximately 40 per cent, for the work being done by Denel Aerospace and military-specific research by private industry.

## Departmental receipts

Departmental receipts come mainly from the sale of redundant or obsolete equipment and defence matériel, the rental of accommodation to personnel, and board and lodging. Improving revenue and tariff management during the 2006 MTEF will result in more accurate revenue budget figures going forward.

**Table 21.2 Departmental receipts**

| R thousand   | Audited outcome |                |                | Adjusted appropriation | Medium-term receipts estimate |                |                |
|--|-----------------|----------------|----------------|------------------------|-------------------------------|----------------|----------------|
|  | 2002/03         | 2003/04        | 2004/05        | 2005/06                | 2006/07                       | 2007/08        | 2008/09        |
| <b>Departmental receipts</b>                       | <b>352 277</b>  | <b>468 453</b> | <b>465 742</b> | <b>505 909</b>         | <b>493 249</b>                | <b>503 534</b> | <b>505 353</b> |
| Sales of goods and services produced by department | 133 468         | 185 524        | 278 527        | 317 775                | 326 891                       | 332 176        | 332 469        |
| Sales of scrap, waste and other used current goods | 170 251         | 232 423        | 144 495        | 144 879                | 123 103                       | 128 103        | 129 629        |
| Fines, penalties and forfeits                      | 1 317           | 6 618          | 2 122          | 2 564                  | 2 564                         | 2 564          | 2 564          |
| Interest, dividends and rent on land               | 1 299           | 833            | 398            | 398                    | 398                           | 398            | 398            |
| Financial transactions in assets and liabilities   | 45 942          | 43 055         | 40 200         | 40 293                 | 40 293                        | 40 293         | 40 293         |
| <b>Total</b>                                       | <b>352 277</b>  | <b>468 453</b> | <b>465 742</b> | <b>505 909</b>         | <b>493 249</b>                | <b>503 534</b> | <b>505 353</b> |

## Programme 1: Administration

*Administration* conducts the overall management of the department, including strategy and policy-making, and provides centralised support services.

### Expenditure estimates

**Table 21.3 Administration**

| Subprogramme   | Audited outcome  |                  |                  | Adjusted appropriation | Medium-term expenditure estimate |                  |                  |
|--|------------------|------------------|------------------|------------------------|----------------------------------|------------------|------------------|
|  | 2002/03          | 2003/04          | 2004/05          | 2005/06                | 2006/07                          | 2007/08          | 2008/09          |
| R thousand   |                  |                  |                  |                        |                                  |                  |                  |
| Minister 1   | 685              | 745              | 791              | 837                    | 887                              | 934              | 981              |
| Deputy Minister 2  | 557              | 606              | 643              | 680                    | 721                              | 759              | 797              |
| Political Direction                                      | 11 662           | 12 565           | 10 660           | 10 915                 | 12 769                           | 13 238           | 13 390           |
| Departmental Direction                                   | 11 280           | 12 502           | 12 534           | 12 426                 | 13 063                           | 13 341           | 13 638           |
| Policy and Planning                                      | 43 108           | 54 880           | 54 538           | 57 781                 | 75 008                           | 80 506           | 83 307           |
| Financial Services                                       | 139 469          | 159 536          | 170 618          | 177 428                | 184 157                          | 192 168          | 200 915          |
| Human Resources Support Services                         | 93 835           | 131 051          | 152 154          | 184 348                | 197 084                          | 203 266          | 210 727          |
| Legal Services   | 54 689           | 60 165           | 66 565           | 72 747                 | 83 044                           | 86 863           | 91 227           |
| Inspection Services                                      | 19 425           | 27 723           | 39 050           | 41 550                 | 43 070                           | 44 880           | 46 828           |
| Acquisition Services                                     | 26 161           | 30 106           | 34 989           | 37 649                 | 40 893                           | 42 675           | 44 628           |
| Corporate Communications                                 | 15 815           | 17 981           | 20 342           | 21 379                 | 21 631                           | 22 366           | 23 198           |
| South African National Defence Force Command and Control | 5 655            | 6 619            | 6 281            | 6 632                  | 6 820                            | 7 033            | 7 281            |
| Religious Services                                       | 2 977            | 2 618            | 4 153            | 4 398                  | 4 507                            | 4 676            | 4 848            |
| Reserve Component  | 6 959            | 8 243            | 9 518            | 10 084                 | 10 452                           | 10 608           | 10 949           |
| Defence Foreign Relations                                | 45 473           | 51 586           | 60 313           | 51 809                 | 65 642                           | 74 038           | 81 501           |
| Property Management                                      | 637 110          | 678 702          | 790 531          | 845 696                | 999 401                          | 1 129 508        | 1 206 497        |
| <b>Total</b>   | <b>1 114 860</b> | <b>1 255 628</b> | <b>1 433 680</b> | <b>1 536 359</b>       | <b>1 759 149</b>                 | <b>1 926 859</b> | <b>2 040 712</b> |
| Change to 2005 Budget estimate                           |                  |                  |                  | 854 961                | 1 045 391                        | 1 177 353        | 1 280 312        |

1 Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 167 365.

2 Payable as from 1 April 2005. Salary: R 544 123. Car allowance: R 136 030.

### Economic classification

|  | 1 093 390        | 1 247 381        | 1 424 684        | 1 528 280        | 1 748 629        | 1 916 684        | 2 031 030        |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Current payments</b>                          |                  |                  |                  |                  |                  |                  |                  |
| Compensation of employees                        | 339 600          | 402 956          | 463 965          | 497 669          | 548 561          | 569 630          | 600 587          |
| Goods and services                               | 748 289          | 836 466          | 944 990          | 1 030 611        | 1 200 068        | 1 347 054        | 1 430 443        |
| <i>of which:</i>                                 |                  |                  |                  |                  |                  |                  |                  |
| Communication                                    | 6 598            | 6 823            | 7 116            | 6 888            | 8 342            | 8 867            | 9 241            |
| Computer Services                                | 859              | 1 261            | 1 110            | 54 238           | 72 535           | 76 010           | 76 527           |
| Consultants, contractors and special services    | 3 655            | 13 392           | 4 235            | 5 825            | 12 331           | 13 064           | 12 884           |
| Inventory  | 13 222           | 15 316           | 15 580           | 16 417           | 15 536           | 15 951           | 16 789           |
| Maintenance repair and running cost              | 312 306          | 331 957          | 410 416          | 436 196          | 532 632          | 623 932          | 666 248          |
| Operating leases                                 | 102 563          | 120 140          | 134 096          | 150 534          | 157 228          | 169 690          | 183 028          |
| Travel and subsistence                           | 47 647           | 37 110           | 32 558           | 29 202           | 41 000           | 45 831           | 47 857           |
| Financial transactions in assets and liabilities | 5 501            | 7 959            | 15 729           | –                | –                | –                | –                |
| <b>Transfers and subsidies</b>                   | <b>625</b>       | <b>848</b>       | <b>867</b>       | <b>968</b>       | <b>215</b>       | <b>–</b>         | <b>–</b>         |
| Provinces and municipalities                     | 625              | 848              | 825              | 968              | 215              | –                | –                |
| Non-profit institutions                          | –                | –                | 42               | –                | –                | –                | –                |
| <b>Payments for capital assets</b>               | <b>20 845</b>    | <b>7 399</b>     | <b>8 129</b>     | <b>7 111</b>     | <b>10 305</b>    | <b>10 175</b>    | <b>9 682</b>     |
| Machinery and equipment                          | 20 845           | 7 399            | 8 129            | 7 024            | 10 263           | 10 130           | 9 635            |
| Software and other intangible assets             | –                | –                | –                | 87               | 42               | 45               | 47               |
| <b>Total</b>                                     | <b>1 114 860</b> | <b>1 255 628</b> | <b>1 433 680</b> | <b>1 536 359</b> | <b>1 759 149</b> | <b>1 926 859</b> | <b>2 040 712</b> |

## Expenditure trends

Expenditure should increase at an average annual rate of 10,6 per cent between 2002/03 and 2008/09, from R1,1 billion to R2 billion. The new *Property Management* subprogramme, a result of the devolution of funds from the Department of Public Works, has contributed considerably to the increase in the *Administration* programme's proportion of the department's total expenditure.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. The Department of Defence received the following amounts: R999,4 million in 2006/07, R1,1 billion in 2007/08 and R1,2 billion in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06. Expenditure related to property management increases at an annual average rate of 12,6 per cent, from R845,7 million in 2005/06 to R1,2 billion in 2008/09, to provide for accommodation costs.

In the *Policy and Planning* subprogramme there is an increase of 29,8 per cent from 2005/06 to 2006/07, because of the establishment of the conventional arms control inspectorate directorate and the upgrading of the department's structure management control system. The substantial increase in the *Human Resources Support Services* subprogramme of 21,2 per cent in 2005/06 is mainly attributed to investment in the Persol system. The substantial increase of 26,7 per cent in the *Defence Foreign Relations* subprogramme in 2006/07 is to increase South Africa's representation in support of government's foreign policy initiatives. The *Legal Services* subprogramme increases by 14,2 per cent in 2006/07, as its operational commitments have expanded in support of Nepad and Southern African Development Community (SADC) initiatives.

## Programme 2: Landward Defence

The *Landward Defence* programme provides landward defence capabilities for South Africa in the areas covered by its 10 subprogrammes:

- *Strategic Direction* directs, orchestrates and controls the South African Army in the achievement of its mission.
- *Infantry Capability* provides the infantry capability of the programme.
- *Armour Capability* provides the armour capability of the programme.
- *Artillery Capability* provides the artillery capability of the programme.
- *Air Defence Artillery Capability* provides the air defence artillery capability of the programme.
- *Engineering Capability* provides the engineering capability of the programme.
- *Operational Intelligence* provides the operational intelligence capability of the programme.
- *Command and Control Capability* provides a tactical command and control capability for higher order user systems force preparation (a combined force for deployment purposes) and employment for the programme.
- *Support Capability* provides operational level command and control for the support capability of the programme.
- *General Training Capability* provides operational level command and control for the general training capability of the programme.

## Expenditure estimates

**Table 21.4 Landward Defence**

| Subprogramme   | Audited outcome  |                  |                  | Adjusted         | Medium-term expenditure estimate |                  |                  |         |
|--|------------------|------------------|------------------|------------------|----------------------------------|------------------|------------------|---------|
|  | 2002/03          | 2003/04          | 2004/05          | appropriation    | 2005/06                          | 2006/07          | 2007/08          | 2008/09 |
| R thousand   |                  |                  |                  |                  |                                  |                  |                  |         |
| Strategic Direction                                  | 183 175          | 94 504           | 138 630          | 220 676          | 135 564                          | 139 678          | 146 344          |         |
| Infantry Capability                                  | 1 333 714        | 1 154 568        | 1 419 334        | 1 388 656        | 1 504 503                        | 1 576 675        | 1 615 336        |         |
| Armour Capability                                    | 111 749          | 117 205          | 124 270          | 124 708          | 141 760                          | 154 972          | 181 549          |         |
| Artillery Capability                                 | 92 481           | 92 688           | 102 930          | 97 864           | 125 022                          | 135 496          | 160 551          |         |
| Air Defence Artillery Capability                     | 70 405           | 75 631           | 82 285           | 84 092           | 94 022                           | 100 043          | 117 417          |         |
| Engineering Capability                               | 173 437          | 164 554          | 178 496          | 180 426          | 233 487                          | 254 149          | 279 808          |         |
| Operational Intelligence                             | 49 875           | 53 196           | 59 896           | 66 238           | 77 641                           | 83 034           | 88 040           |         |
| Command and Control Capability                       | 113 539          | 41 344           | 38 904           | 47 818           | 61 967                           | 66 297           | 70 302           |         |
| Support Capability                                   | 1 164 587        | 1 246 223        | 1 045 717        | 1 088 074        | 1 478 903                        | 1 579 399        | 1 727 985        |         |
| General Training Capability                          | 109 555          | 111 072          | 149 577          | 213 280          | 202 706                          | 205 659          | 213 592          |         |
| <b>Total</b>   | <b>3 402 517</b> | <b>3 150 985</b> | <b>3 340 039</b> | <b>3 511 832</b> | <b>4 055 575</b>                 | <b>4 295 402</b> | <b>4 600 924</b> |         |
| Change to 2005 Budget estimate                       |                  |                  |                  | (63 310)         | 242 870                          | 210 468          | 456 614          |         |
| <b>Economic classification</b>                       |                  |                  |                  |                  |                                  |                  |                  |         |
| <b>Current payments</b>                              | <b>3 340 333</b> | <b>3 093 295</b> | <b>3 326 010</b> | <b>3 497 823</b> | <b>4 047 005</b>                 | <b>4 287 559</b> | <b>4 578 131</b> |         |
| Compensation of employees                            | 2 560 290        | 2 570 031        | 2 710 697        | 2 971 548        | 3 249 193                        | 3 417 918        | 3 570 629        |         |
| Goods and services                                   | 765 059          | 516 657          | 603 503          | 526 275          | 797 812                          | 869 641          | 1 007 502        |         |
| <i>of which:</i>                                     |                  |                  |                  |                  |                                  |                  |                  |         |
| <i>Communication</i>                                 | 41 849           | 46 233           | 38 520           | 20 608           | 21 387                           | 22 284           | 20 826           |         |
| <i>Computer Services</i>                             | 49 028           | 41 034           | 44 930           | 46 830           | 68 908                           | 69 886           | 61 317           |         |
| <i>Consultants, contractors and special services</i> | 32 957           | 7 298            | 13 464           | 10 158           | 9 694                            | 38 656           | 55 718           |         |
| <i>Inventory</i>                                     | 162 332          | 141 770          | 145 412          | 211 571          | 325 335                          | 366 678          | 430 951          |         |
| <i>Maintenance repair and running cost</i>           | 335 321          | 118 350          | 106 953          | 81 793           | 199 428                          | 180 237          | 214 413          |         |
| <i>Operating leases</i>                              | 6 552            | 6 663            | 6 464            | 9 989            | 7 894                            | 9 028            | 8 719            |         |
| <i>Travel and subsistence</i>                        | 60 383           | 64 639           | 60 682           | 76 159           | 74 298                           | 83 084           | 89 303           |         |
| Financial transactions in assets and liabilities     | 14 984           | 6 607            | 11 810           | –                | –                                | –                | –                |         |
| <b>Transfers and subsidies</b>                       | <b>4 745</b>     | <b>6 452</b>     | <b>6 012</b>     | <b>6 259</b>     | <b>1 441</b>                     | <b>–</b>         | <b>–</b>         |         |
| Provinces and municipalities                         | 4 745            | 6 452            | 5 962            | 6 259            | 1 441                            | –                | –                |         |
| Non-profit institutions                              | –                | –                | 50               | –                | –                                | –                | –                |         |
| <b>Payments for capital assets</b>                   | <b>57 439</b>    | <b>51 238</b>    | <b>8 017</b>     | <b>7 750</b>     | <b>7 129</b>                     | <b>7 843</b>     | <b>22 793</b>    |         |
| Machinery and equipment                              | 57 404           | 51 149           | 8 017            | 7 750            | 7 083                            | 7 792            | 22 737           |         |
| Cultivated assets                                    | 35               | 89               | –                | –                | –                                | –                | –                |         |
| Software and other intangible assets                 | –                | –                | –                | –                | 46                               | 51               | 56               |         |
| <b>Total</b>   | <b>3 402 517</b> | <b>3 150 985</b> | <b>3 340 039</b> | <b>3 511 832</b> | <b>4 055 575</b>                 | <b>4 295 402</b> | <b>4 600 924</b> |         |

## Expenditure trends

Over the medium term, the *Landward Defence* programme is projected to comprise on average 16,8 per cent of the department's total expenditure.

Expenditure on this programme increases at an average annual rate of 9,4 per cent over the 2006 MTEF, mainly due to additional allocations for the longer term employment of MSDS members and modernising the operational vehicle fleet. Modernising the operation vehicle fleet is a major spending item under the allocation made for the modernisation of defence equipment in the 2006 Budget allocation. The expenditure increase is especially evident in the 35,9 per cent increase in



the *Support Capability* subprogramme and the 51,6 per cent increase in goods and services in 2006/07.

The decrease of 38,6 per cent in 2006/07 in the *Strategic Direction* subprogramme, resulting in lower expenditure levels over the 2006 MTEF, is because centralised funds in the force preparation environment and in the MSDS have been unbundled. These funds are now allocated to the actual point of execution within the various subprogrammes.

The increases of 13,7 per cent, 27,8 per cent, 11,8 per cent and 29,4 per cent from 2005/06 to 2006/07 in the *Armour, Artillery-, Air Defence Artillery- and Engineering Capability* subprogrammes, respectively, are due mainly to the expansion of the SA Army's conventional reserves as well as the longer term placement of MSDS personnel in the various fighting disciplines. This is in line with the current emphasis on *Landward Defence* as the expenditure on strategic armaments declines over the 2006 MTEF.

The *Command and Control Capability* subprogramme increases by 29,6 per cent in 2006/07 because four tactical headquarters at each of the army brigades were set up to support external deployments.

The *Operational Intelligence* subprogramme increases by 17,2 per cent from 2005/06 to 2006/07, as many group headquarters were closed and the intelligence personnel absorbed into the intelligence formation.

## Service delivery objectives and indicators

### Recent outputs

The *Landward Defence* programme provided combat ready soldiers to the chief of the SANDF for deployment during internal and external operations in 2005/06. 11 regular force companies and 23 reserve force platoons were constantly deployed for two internal operations (1 848 regular force members and 805 reserve force members). The SA Army also provided combat ready soldiers for seven external peace support operations (2 405 regular force members and 168 reserve force members). The SA Army also hosted or participated in five single, joint or multinational military training exercises. More than 5 422 troops were exposed to these. Planned combat readiness status and force preparation levels were achieved in all *Landward Defence's* subprogrammes.

### Selected medium-term output targets

#### Landward Defence

**Measurable objective:** Defend and protect South Africa by providing prepared and supported landward combat forces, services and facilities that meet Government's requirements.

| Subprogramme                     | Output                                   | Measure/Indicator   | Target                                       |
|----------------------------------|--|---|--|
| Strategic Direction              | Landward defence strategic direction     | The degree to which landward defence policies, strategies and plans are implemented | 100%   |
| Infantry Capability              | Combat ready infantry units              | The degree to which the required combat readiness states are achieved               | 100% as specified in the readiness schedules |
| Armour Capability                | Combat ready armoured units              | The degree to which the required combat readiness states are achieved               | 100% as specified in the readiness schedules |
| Artillery Capability             | Combat ready artillery units             | The degree to which the required combat readiness states are achieved               | 100% as specified in the readiness schedules |
| Air Defence Artillery Capability | Combat ready air defence artillery units | The degree to which the required combat readiness states are achieved               | 100% as specified in the readiness schedules |
| Engineering Capability           | Combat ready engineering units           | The degree to which the required combat readiness states are achieved               | 100% as specified in the readiness schedules |

| Subprogramme                   | Output  | Measure/Indicator   | Target                                       |
|--------------------------------|---|---|--|
| Operational Intelligence       | Combat ready operational intelligence units       | The degree to which the required combat readiness states are achieved | 100% as specified in the readiness schedules |
| Command and Control Capability | Centralised brigade command and control of forces | The degree to which the required combat readiness states are achieved | 100% as specified in the readiness schedules |
| Support Capability             | Logistic support                                  | The degree of compliance with service level agreements                | 100%   |
| General Training Capability    | Trained SA Army personnel                         | Number of trainees  | 7 303 in 2006/07                             |

### Programme 3: Air Defence

The *Air Defence* programme provides air defence capabilities for South Africa in the areas covered by its 11 subprogrammes:

- *Strategic Direction* provides strategic direction to the *Air Defence* programme by formulating and controlling strategies, policies and plans through the Air Force office to prepare and provide the capabilities required by the Chief of the SANDF.
- *Operational Direction* provides operational direction to the *Air Defence* programme by means of an air command.
- *Helicopter Capability* provides operationally ready light utility helicopters, medium transport helicopters and combat support helicopters, crewed by appropriately qualified personnel.
- *Transport and Maritime Capability* provides operationally ready transport and maritime aircraft, crewed by appropriately qualified personnel.
- *Air Combat Capability* provides operationally ready aircraft, crewed by appropriately qualified personnel.
- *Operational Support and Intelligence Capability* provides intelligence systems and counter intelligence support to the SAAF through protection squadrons, intelligence subsystems and air force-unique intelligence training.
- *Command and Control Capability* supplies operationally ready command and control elements in support of air battle space operations.
- *Base Support Capability* provides air base infrastructure facilities to squadrons and resident units on bases, including personnel and maintenance of all relevant systems, to support flying operations.
- *Command Post* renders command and control over all missions flown.
- *Training Capability* provides for the general education, training and development of SAAF personnel.
- *Technical Support Services* provides optimised technical and tactical logistic support capabilities for air service units and in support system groups.

## Expenditure estimates

Table 21.5 Air Defence

| Subprogramme                                    | Audited outcome  |                  |                  | Adjusted         | Medium-term expenditure estimate |                  |                  |
|---|------------------|------------------|------------------|------------------|----------------------------------|------------------|------------------|
|   | 2002/03          | 2003/04          | 2004/05          | appropriation    | 2006/07                          | 2007/08          | 2008/09          |
| R thousand                                      |                  |                  |                  | 2005/06          |                                  |                  |                  |
| Strategic Direction                             | 2 925            | 6 244            | 5 816            | 2 090            | 12 983                           | 13 662           | 14 387           |
| Operational Direction                           | 68 349           | 68 891           | 27 612           | 34 542           | 43 184                           | 43 547           | 138 636          |
| Helicopter Capability                           | 240 658          | 204 400          | 268 139          | 270 840          | 280 000                          | 294 784          | 309 029          |
| Transport and Maritime Capability               | 171 883          | 148 342          | 204 823          | 217 105          | 220 453                          | 233 330          | 246 485          |
| Air Combat Capability                           | 232 705          | 234 296          | 199 945          | 230 492          | 230 269                          | 241 576          | 254 057          |
| Operational Support and Intelligence Capability | 98 292           | 102 955          | 103 029          | 114 383          | 116 459                          | 123 220          | 130 461          |
| Command and Control Capability                  | 130 684          | 129 325          | 144 442          | 143 070          | 151 613                          | 157 585          | 166 001          |
| Base Support Capability                         | 522 397          | 593 501          | 537 833          | 691 217          | 760 760                          | 831 052          | 881 149          |
| Command Post                                    | 29 662           | 35 704           | 35 413           | 29 063           | 24 496                           | 26 043           | 27 454           |
| Training Capability                             | 198 879          | 169 121          | 226 580          | 184 672          | 212 325                          | 217 084          | 219 332          |
| Technical Support Services                      | 390 470          | 483 431          | 489 180          | 471 392          | 451 946                          | 474 177          | 495 832          |
| <b>Total</b>                                    | <b>2 086 904</b> | <b>2 176 210</b> | <b>2 242 812</b> | <b>2 388 866</b> | <b>2 504 488</b>                 | <b>2 656 060</b> | <b>2 882 823</b> |
| Change to 2005 Budget estimate                  |                  |                  |                  | (6 377)          | (599)                            | (25 752)         | 162 030          |

### Economic classification

|  |                  |                  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Current payments</b>                              | <b>1 822 497</b> | <b>1 938 707</b> | <b>1 990 102</b> | <b>2 360 107</b> | <b>2 480 941</b> | <b>2 634 249</b> | <b>2 859 539</b> |
| Compensation of employees                            | 1 040 400        | 1 119 041        | 1 183 607        | 1 255 077        | 1 319 202        | 1 427 038        | 1 513 912        |
| Goods and services                                   | 780 374          | 815 599          | 803 772          | 1 105 030        | 1 161 739        | 1 207 211        | 1 345 627        |
| <i>of which:</i>                                     |                  |                  |                  |                  |                  |                  |                  |
| <i>Communication</i>                                 | 9 111            | 10 760           | 8 143            | 8 117            | 10 858           | 10 957           | 11 435           |
| <i>Computer Services</i>                             | 25 241           | 30 347           | 30 423           | 28 189           | 30 795           | 32 003           | 32 912           |
| <i>Consultants, contractors and special services</i> | 14 588           | 11 718           | 11 804           | 11 244           | 14 614           | 15 669           | 16 723           |
| <i>Inventory</i>                                     | 158 252          | 137 993          | 140 884          | 210 472          | 207 797          | 220 677          | 227 154          |
| <i>Maintenance repair and running cost</i>           | 456 483          | 496 469          | 481 445          | 699 844          | 746 460          | 773 419          | 890 400          |
| <i>Travel and subsistence</i>                        | 44 672           | 50 466           | 56 685           | 51 128           | 78 897           | 83 772           | 91 493           |
| Financial transactions in assets and liabilities     | 1 723            | 4 067            | 2 723            | –                | –                | –                | –                |
| <b>Transfers and subsidies</b>                       | <b>1 923</b>     | <b>1 544</b>     | <b>2 277</b>     | <b>2 482</b>     | <b>385</b>       | <b>–</b>         | <b>–</b>         |
| Provinces and municipalities                         | 1 923            | 1 544            | 2 277            | 2 482            | 385              | –                | –                |
| <b>Payments for capital assets</b>                   | <b>262 484</b>   | <b>235 959</b>   | <b>250 433</b>   | <b>26 277</b>    | <b>23 162</b>    | <b>21 811</b>    | <b>23 284</b>    |
| Machinery and equipment                              | 262 484          | 235 959          | 250 433          | 26 277           | 23 162           | 21 811           | 23 284           |
| <b>Total</b>   | <b>2 086 904</b> | <b>2 176 210</b> | <b>2 242 812</b> | <b>2 388 866</b> | <b>2 504 488</b> | <b>2 656 060</b> | <b>2 882 823</b> |

### Expenditure trends

Expenditure is expected to increase between 2002/03 and 2008/09 from R2,1 billion to R2,9 billion, an average annual increase of 5,5 per cent. The *Base Support Capability* subprogramme, the largest of all subprogrammes and consuming on average 28,2 per cent of the programme's total expenditure, steadily increases at a growth rate of 13,1 per cent from 2004/05 to 2006/07. This is mainly because of the allocations to improve and maintain system integrity at bases and to prepare infrastructure and trained personnel for the reception and integration of the training and fighter aircraft into the SANDF. This is also evident in the substantial increase of 37,5 per cent in expenditure on goods and services in 2005/06 and onwards.

The substantial increase of 521,2 per cent in the *Strategic Direction* subprogramme in 2006/07 is mainly because the Air Force Band has been moved from the *Operational Direction* subprogramme. Despite this shift, the *Operational Direction* subprogramme still increases by 25 per cent in 2006/07 due to the funding of a test pilot course. In 2008/09, it increases by 218,4 per cent, because of the acceptance of the training and fighter aircraft. The increase of 15 per cent in the *Training Capability* subprogramme in 2006/07 is due to the upgrading of the Astra aircraft avionics.

## Service delivery objectives and indicators

### Recent outputs

Against a target of 33 477 flying hours for 2004/05, the SAAF flew a total of 38 957 hours, of which 14 846 hours and 3 535 missions were directly supporting force employment objectives. More than 1 600 hours were flown to support the deployments in the DRC and Burundi, and 160 hours were flown in support of other international operations. A total of 1 921 hours were flown in support of the SAPS on crime prevention and border control operations. Combat readiness status and force preparation levels were achieved in all *Air Defence* subprogrammes.

### Selected medium-term output targets

#### Air Defence

**Measurable objective:** Defend and protect South Africa by providing prepared and supported air combat forces, services and facilities that meet Government's requirements.

| Subprogramme                                    | Output   | Measure/Indicator  | Target   |
|---|--|--|--|
| Strategic Direction                             | Air defence strategic direction  | The degree to which air defence policies, strategies and plans are implemented                     | 100%   |
| Operational Direction                           | Air defence operational direction  | The degree to which the required combat readiness states are achieved                              | 100% as specified in the readiness schedule                    |
| Helicopter Capability                           | Combat ready helicopter squadrons  | Flying hours   | 14 225   |
| Transport and Maritime Capability               | Combat ready transport, VIP transport, maritime and reserve squadrons  | Flying hours   | 16 906   |
| Air Combat Capability                           | Operationally ready advanced light fighter aircraft, light fighter training aircraft, long-range transport aircraft, in-flight refuelling aircraft and electronic warfare aircraft | Flying hours   | 3 978  |
| Operational Support and Intelligence Capability | Operationally ready air space control, protection squadrons and air intelligence systems   | The degree to which operational support and intelligence requirements is met                       | Full compliance with all requirements                          |
| Command and Control Capability                  | Operationally ready command and control elements   | The degree to which command and control elements support air operations                            | Full support for all air operations                            |
| Base Support Capability                         | Operationally ready air base infrastructure facilities   | The degree to which air base infrastructure supports flying operations                             | Full support for all flying operations                         |
| Command Post                                    | Operationally ready command post capabilities  | The degree to which command post capabilities provide command and control over flying missions     | Effective command and control over all planned flying missions |
| Training Capability                             | Trained SAAF personnel   | Number of trainees   | 9 179  |
| Technical Support Services                      | Optimised technical and tactical logistic support capabilities   | The degree to which technical and tactical logistic support capabilities support flying operations | Full support for all flying operations                         |

## Programme 4: Maritime Defence

The *Maritime Defence* programme provides maritime defence capabilities for South Africa in the areas covered by its five subprogrammes:

- *Maritime Direction* provides strategic direction within the *Maritime Defence* programme by formulating and controlling strategies, policies, plans and advice to prepare and provide the maritime capabilities required by the Chief of the SANDF.
- *Maritime Combat Capability* provides prepared and supported maritime combat capabilities in accordance with the approved department force design.
- *Maritime Logistic Support Capability* provides a maritime logistic support capability to the approved force design and complies with ordered operational commitments.
- *Maritime Training Capability* makes sure that the maritime combat capability requirements are met by providing trained full-time and reserve personnel.
- *Base Support Capability* provides a general base support capability in support of the fleet, ships, shore units and other identified clients.

## Expenditure estimates

Table 21.6 Maritime Defence

| Subprogramme   | Audited outcome |                  |                  | Adjusted appropriation | Medium-term expenditure estimate |                  |                  |
|--|-----------------|------------------|------------------|------------------------|----------------------------------|------------------|------------------|
|  | 2002/03         | 2003/04          | 2004/05          | 2005/06                | 2006/07                          | 2007/08          | 2008/09          |
| R thousand   |                 |                  |                  |                        |                                  |                  |                  |
| Maritime Direction                                   | 192 389         | 221 498          | 214 566          | 261 292                | 333 199                          | 330 049          | 346 710          |
| Maritime Combat Capability                           | 234 354         | 294 109          | 281 544          | 339 103                | 418 240                          | 460 468          | 507 574          |
| Maritime Logistic Support Capability                 | 168 359         | 149 679          | 167 900          | 185 717                | 171 580                          | 181 944          | 200 281          |
| Maritime Training Capability                         | 98 601          | 90 000           | 140 169          | 115 749                | 98 219                           | 107 602          | 116 551          |
| Base Support Capability                              | 288 102         | 270 393          | 293 796          | 316 951                | 297 935                          | 338 278          | 343 220          |
| <b>Total</b>   | <b>981 805</b>  | <b>1 025 679</b> | <b>1 097 975</b> | <b>1 218 812</b>       | <b>1 319 173</b>                 | <b>1 418 341</b> | <b>1 514 336</b> |
| Change to 2005 Budget estimate                       |                 |                  |                  | 7 038                  | 44 720                           | 60 435           | 136 692          |
| <b>Economic classification</b>                       |                 |                  |                  |                        |                                  |                  |                  |
| <b>Current payments</b>                              | <b>948 954</b>  | <b>983 069</b>   | <b>1 061 888</b> | <b>1 193 242</b>       | <b>1 299 682</b>                 | <b>1 396 015</b> | <b>1 469 532</b> |
| Compensation of employees                            | 630 712         | 644 271          | 697 740          | 718 352                | 800 262                          | 825 257          | 868 351          |
| Goods and services                                   | 317 807         | 337 981          | 363 118          | 474 890                | 499 420                          | 570 758          | 601 181          |
| <i>of which:</i>                                     |                 |                  |                  |                        |                                  |                  |                  |
| <i>Communication</i>                                 | 12 169          | 12 278           | 7 966            | 10 759                 | 9 502                            | 10 348           | 11 135           |
| <i>Computer Services</i>                             | 18 933          | 24 971           | 32 981           | 29 333                 | 27 552                           | 21 080           | 24 859           |
| <i>Consultants, contractors and special services</i> | 42 896          | 40 438           | 49 465           | 46 626                 | 57 964                           | 70 203           | 79 662           |
| <i>Inventory</i>                                     | 113 670         | 92 201           | 110 507          | 156 008                | 159 785                          | 172 583          | 182 798          |
| <i>Maintenance repair and running cost</i>           | 62 905          | 100 646          | 97 411           | 116 934                | 160 243                          | 201 571          | 196 843          |
| <i>Operating leases</i>                              | 6 630           | 4 721            | 5 715            | 9 303                  | 8 509                            | 10 002           | 11 453           |
| <i>Travel and subsistence</i>                        | 20 623          | 30 211           | 31 682           | 34 051                 | 34 314                           | 37 650           | 42 444           |
| Financial transactions in assets and liabilities     | 435             | 817              | 1 030            | –                      | –                                | –                | –                |
| <b>Transfers and subsidies</b>                       | <b>975</b>      | <b>1 353</b>     | <b>1 088</b>     | <b>1 554</b>           | <b>363</b>                       | <b>–</b>         | <b>–</b>         |
| Provinces and municipalities                         | 975             | 1 353            | 1 088            | 1 554                  | 363                              | –                | –                |
| <b>Payments for capital assets</b>                   | <b>31 876</b>   | <b>41 257</b>    | <b>34 999</b>    | <b>24 016</b>          | <b>19 128</b>                    | <b>22 326</b>    | <b>44 804</b>    |
| Machinery and equipment                              | 31 876          | 41 257           | 34 999           | 23 436                 | 18 358                           | 21 560           | 43 962           |
| Software and other intangible assets                 | –               | –                | –                | 580                    | 770                              | 766              | 842              |
| <b>Total</b>   | <b>981 805</b>  | <b>1 025 679</b> | <b>1 097 975</b> | <b>1 218 812</b>       | <b>1 319 173</b>                 | <b>1 418 341</b> | <b>1 514 336</b> |

## Expenditure trends

The *Maritime Defence* programme comprises on average 5,6 per cent of the total expenditure of the department over the MTEF, and will grow at an annual average rate of 7,5 per cent over this period. The programme's most immediate priority is the full acceptance (departmental signoff) into the South African Navy of the four Corvettes and the reception of the first two submarines in 2006/07. This is evident in the 23,3 per cent increase in the *Maritime Combat Capability* subprogramme in 2006/07. The increase in this subprogramme can also be attributed to some extent to funds made available for the operational boat squadron to prepare additional harbour boats and personnel in support of the Africa initiatives.

In 2006/07, funds were reallocated from the *Logistic Support*-, *Training*- and *Base Support Capability* subprogrammes for the contracts which support the full operational use of the four Corvettes in the *Maritime Combat Capability* subprogramme. This is reflected in their lower expenditure and negative growth rates between 2005/06 and 2006/07.

The increase of 27,5 per cent in 2006/07 in the *Maritime Direction* subprogramme is mainly to fund the filling of training posts and the longer term employment of MSDS members.

## Service delivery objectives and indicators

### Recent outputs

A total of 16 231 sea hours were provided by the SA Navy in 2004/05, against the target of 28 641. The SA Navy also took part in several international exercises and helped in operations in various commercial ports, providing maritime protection as ordered. Combat readiness states and force preparedness levels, especially the requirements for vessel availability, were achieved in 2004/05 as planned.

In 2004/05, all SA Navy training establishments were provisionally accredited by the Safety and Security Sector Education and Training Authority (SASSETA), and the Maritime Defence Standards Generating Board was registered with the South African Qualifications Authority (SAQA).

### Selected medium-term output targets

#### Maritime Defence

**Measurable objective:** Defend and protect South Africa by providing prepared and supported maritime combat forces, services and facilities that meet Government's requirements.

| Subprogramme                         | Output                                     | Measure/Indicator   | Target           |
|--------------------------------------|--|---|------------------|
| Maritime Direction                   | Maritime defence strategic direction       | The degree to which maritime defence policies, strategies and plans are implemented | 100%             |
| Maritime Combat Capability           | Combat ready maritime capabilities         | Sea hours   | 26 788 sea hours |
|                                      |  | The degree to which stated readiness levels have been achieved                      | 100%             |
| Maritime Logistic Support Capability | Operationally ready logistic support       | The degree to which stated logistic outputs and targets have been achieved          | 100%             |
| Maritime Training Capability         | Trained SA Navy personnel                  | Number of trainees  | 4 089 trainees   |
| Base Support Capability              | Operationally ready maritime support bases | The degree to which stated base support outputs and targets have been achieved      | 100%             |

## Programme 5: Military Health Support

The *Military Health Support* programme provides medical combat support and other medical services. It maintains military health and training facilities, including specialist facilities such as the institutes for maritime and aviation medicine. It also provides various support functions to, among others, the departments of health and agriculture, when required.

There are seven subprogrammes:

- *Strategic Direction* provides strategic direction to the *Military Health Support* programme by formulating strategy, policies and plans, and giving advice from the Surgeon General's office to provide the capabilities required by the Chief of the SANDF.
- *Military Health Support* provides for warehousing pharmaceuticals, sundries, military health mobilisation equipment and unique stock.
- *Area Military Health Service* provides a comprehensive military health service, through a formation headquarters commanding and controlling nine area military health units, to ensure a healthy military community.
- *Specialist/Tertiary Health Service* provides a specialist health service to ensure the development and maintenance of tertiary military health capabilities within the parameters of relevant legislation, as contained in the South African Military Health Service strategy.
- *Product Support Capability* funds the procurement of military health products, materials and services, an asset management service, military health product systems and military health logistics.
- *Base Support Capability* provides general base support services to identified units and other identified clients to maintain the approved force design and structure.
- *Military Health Training Capability* provides a military health training service to ensure the development and maintenance of military health training capabilities within the parameters of relevant legislation and policies.

## Expenditure estimates

**Table 21.7 Military Health Support**

| Subprogramme                        | Audited outcome  |                  |                  | Adjusted appropriation | Medium-term expenditure estimate |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------------|----------------------------------|------------------|------------------|
|                                     | 2002/03          | 2003/04          | 2004/05          | 2005/06                | 2006/07                          | 2007/08          | 2008/09          |
| R thousand                          |                  |                  |                  |                        |                                  |                  |                  |
| Strategic Direction                 | 94 169           | 87 017           | 90 067           | 110 426                | 98 420                           | 101 948          | 105 592          |
| Military Health Support             | 45 425           | 47 337           | 43 825           | 47 329                 | 55 967                           | 55 491           | 58 739           |
| Area Military Health Service        | 425 101          | 484 340          | 442 484          | 530 696                | 621 539                          | 667 602          | 732 821          |
| Specialist/Tertiary Health Service  | 491 263          | 508 692          | 526 443          | 600 672                | 518 301                          | 569 995          | 604 384          |
| Product Support Capability          | 69 006           | 68 737           | 49 474           | 104 731                | 144 970                          | 145 829          | 153 218          |
| Base Support Capability             | 32 160           | 76 660           | 68 917           | 93 334                 | 131 136                          | 146 692          | 157 258          |
| Military Health Training Capability | 78 028           | 81 891           | 99 218           | 96 679                 | 113 489                          | 120 802          | 128 120          |
| <b>Total</b>                        | <b>1 235 152</b> | <b>1 354 674</b> | <b>1 320 428</b> | <b>1 583 867</b>       | <b>1 683 822</b>                 | <b>1 808 359</b> | <b>1 940 132</b> |
| Change to 2005 Budget estimate      |                  |                  |                  | 6 289                  | 14 383                           | (5 551)          | 99 856           |

**Table 21.7 Military Health Support (continued)**

| R thousand                                       | Audited outcome  |                  |                  | Adjusted appropriation | Medium-term expenditure estimate |                  |                  |
|--|------------------|------------------|------------------|------------------------|----------------------------------|------------------|------------------|
|  | 2002/03          | 2003/04          | 2004/05          | 2005/06                | 2006/07                          | 2007/08          | 2008/09          |
| <b>Economic classification</b>                   |                  |                  |                  |                        |                                  |                  |                  |
| <b>Current payments</b>                          | <b>1 171 823</b> | <b>1 300 865</b> | <b>1 287 149</b> | <b>1 547 976</b>       | <b>1 640 134</b>                 | <b>1 759 013</b> | <b>1 888 235</b> |
| Compensation of employees                        | 785 233          | 886 444          | 951 321          | 1 116 356              | 1 079 509                        | 1 140 062        | 1 204 131        |
| Goods and services                               | 382 264          | 408 918          | 332 365          | 431 620                | 560 625                          | 618 951          | 684 104          |
| <i>of which:</i>                                 |                  |                  |                  |                        |                                  |                  |                  |
| <i>Communication</i>                             | 6 987            | 9 223            | 10 584           | 7 626                  | 9 962                            | 10 363           | 10 770           |
| <i>Computer Services</i>                         | 2 276            | 289              | 1 085            | 30 254                 | 44 925                           | 45 478           | 39 298           |
| <i>Inventory</i>                                 | 199 886          | 236 078          | 182 487          | 207 484                | 271 216                          | 315 818          | 365 510          |
| <i>Maintenance repair and running cost</i>       | 15 384           | 16 419           | 13 805           | 37 211                 | 32 579                           | 29 972           | 31 261           |
| <i>Travel and subsistence</i>                    | 17 388           | 19 759           | 15 292           | 20 023                 | 27 093                           | 27 588           | 27 918           |
| Financial transactions in assets and liabilities | 4 326            | 5 503            | 3 463            | –                      | –                                | –                | –                |
| <b>Transfers and subsidies</b>                   | <b>1 444</b>     | <b>1 466</b>     | <b>1 831</b>     | <b>1 997</b>           | <b>401</b>                       | <b>–</b>         | <b>–</b>         |
| Provinces and municipalities                     | 1 444            | 1 466            | 1 831            | 1 997                  | 401                              | –                | –                |
| <b>Payments for capital assets</b>               | <b>61 885</b>    | <b>52 343</b>    | <b>31 448</b>    | <b>33 894</b>          | <b>43 287</b>                    | <b>49 346</b>    | <b>51 897</b>    |
| Machinery and equipment                          | 61 885           | 52 343           | 31 448           | 33 565                 | 42 944                           | 49 003           | 51 554           |
| Software and other intangible assets             | –                | –                | –                | 329                    | 343                              | 343              | 343              |
| <b>Total</b>                                     | <b>1 235 152</b> | <b>1 354 674</b> | <b>1 320 428</b> | <b>1 583 867</b>       | <b>1 683 822</b>                 | <b>1 808 359</b> | <b>1 940 132</b> |

### Expenditure trends

The *Military Health Support* programme comprises on average 6,9 per cent of the department's total budget over the 2006 MTEF, and its expenditure grows at an average annual rate of 7 per cent over this period.

The *Strategic Direction* subprogramme's expenditure drops by 10,9 per cent in 2006/07, with lower levels of expenditure continuing throughout the 2006 MTEF. This is mainly because the *Military Health Support* subprogramme took over the responsibility for the health informatics system, which increases its expenditure by 18,3 per cent in 2006/07. The strong increase of 18 per cent in the *Product Support Capability* subprogramme from 2005/06 to 2007/08 is because of additional allocations of R31,2 million, R34,2 million and R46,2 million for improvements to the health informatics system. Further, R8 million in 2005/06 and R12 million in 2006/07 were assigned to the *Product Support Capability* subprogramme for improvements to the military health depot to ensure compliance with health legislation.

The substantial increase of 13,4 per cent in the *Area Military Health Service* subprogramme from 2004/05 to 2008/09 is mainly due to the additional allocations received for pharmaceuticals. These allocations were R40 million in 2005/06, R43 million in 2006/07 and R46,2 million in 2007/08. A further R12 million, R12 million and R14 million were allocated for the presidential medical task team in the same years. Additional allocations of R26 million in 2006/07, R32 million in 2007/08 and R58 million in 2008/09 in the 2006 Budget go to the rollout of anti-retroviral medicine for HIV and Aids. The decrease of 13,7 per cent in the *Specialist/Tertiary Health Service* subprogramme's expenditure in 2006/07 is mainly because ambulance services were moved to the *Area Military Health Service* subprogramme.

Expenditure on the *Base Support Capability* subprogramme is expected to increase by 40,5 per cent in 2006/07 and grow at a growth rate of 19 per cent over the MTEF, due to the centralisation of the common commodities of the units in the Tshwane area.

Expenditure on the *Military Health Training Capability* subprogramme increases by 17,4 per cent in 2006/07 to fund the filling of training posts and the longer term employment of MSDS members at the military health training formation.



## Service delivery objectives and indicators

### Recent outputs

In 2004/05, South African Military Health Service (SAMHS) healthcare professionals issued approximately 1,2 million prescriptions resulting in the dispensing of approximately 3,6 million medical items, at an average of three items per prescription. The SAMHS was able to limit the cost to an average of R97,18 per prescription by using generic medication and relying on a code list limiting the number of choices on similar medication. 27 553 members and dependants were hospitalised in SAMHS facilities at an average stay of 3,4 days per patient. The average cost per inpatient day was R943,26.

### Selected medium-term output targets

#### Military Health Support

**Measurable objective:** In support of the defence of South Africa, provide prepared and supported military medical health capabilities, services and facilities that meet Government's requirements.

| Subprogramme                        | Output   | Measure/Indicator  | Target                                       |
|-------------------------------------|--|--|--|
| Strategic Direction                 | Military health strategic direction                    | The degree to which military health service policies, strategies and plans are implemented | 100%   |
| Military Health Support             | Combat ready medical elements                          | The degree to which the required combat readiness states are achieved                      | 100% as specified in the readiness schedules |
| Area Military Health Service        | Local multidisciplinary health facilities and services | Degree of compliance with departmental health requirements                                 | 100%   |
| Specialist/Tertiary Health Service  | Tertiary military health services                      | Degree of adherence to codes of conduct  | 100%   |
| Product Support Capability          | Logistic support                                       | Degree of compliance with service level agreements   | 100%   |
| Base Support Capability             | Management of medical bases                            | Degree to which health regulatory requirements are met                                     | 100%   |
| Military Health Training Capability | Trained SAMHS personnel                                | Degree to which planned training is achieved   | 100% as per SAMHS training plan              |

## Programme 6: Defence Intelligence

The *Defence Intelligence* programme provides defence intelligence and counter-intelligence for operational security in support of the department. It also provides for personnel vetting.

There are three subprogrammes:

- *Strategic Direction* provides defence intelligence policy, doctrine and advice to support the department's decision-making and policy formulation processes.
- *Operations* provides defence intelligence and counter-intelligence capabilities and services to predict and inform clients in a timely manner.
- *Defence Intelligence Support Services* provides human resources, logistic, planning, security, labour relations, training and information support services to the defence intelligence community.

## Expenditure estimates

**Table 21.8 Defence Intelligence**

| Subprogramme   | Audited outcome |                |                | Adjusted appropriation | Medium-term expenditure estimate |                |                |
|--|-----------------|----------------|----------------|------------------------|----------------------------------|----------------|----------------|
|  | 2002/03         | 2003/04        | 2004/05        | 2005/06                | 2006/07                          | 2007/08        | 2008/09        |
| R thousand   |                 |                |                |                        |                                  |                |                |
| Strategic Direction                                  | 214             | 170            | 156            | 130                    | 203                              | 140            | 143            |
| Operations   | 11 991          | 12 685         | 11 510         | 7 965                  | 7 464                            | 7 851          | 8 088          |
| Defence Intelligence Support Services                | 120 053         | 121 052        | 124 123        | 136 646                | 135 995                          | 143 280        | 150 608        |
| <b>Total</b>   | <b>132 258</b>  | <b>133 907</b> | <b>135 789</b> | <b>144 741</b>         | <b>143 662</b>                   | <b>151 271</b> | <b>158 839</b> |
| Change to 2005 Budget estimate                       |                 |                |                | (4 045)                | (12 337)                         | (12 962)       | (7 781)        |
| <b>Economic classification</b>                       |                 |                |                |                        |                                  |                |                |
| <b>Current payments</b>                              | <b>127 855</b>  | <b>128 035</b> | <b>130 945</b> | <b>140 434</b>         | <b>140 296</b>                   | <b>147 543</b> | <b>154 937</b> |
| Compensation of employees                            | 105 224         | 107 889        | 109 922        | 116 179                | 120 164                          | 126 703        | 133 576        |
| Goods and services                                   | 22 564          | 20 095         | 21 003         | 24 255                 | 20 132                           | 20 840         | 21 361         |
| <i>of which:</i>                                     |                 |                |                |                        |                                  |                |                |
| <i>Communication</i>                                 | <i>1 217</i>    | <i>1 095</i>   | <i>1 190</i>   | <i>1 857</i>           | <i>1 659</i>                     | <i>1 708</i>   | <i>1 751</i>   |
| <i>Consultants, contractors and special services</i> | <i>5 644</i>    | <i>4 817</i>   | <i>4 327</i>   | <i>4 327</i>           | <i>4 510</i>                     | <i>4 645</i>   | <i>4 761</i>   |
| <i>Inventory</i>                                     | <i>3 255</i>    | <i>3 606</i>   | <i>4 405</i>   | <i>4 701</i>           | <i>6 627</i>                     | <i>6 931</i>   | <i>7 104</i>   |
| <i>Maintenance repair and running cost</i>           | <i>3 236</i>    | <i>3 146</i>   | <i>4 950</i>   | <i>7 705</i>           | <i>2 137</i>                     | <i>2 201</i>   | <i>2 256</i>   |
| <i>Travel and subsistence</i>                        | <i>4 900</i>    | <i>2 882</i>   | <i>1 957</i>   | <i>1 699</i>           | <i>1 570</i>                     | <i>1 617</i>   | <i>1 658</i>   |
| Financial transactions in assets and liabilities     | 67              | 51             | 20             | –                      | –                                | –              | –              |
| <b>Transfers and subsidies</b>                       | <b>195</b>      | <b>254</b>     | <b>207</b>     | <b>246</b>             | <b>67</b>                        | <b>–</b>       | <b>–</b>       |
| Provinces and municipalities                         | 195             | 254            | 207            | 246                    | 67                               | –              | –              |
| <b>Payments for capital assets</b>                   | <b>4 208</b>    | <b>5 618</b>   | <b>4 637</b>   | <b>4 061</b>           | <b>3 299</b>                     | <b>3 728</b>   | <b>3 902</b>   |
| Machinery and equipment                              | 4 208           | 5 618          | 4 637          | 4 061                  | 3 299                            | 3 728          | 3 902          |
| <b>Total</b>   | <b>132 258</b>  | <b>133 907</b> | <b>135 789</b> | <b>144 741</b>         | <b>143 662</b>                   | <b>151 271</b> | <b>158 839</b> |

## Expenditure trends

The *Defence Intelligence* programme takes up on average 0,6 per cent of the department's total budget over the MTEF. Expenditure on this programme grows at an average annual rate of 3,1 per cent from R132,3 million in 2002/03 to R158,8 million in 2008/09. The expected slight decline in expenditure in 2006/07 is because of decreases in expenditure in the *Operations* and *Defence Intelligence Support Services* subprogrammes. This, in turn, is because the projected expenditure of various intelligence-related projects in the intelligence and counter-intelligence areas has been moved to the *Special Defence Account* programme.

## Service delivery objectives and indicators

### Recent outputs

The *Defence Intelligence* programme has made a concerted effort to maintain and expand its current network of local, regional and international sources to be able to process accurate and timely information and intelligence. This was evident from the increase in intelligence reports and products produced in 2004/05, from 454 in 2003/04 to 482.

## Selected medium-term output targets

### Defence Intelligence

**Measurable objective:** Defend and protect South Africa by providing defence intelligence and counter-intelligence products and services that meet Government's requirements.

| Subprogramme                          | Output  | Measure/Indicator   | Target                           |
|---------------------------------------|---|---|----------------------------------|
| Strategic Direction                   | Defence intelligence strategic direction      | The degree to which defence intelligence policies, strategies and plans are implemented       | 100%                             |
| Operations                            | Defence intelligence and counter-intelligence | Proportion of intelligence reports generated according to the approved intelligence schedule. | 100%                             |
| Defence Intelligence Support Services | Trained defence intelligence personnel        | Degree to which planned training and development of staff are achieved                        | 100% as per human resources plan |

## Programme 7: Joint Support

The *Joint Support* programme provides support capabilities, facilities and services to the department. It establishes, provides training in, and maintains the following areas: joint logistics; ICT; military police; vocational training; joint training; and acquisition services. It helps organisations related to the department, like the Armaments Corporation of South Africa (Armscor), the Part-time Force Council, the South African First Aid League, St Johns Ambulance Brigade, the Medical Fund for Military Members retired before 1964, and the SASSETA.

There are 10 subprogrammes:

- *Strategic Direction* provides strategic direction to the *Joint Support* programme.
- *Joint Logistic Services* provides logistic services to the department.
- *Command and Management Information Services* provides a command and management information and related service to the department.
- *Military Police* provides a military policing capability to the department.
- *Service Corps* provides a demilitarisation service to individual members of the department.
- *Acquisition Services* provides for project-related day-to-day expenditure associated with the armament acquisition programmes.
- *Joint Training* provides the department with professional and non-combat functional learning opportunities.
- *Assistance* provides financial support to the St Johns Ambulance Brigade and the medical fund established for defence members who retired before 1964.
- *Departmental Support* provides for the payment of corporate departmental obligations such as claims against the department, external audits and bank charges.
- *British Peace Support and Training Team* provides for the personnel from the UK Department of Defence who provide services to the SANDF.

## Expenditure estimates

Table 21.9 Joint Support

| Subprogramme   | Audited outcome  |                  |                  | Adjusted         | Medium-term expenditure estimate |                  |                  |         |
|--|------------------|------------------|------------------|------------------|----------------------------------|------------------|------------------|---------|
|  | 2002/03          | 2003/04          | 2004/05          | appropriation    | 2005/06                          | 2006/07          | 2007/08          | 2008/09 |
| R thousand   |                  |                  |                  |                  |                                  |                  |                  |         |
| Strategic Direction                                  | 8 562            | 5 896            | 4 826            | 5 515            | 5 781                            | 6 024            | 6 288            |         |
| Joint Logistic Services                              | 543 028          | 573 455          | 646 034          | 754 597          | 864 728                          | 1 242 888        | 1 449 757        |         |
| Command and Management Information Services          | 789 164          | 808 090          | 815 405          | 865 850          | 930 380                          | 1 026 257        | 1 143 043        |         |
| Military Police                                      | 192 658          | 209 927          | 215 650          | 231 436          | 256 250                          | 262 508          | 275 031          |         |
| Service Corps  | 46 592           | 48 276           | 49 920           | 52 525           | 55 428                           | 57 728           | 60 329           |         |
| Acquisition Services                                 | 1 860            | 2 392            | 2 488            | 272              | 363                              | 365              | 349              |         |
| Joint Training                                       | 104 778          | 101 906          | 104 223          | 108 577          | 114 383                          | 119 971          | 125 434          |         |
| Assistance   | 3 710            | 3 930            | 283              | 315              | 325                              | 325              | 325              |         |
| Departmental Support                                 | 261 647          | 334 911          | 504 555          | 466 683          | 495 435                          | 520 933          | 550 711          |         |
| British Peace Support and Training Team              | 13 376           | 11 853           | –                | 6 458            | 6 458                            | 6 458            | –                |         |
| <b>Total</b>   | <b>1 965 375</b> | <b>2 100 636</b> | <b>2 343 384</b> | <b>2 492 228</b> | <b>2 729 531</b>                 | <b>3 243 457</b> | <b>3 611 267</b> |         |
| Change to 2005 Budget estimate                       |                  |                  |                  | 1 802            | 687                              | 99 849           | 421 966          |         |
| <b>Economic classification</b>                       |                  |                  |                  |                  |                                  |                  |                  |         |
| <b>Current payments</b>                              | <b>1 636 956</b> | <b>1 708 698</b> | <b>1 925 363</b> | <b>2 016 807</b> | <b>2 208 523</b>                 | <b>2 657 835</b> | <b>3 002 244</b> |         |
| Compensation of employees                            | 959 441          | 1 045 889        | 1 128 941        | 1 250 344        | 1 353 030                        | 1 449 696        | 1 535 043        |         |
| Goods and services                                   | 677 419          | 662 768          | 796 355          | 766 463          | 855 493                          | 1 208 139        | 1 467 201        |         |
| <i>of which:</i>                                     |                  |                  |                  |                  |                                  |                  |                  |         |
| <i>Communication</i>                                 | 12 941           | 17 521           | 16 459           | 17 773           | 21 483                           | 24 738           | 24 070           |         |
| <i>Computer Services</i>                             | 323 761          | 329 450          | 484 005          | 381 149          | 423 712                          | 450 179          | 516 570          |         |
| <i>Consultants, contractors and special services</i> | 32 958           | 26 004           | 33 957           | 49 009           | 40 849                           | 41 156           | 35 592           |         |
| <i>Inventory</i>                                     | 66 252           | 69 269           | 68 839           | 79 814           | 101 503                          | 107 351          | 114 034          |         |
| <i>Maintenance repair and running cost</i>           | 119 092          | 79 910           | 77 958           | 104 775          | 141 717                          | 451 563          | 609 327          |         |
| <i>Travel and subsistence</i>                        | 26 475           | 31 405           | 27 401           | 33 532           | 35 415                           | 37 345           | 37 429           |         |
| Financial transactions in assets and liabilities     | 96               | 41               | 67               | –                | –                                | –                | –                |         |
| <b>Transfers and subsidies</b>                       | <b>222 806</b>   | <b>263 630</b>   | <b>294 995</b>   | <b>372 194</b>   | <b>408 038</b>                   | <b>426 878</b>   | <b>447 411</b>   |         |
| Provinces and municipalities                         | 1 737            | 1 988            | 2 267            | 2 666            | 768                              | –                | –                |         |
| Departmental agencies and accounts                   | 5 400            | 5 777            | 5 886            | 7 102            | 7 933                            | 8 391            | 8 815            |         |
| Public corporations and private enterprises          | 209 441          | 249 635          | 284 097          | 359 515          | 396 286                          | 415 300          | 435 265          |         |
| Non-profit institutions                              | 6 228            | 6 230            | 2 745            | 2 911            | 3 051                            | 3 187            | 3 331            |         |
| <b>Payments for capital assets</b>                   | <b>105 613</b>   | <b>128 308</b>   | <b>123 026</b>   | <b>103 227</b>   | <b>112 970</b>                   | <b>158 744</b>   | <b>161 612</b>   |         |
| Buildings and other fixed structures                 | 55 026           | 43 672           | 79 638           | 70 203           | 74 097                           | 77 819           | 81 707           |         |
| Machinery and equipment                              | 50 587           | 84 636           | 43 388           | 32 373           | 38 519                           | 80 685           | 79 645           |         |
| Software and other intangible assets                 | –                | –                | –                | 651              | 354                              | 240              | 260              |         |
| <b>Total</b>   | <b>1 965 375</b> | <b>2 100 636</b> | <b>2 343 384</b> | <b>2 492 228</b> | <b>2 729 531</b>                 | <b>3 243 457</b> | <b>3 611 267</b> |         |

Table 21.9 Joint Support (continued)

| R thousand   | Audited outcome |                |                | Adjusted appropriation | Medium-term expenditure estimate |                |                |
|--|-----------------|----------------|----------------|------------------------|----------------------------------|----------------|----------------|
|  | 2002/03         | 2003/04        | 2004/05        | 2005/06                | 2006/07                          | 2007/08        | 2008/09        |
| <b>Departmental agencies and accounts</b>          |                 |                |                |                        |                                  |                |                |
| <b>Public entities</b>                             |                 |                |                |                        |                                  |                |                |
| <b>Current</b>                                     | <b>5 400</b>    | <b>5 777</b>   | <b>5 886</b>   | <b>7 102</b>           | <b>7 933</b>                     | <b>8 391</b>   | <b>8 815</b>   |
| Safety and Security Sector                         | 5 400           | 5 777          | 5 886          | 7 102                  | 7 933                            | 8 391          | 8 815          |
| Education and Training Agency                      |                 |                |                |                        |                                  |                |                |
| <b>Public corporations and private enterprises</b> |                 |                |                |                        |                                  |                |                |
| <b>Public corporations</b>                         |                 |                |                |                        |                                  |                |                |
| <b>Other transfers</b>                             |                 |                |                |                        |                                  |                |                |
| <b>Current</b>                                     | <b>209 441</b>  | <b>249 635</b> | <b>284 097</b> | <b>359 515</b>         | <b>396 286</b>                   | <b>415 300</b> | <b>435 265</b> |
| Armaments Corporation of South Africa Ltd          | 209 441         | 249 635        | 284 097        | 359 515                | 396 286                          | 415 300        | 435 265        |
| <b>Non-profit institutions</b>                     |                 |                |                |                        |                                  |                |                |
| <b>Current</b>                                     | <b>6 228</b>    | <b>6 230</b>   | <b>2 745</b>   | <b>2 911</b>           | <b>3 051</b>                     | <b>3 187</b>   | <b>3 331</b>   |
| SAN Community                                      | 3 400           | 3 600          | –              | –                      | –                                | –              | –              |
| St Johns Ambulance Brigade                         | 95              | 45             | 39             | 40                     | 50                               | 50             | 50             |
| SA First-Aid League                                | 95              | 35             | –              | –                      | –                                | –              | –              |
| Medical Fund                                       | 700             | 250            | 245            | 275                    | 275                              | 275            | 275            |
| Part Time Force Council                            | 1 938           | 2 300          | 2 461          | 2 596                  | 2 726                            | 2 862          | 3 006          |

### Expenditure trends

Expenditure is expected to continue its strong increase over the seven-year-period, rising from R2 billion in 2002/03 to R3,6 billion in 2008/09, an average annual increase of 10,7 per cent.

Expenditure on the *Joint Logistics Services* subprogramme is expected to increase rapidly between 2004/05 and 2008/09, at a growth rate of 22,4 per cent, mainly as a result of the additional allocations. R5 million, R10 million and R50 million have been allocated to the *Joint Logistic Services* subprogramme from 2005/06 to 2007/08 for the disposal of surplus, redundant and obsolete ammunition. Additional allocations of R10 million for 2005/06, R50 million for 2006/07 and R250 million for 2007/08 were made for the repair and maintenance of the department's infrastructure. Further allocations of R80 million for 2007/08 and R230 million for 2008/09 have also been allocated for this purpose in the 2006 Budget. Additional allocations of R50 million, R118 million and R200 million over the MTEF have been assigned to the *Command and Management Information Services* subprogramme for upgrading and improving the defence information and communication systems.

### Service delivery objectives and indicators

#### Recent outputs

##### *Training*

The department's youth foundation training programme is progressing well. By the end of 2004/05, 1 126 learners had successfully completed the programme since its inception in 2000. At the Military Academy, 76 per cent of third-year B.Mil students graduated. Three students from Botswana are presently studying at the Military Academy and three students from France completed their Masters degree studies in 2005.

### Service Corps

In 2004/05, the Service Corps initiated the military veterans project, which is registered with SASSETA and funded by the National Skills Fund. The Centre for Advanced Training is currently presenting bridging training in mathematics and communication to 105 military veterans in line with national qualification framework level 2. The centre also provides technical training to serving members and is reskilling members who are about to leave the department through the mobility exit mechanism.

### Military policing

The military police successfully finalised 2 430 criminal cases during 2004/05, compared to 2 273 in 2003/04. The electronic crime administration system was implemented in almost all the regions.

## Selected medium-term output targets

### Joint Support

**Measurable objective:** Support departmental activities by providing joint logistic, technological and military policing capabilities, services and facilities that meet Government's requirements.

| Subprogramme                                | Output   | Measure/Indicator  | Target               |
|---|--|--|----------------------|
| Strategic Direction                         | Joint support strategic direction                        | The degree to which joint support policies, strategies and plans are implemented | 100%                 |
| Joint Logistic Services                     | Integrated logistic system support                       | The degree to which service and performance agreements are achieved              | 100%                 |
| Command and Management Information Services | Centralised command and management information services  | The degree to which service and performance agreements are achieved              | 100%                 |
| Military Police                             | Military policing capability                             | The degree to which service and performance agreements are achieved              | 100%                 |
| Service Corps                               | Reskilling service for department personnel              | The degree to which service and performance agreements are achieved              | 100%                 |
| Acquisition Services                        | Procurement of defence equipment                         | Degree of adherence to time schedules  | At least 90% on time |
| Joint Training                              | Professional and non-combat functional learning services | Number of trainees   | 3 833                |
| Assistance                                  | Assistance to defence-related organisations              | Degree of adherence to time schedules  | At least 90% on time |
| Departmental Support                        | Legal services   | Degree of adherence to time schedules  | At least 90% on time |
| British Peace Support and Training Team     | Peace support training advice                            | The degree to which planned training advice is accepted                          | 100%                 |

## Programme 8: Force Employment

The *Force Employment* programme provides and manages an operational capability to conduct operations and joint and multinational military exercises. It also provides a special operation capability.

There are six subprogrammes:

- *Strategic Direction* provides strategic direction to the *Force Employment* programme by formulating and controlling strategies, policies and plans for the employment of forces.
- *Operational Direction* provides operational direction to joint and multinational task forces and joint tactical headquarters by means of operational level headquarters.
- *Special Operations* provides and employs a special operations capability within the approved Special Forces mandate for the SANDF.
- *Regional Security* provides for the deployment of forces in support of South Africa's commitment to peace regionally, continentally and globally.
- *Support to the People* provides for the internal deployment of forces in support of the SAPS and other government departments.

- *Defence Capability Management* provides for joint and multinational military force preparation exercises.

## Expenditure estimates

**Table 21.10 Force Employment**

| Subprogramme                                     | Audited outcome |                  |                  | Adjusted         | Medium-term expenditure estimate |                  |                  |         |
|--|-----------------|------------------|------------------|------------------|----------------------------------|------------------|------------------|---------|
|  | 2002/03         | 2003/04          | 2004/05          | appropriation    | 2005/06                          | 2006/07          | 2007/08          | 2008/09 |
| R thousand                                       |                 |                  |                  |                  |                                  |                  |                  |         |
| Strategic Direction                              | 25 524          | 36 504           | 41 671           | 44 411           | 41 761                           | 44 817           | 50 368           |         |
| Operational Direction                            | 79 349          | 72 057           | 70 806           | 81 735           | 101 428                          | 108 548          | 120 851          |         |
| Special Operations                               | 117 028         | 130 340          | 137 036          | 157 081          | 174 372                          | 200 642          | 228 612          |         |
| Regional Security                                |                 |                  |                  |                  |                                  |                  |                  |         |
| UN Peace Mission in the DRC                      | 38 712          | 307 867          | 367 462          | 404 571          | 361 919                          | 388 838          | 390 871          |         |
| Protection Support Detachment in Burundi (FIBER) | 261 935         | 422 882          | 332 600          | 347 500          | 362 392                          | 380 250          | 382 517          |         |
| World Summit on Sustainable Development          | 9 424           | –                | –                | –                | –                                | –                | –                |         |
| Military Observers                               | –               | –                | –                | 885              | 1 029                            | 1 029            | 1 029            |         |
| African Union Mission in Sudan                   | –               | –                | –                | 69 144           | 95 041                           | 80 482           | 80 958           |         |
| Support to the People                            | 207 750         | 314 945          | 286 061          | 268 707          | 254 880                          | 238 021          | 256 725          |         |
| Defence Capability Management                    | 6 600           | 6 600            | 6 600            | 6 600            | 17 323                           | 15 325           | 10 324           |         |
| <b>Total</b>                                     | <b>746 322</b>  | <b>1 291 195</b> | <b>1 242 236</b> | <b>1 380 634</b> | <b>1 410 145</b>                 | <b>1 457 952</b> | <b>1 522 255</b> |         |
| Change to 2005 Budget estimate                   |                 |                  |                  | 16 928           | 4 024                            | (26 746)         | 15 977           |         |

### Economic classification

|  |                |                  |                  |                  |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Current payments</b>                          | <b>681 403</b> | <b>1 247 880</b> | <b>1 217 833</b> | <b>1 321 641</b> | <b>1 331 116</b> | <b>1 373 548</b> | <b>1 446 501</b> |
| Compensation of employees                        | 333 168        | 416 212          | 476 408          | 517 357          | 506 064          | 548 329          | 600 912          |
| Goods and services                               | 348 161        | 831 560          | 741 425          | 804 284          | 825 052          | 825 219          | 845 589          |
| <i>of which:</i>                                 |                |                  |                  |                  |                  |                  |                  |
| Communication                                    | 5 976          | 4 947            | 7 252            | 7 090            | 13 109           | 13 088           | 13 290           |
| Consultants, contractors and special services    | 2 884          | 5 462            | 9 059            | 11 629           | 10 427           | 9 722            | 26 407           |
| Inventory  | 107 523        | 241 501          | 194 158          | 105 435          | 136 760          | 136 996          | 136 459          |
| Maintenance repair and running cost              | 13 309         | 75 018           | 58 450           | 42 194           | 38 167           | 49 364           | 47 858           |
| Travel and subsistence                           | 124 609        | 260 550          | 363 878          | 394 753          | 361 388          | 354 950          | 355 537          |
| Financial transactions in assets and liabilities | 74             | 108              | –                | –                | –                | –                | –                |
| <b>Transfers and subsidies</b>                   | <b>316</b>     | <b>329</b>       | <b>398</b>       | <b>460</b>       | <b>59</b>        | <b>–</b>         | <b>–</b>         |
| Provinces and municipalities                     | 316            | 329              | 398              | 460              | 59               | –                | –                |
| <b>Payments for capital assets</b>               | <b>64 603</b>  | <b>42 986</b>    | <b>24 005</b>    | <b>58 533</b>    | <b>78 970</b>    | <b>84 404</b>    | <b>75 754</b>    |
| Machinery and equipment                          | 64 603         | 42 986           | 24 005           | 58 533           | 78 970           | 84 404           | 75 754           |
| <b>Total</b>                                     | <b>746 322</b> | <b>1 291 195</b> | <b>1 242 236</b> | <b>1 380 634</b> | <b>1 410 145</b> | <b>1 457 952</b> | <b>1 522 255</b> |

### Expenditure trends

Expenditure growth in the *Force Employment* programme is expected to slow down, from an average annual rate of 22,8 per cent between 2002/03 and 2005/06, to a moderate rate of 3,3 per cent between over the MTEF.

The large increase in expenditure between 2002/03 and 2005/06 on the *Regional Security* subprogramme went towards setting up peace support operations. The lower level of expenditure on the *Support to the People* subprogramme over the MTEF compared to previous years is because support to the SAPS is being reduced. The substantial increase in 2006/07 in the *Defence Capability Management* subprogramme is because funds have been allocated to further develop the department's command and control model to improve acquisition processes for prime mission equipment. The large increase in the provision for the *Operational Direction* subprogramme from

2006/07 onwards is because more staff have been appointed, including that needed to form nine tactical headquarters. Expenditure for the *Special Operations* subprogramme is expected to increase at an average of 11,8 per cent from 2002/03 to 2008/09. This is mainly because an incentive scheme to attract and retain Special Forces personnel has been introduced, and highly specialised equipment and ammunition have been procured.

## Service delivery objectives and indicators

### Recent outputs

#### *External operations*

Ongoing peace support operations have been conducted in the Democratic Republic of Congo (DRC), where approximately 1 350 members are deployed in support of a UN mission. Since January 2005, the SANDF has also deployed a detachment of about 40 members to the DRC to help with the integration and democracy training of the Congolese army. In Burundi, approximately 1 265 SANDF members are being deployed in support of a UN mission. Members have also been deployed to Ethiopia/Eritrea (7), Sudan (255) and Liberia (3). All external ordered operations were thus successfully executed.

#### *Internal operations*

The SANDF is gradually withdrawing and handing over the responsibility for border control and rural safeguarding operations to the SAPS as part of the SANDF/exit-SAPS/entry strategy. In 2004/05, two successful internal operations, in conjunction with the SAPS, resulted in the confiscation of 1 379 weapons, 52 992kg of dagga, 43kg of cocaine, 2 390 mandrax tablets and 1 205 ecstasy tablets. During the same period, 3 908 stolen livestock and 578 stolen vehicles were recovered.

#### *Joint and multinational military exercises*

Exercise Indlovu, the aim of which was to exercise the joint operating capabilities of the SANDF, was successfully carried out from July 2004 to the end of October 2004. The SANDF also conducted four multinational exercises to build capacity during 2004/05, involving forces from the US, France, China, Russia, South American countries and SADC countries.

## Selected medium-term output targets

### Force Employment

**Measurable objective:** Contribute to national and regional security by initiating, planning, commanding and co-ordinating support for all operations and joint and multinational military exercises, as directed, and meeting Government's requirements.

| Subprogramme          | Output                                    | Measure/Indicator   | Target                                       |
|-----------------------|---|---|--|
| Strategic Direction   | Force employment strategic direction      | The degree to which force employment policies, strategies and plans are implemented | 100%   |
| Operational Direction | Force employment operational direction    | The degree to which force employment combat readiness states are achieved           | 100% as specified in the readiness schedules |
| Special Operations    | Combat ready and supported special forces | The degree to which special forces combat readiness states are achieved             | 100% as specified in the readiness schedules |



| Subprogramme                  | Output                               | Measure/Indicator   | Target |
|-------------------------------|--------------------------------------|---|--------|
| Regional Security             | Peace missions                       | The degree to which external ordered operations are successfully executed | 100%   |
| Support to the People         | Military support to other entities   | The degree to which internal ordered operations are successfully executed | 100%   |
| Defence Capability Management | Military force preparation exercises | Degree to which ordered operations are successfully executed              | 100%   |

## Programme 9: Special Defence Account

The *Special Defence Account* programme provides for special defence activities and purchases, including procuring defence main equipment and strategic armaments, operating and maintaining defence main equipment, and financing intelligence-related defence activities.

There are four subprogrammes:

- *Procurement Services* provides for the acquisition of armaments required by the department.
- *Strategic Defence Procurement* provides for the acquisition of strategic armaments by the department.
- *Operating* provides for the acquisition of equipment, spares and ammunition required to maintain and operate defence main equipment.
- *Intelligence Related* provides for the financing of intelligence-related defence activities.

## Expenditure estimates

Table 21.11 Special Defence Account

| Subprogramme                   | Audited outcome  |                  |                  | Adjusted appropriation | Medium-term expenditure estimate |                  |                  |
|--------------------------------|------------------|------------------|------------------|------------------------|----------------------------------|------------------|------------------|
|                                | 2002/03          | 2003/04          | 2004/05          | 2005/06                | 2006/07                          | 2007/08          | 2008/09          |
| R thousand                     |                  |                  |                  |                        |                                  |                  |                  |
| Procurement Services           | 1 071 407        | 1 414 781        | 1 956 567        | 1 674 709              | 2 891 151                        | 3 151 887        | 3 122 206        |
| Strategic Defence Procurement  | 6 475 900        | 5 889 034        | 4 501 866        | 6 909 469              | 4 536 249                        | 3 632 756        | 3 158 482        |
| Operating                      | 209 313          | 661 299          | 521 141          | 599 285                | 590 193                          | 712 216          | 840 646          |
| Intelligence Related           | 51 098           | 50 658           | 65 426           | 75 376                 | 206 967                          | 211 216          | 341 132          |
| <b>Total</b>                   | <b>7 807 718</b> | <b>8 015 772</b> | <b>7 045 000</b> | <b>9 258 839</b>       | <b>8 224 560</b>                 | <b>7 708 075</b> | <b>7 462 466</b> |
| Change to 2005 Budget estimate |                  |                  |                  | 243 460                | (96 738)                         | 1 036 414        | 693 831          |

### Economic classification

|                                    |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Transfers and subsidies</b>     | <b>7 807 718</b> | <b>8 015 772</b> | <b>7 045 000</b> | <b>9 258 839</b> | <b>8 224 560</b> | <b>7 708 075</b> | <b>7 462 466</b> |
| Departmental agencies and accounts | 7 807 718        | 8 015 772        | 7 045 000        | 9 258 839        | 8 224 560        | 7 708 075        | 7 462 466        |
| <b>Total</b>                       | <b>7 807 718</b> | <b>8 015 772</b> | <b>7 045 000</b> | <b>9 258 839</b> | <b>8 224 560</b> | <b>7 708 075</b> | <b>7 462 466</b> |

### Details of major transfers and subsidies:

| Departmental agencies and accounts |                  |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Public entities</b>             |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                     | <b>7 807 718</b> | <b>8 015 772</b> | <b>7 045 000</b> | <b>9 258 839</b> | <b>8 224 560</b> | <b>7 708 075</b> | <b>7 462 466</b> |
| Special Defence Account            | 7 807 718        | 8 015 772        | 7 045 000        | 9 258 839        | 8 224 560        | 7 708 075        | 7 462 466        |

## Expenditure trends

Expenditure decreases from R9,3 billion in 2005/06 to R7,5 billion in 2008/09, an average annual decrease of 6,9 per cent. This is in line with the expected peaking of the expenditure on the

*Strategic Defence Procurement* subprogramme in 2005/06. However, the bulk of this programme's expenditure remains on *Strategic Defence Procurement*, which is expected to total R44,8 billion over 12 years, with the final payment due in 2011/12. The following table reflects the revised annual cost projections.

**Projected costs in relation to the acquisition of strategic armaments**

| Fin Year  | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |        |
|-----------|---------|---------|---------|---------|---------|---------|--------|
| R million | 2 901   | 4 223   | 6 342   | 5 864   | 4 502   | 6 331   |        |
| Fin Year  | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | Total  |
| R million | 4 536   | 3 633   | 3 158   | 1 160   | 1 098   | 1 045   | 44 793 |

There is no expenditure on compensation of employees associated with the *Special Defence Account* programme. It is a holding account for financing equipment acquisition (including some without military specifications), strategic armaments acquisition, and related military activities.

The average increase of 65,4 per cent in the *Intelligence Related* subprogramme over the MTEF is due mainly to the additional allocations of R121 million for 2006/07, R121 million for 2007/08 and R247 million for 2008/09. These amounts have been earmarked for the partial establishment of a strategic imagery and electronic intelligence collection capability to detect air and maritime movement through passive electronic collection systems.

The increase of 72,6 per cent in the *Procurement Services* subprogramme in 2006/07 is mainly because of the need to upgrade the department's ICT infrastructure and aircraft.

**Service delivery objectives and indicators**

**Recent outputs**

The last two of the four patrol Corvettes were delivered during 2004/05. The first South African Gripen fighter aircraft was delivered in October 2005. Of the 30 light utility helicopters ordered, five were delivered to the SAAF. Delivery of the last aircraft is expected by the middle of 2007.

Setting up an interim operational capability for the Rooivalk combat support helicopter, required for peace support operations, was not achieved. This was due to delays in the manufacturing process. The delivery of phase 1 of the ground-based air defence system that was scheduled for 2006 was also postponed by one year, due to similar problems.

**Selected medium-term output targets**

**Special Defence Account**

**Measurable objective:** Meet the department's needs by acquiring and maintaining appropriate defence equipment and through activities that meet Government's requirements.

| Subprogramme                  | Output                                     | Measure/Indicator  | Target |
|-------------------------------|--|--|--------|
| Procurement Services          | Procurement of defence equipment           | The degree of timely delivery of equipment according to the acquisition master plan          | 100%   |
| Strategic Defence Procurement | Procurement of strategic defence equipment | The degree of timely delivery of equipment according to the acquisition master plan          | 100%   |
| Operating                     | Maintenance of defence equipment           | The degree of timely maintenance of equipment according to the acquisition master plan       | 100%   |
| Intelligence Related          | Defence intelligence products              | Proportion of intelligence reports generated according to the approved intelligence schedule | 100%   |

## **Public entities reporting to the Minister**

### **Castle Control Board**

The objectives of the Castle Control Board, as provided in the Castle Management Act (1993), are to preserve and protect the military and cultural heritage of the Castle of Good Hope, to optimise its tourism potential and to maximise public access to the parts that are not used by the Department of Defence.

In 2004/05, 119 437 people visited the castle and the number of school tour groups increased by 10 per cent.

Since its inception, the Castle Control Board has received no direct contribution from any government department or agency. The board generates funds by charging entrance fees to patrons and offering catering services and conference facilities to the public. Donations from the general public are also received. Costs are incurred for the operation of the military museum in the castle. Although the Department of Public Works is responsible for restoring and maintaining the castle, there were delays due to financial constraints. As a result, critical maintenance and repair expenditure was financed by the Castle Control Board, amounting to R16 000 in 2002/03, R35 000 in 2003/04 and R791 000 in 2004/05.

### **Armaments Corporation of South Africa**

The Armaments Corporation of South Africa (Armcor) was established in terms of section 2 of the Armaments Development and Production Act (1968). The objectives of the corporation are to meet the defence matériel requirements of the Department of Defence effectively, efficiently and economically. Other responsibilities include defence technology, research, development, analysis, and test and evaluation requirements. In support of these primary functions, Armcor provides services to administer the tender process, and related quality, legal, financial and security management services, as well as arms control compliance administration and the related IT capacity.

Armcor also disposes of defence matériel in accordance with the regulatory framework, supports and maintains strategic and essential defence industrial capabilities, resources and technologies identified by the department, and manages and maintains facilities identified as strategic by the department. Armcor also undertakes acquisitions for the SAPS and other government departments.

Armcor is largely funded by a transfer payment from the department. The transfer payment increases by 10,3 per cent from R359 million in 2005/06 to R396 million in 2006/07. In terms of the Revenue Laws Amendment Act (2004) Armcor is now regarded as a VAT vendor and transfer payments to it are taxable. The increase is largely to accommodate this new expenditure item. The decrease in non-tax revenue and total expenses for 2007/08 are directly linked to the reduced contractual milestone payments for the acquisition of strategic armaments.

On 31 March 2005, Armcor's capital and reserves were valued at R385,9 million, against total assets of R588,2 million. Investments and cash form a substantial part of the assets and are reserved for financing specific future needs, like replacing capital equipment and shortfalls on current and medium-term expenditure. Over the medium term, the Armcor budget experiences a minor deficit.

**Table 21.12 Financial summary for the Armaments Corporation of South Africa (ARMSCOR)**

|  | Outcome        |                  |                  | Estimated outcome | Medium-term estimate |                  |                  |
|--|----------------|------------------|------------------|-------------------|----------------------|------------------|------------------|
|  | Audited        | Audited          | Audited          |                   | 2006/07              | 2007/08          | 2008/09          |
| R thousand   | 2002/03        | 2003/04          | 2004/05          | 2005/06           |                      |                  |                  |
| <b>INCOME STATEMENT SUMMARY</b>                      |                |                  |                  |                   |                      |                  |                  |
| <b>Revenue</b>                                       |                |                  |                  |                   |                      |                  |                  |
| <b>Non-tax revenue</b>                               | <b>647 625</b> | <b>893 648</b>   | <b>852 386</b>   | <b>1 083 035</b>  | <b>1 031 520</b>     | <b>840 660</b>   | <b>1 004 129</b> |
| Sale of goods and services other than capital assets | 351 601        | 478 925          | 256 546          | 967 977           | 954 859              | 763 537          | 921 305          |
| of which:  |                |                  |                  |                   |                      |                  |                  |
| <i>Sales by market establishments</i>                | <i>351 601</i> | <i>478 925</i>   | <i>256 546</i>   | <i>967 977</i>    | <i>954 859</i>       | <i>763 537</i>   | <i>921 305</i>   |
| <i>Other non-tax revenue</i>                         | <i>296 024</i> | <i>414 723</i>   | <i>595 840</i>   | <i>115 058</i>    | <i>76 661</i>        | <i>77 123</i>    | <i>82 824</i>    |
| <b>Transfers received</b>                            | <b>209 182</b> | <b>249 635</b>   | <b>284 098</b>   | <b>359 515</b>    | <b>396 286</b>       | <b>415 300</b>   | <b>435 265</b>   |
| <b>Total revenue</b>                                 | <b>856 807</b> | <b>1 143 283</b> | <b>1 136 484</b> | <b>1 442 550</b>  | <b>1 427 806</b>     | <b>1 255 960</b> | <b>1 439 394</b> |
| <b>Expenses</b>                                      |                |                  |                  |                   |                      |                  |                  |
| <b>Current expense</b>                               | <b>825 305</b> | <b>1 132 347</b> | <b>1 140 520</b> | <b>1 454 238</b>  | <b>1 440 922</b>     | <b>1 272 730</b> | <b>1 459 681</b> |
| Compensation of employees                            | 236 995        | 292 331          | 319 147          | 350 952           | 382 099              | 405 966          | 429 705          |
| Goods and services                                   | 572 538        | 822 359          | 800 910          | 1 084 986         | 1 040 623            | 849 064          | 1 014 376        |
| Depreciation   | 15 772         | 17 657           | 20 463           | 18 300            | 18 200               | 17 700           | 15 600           |
| <b>Transfers and subsidies</b>                       | <b>506</b>     | <b>1 109</b>     | <b>1 183</b>     | <b>1 320</b>      | <b>1 531</b>         | <b>1 623</b>     | <b>1 720</b>     |
| <b>Total expenses</b>                                | <b>825 811</b> | <b>1 133 456</b> | <b>1 141 703</b> | <b>1 455 558</b>  | <b>1 442 453</b>     | <b>1 274 353</b> | <b>1 461 401</b> |
| <b>Surplus / (Deficit)</b>                           | <b>30 996</b>  | <b>9 827</b>     | <b>(5 219)</b>   | <b>(13 008)</b>   | <b>(14 647)</b>      | <b>(18 393)</b>  | <b>(22 007)</b>  |
| <b>BALANCE SHEET SUMMARY</b>                         |                |                  |                  |                   |                      |                  |                  |
| Carrying value of assets                             | 192 126        | 195 799          | 188 278          | 189 500           | 183 300              | 179 800          | 179 500          |
| Inventory  | 3 571          | 2 226            | 3 271            | 4 000             | 4 500                | 5 000            | 6 000            |
| Receivables and prepayments                          | 80 027         | 205 757          | 128 467          | 133 500           | 139 000              | 145 000          | 155 000          |
| Cash and cash equivalents                            | 260 219        | 263 272          | 268 173          | 255 800           | 246 553              | 231 460          | 206 253          |
| <b>Total assets</b>                                  | <b>535 943</b> | <b>667 054</b>   | <b>588 189</b>   | <b>582 800</b>    | <b>573 353</b>       | <b>561 260</b>   | <b>546 753</b>   |
| Capital and reserves                                 | 381 300        | 391 127          | 385 908          | 372 900           | 358 253              | 339 860          | 317 853          |
| Trade and other payables                             | 132 255        | 250 434          | 182 249          | 188 300           | 191 800              | 196 300          | 201 800          |
| Provisions   | 22 388         | 25 493           | 20 032           | 21 600            | 23 300               | 25 100           | 27 100           |
| <b>Total equity and liabilities</b>                  | <b>535 943</b> | <b>667 054</b>   | <b>588 189</b>   | <b>582 800</b>    | <b>573 353</b>       | <b>561 260</b>   | <b>546 753</b>   |

Data provided by the Armaments Corporation of South Africa.

## **Annexure**

### **Vote 21: Defence**

Table 21.A: Summary of expenditure trends and estimates per programme and economic classification

Table 21.B: Summary of personnel numbers and compensation of employees

Table 21.C: Summary of expenditure on training

Table 21.D: Summary of official development assistance expenditure

Table 21.E: Summary of expenditure on infrastructure

Table 21.F: Summary of departmental public-private partnership projects

Table 21.A Summary of expenditure trends and estimates per programme and economic classification

| Programme                  | Appropriation     |                   | Audited outcome   | Appropriation     |                  |                   | Revised estimate  |
|----------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                            | Main              | Adjusted          |                   | Main              | Additional       | Adjusted          |                   |
| R thousand                 | 2004/05           |                   | 2004/05           | 2005/06           |                  |                   | 2005/06           |
| 1. Administration          | 719 700           | 1 532 849         | 1 433 680         | 686 998           | 849 361          | 1 536 359         | 1 536 359         |
| 2. Landward Defence        | 3 325 508         | 3 305 461         | 3 340 039         | 3 575 142         | (63 310)         | 3 511 832         | 3 511 832         |
| 3. Air Defence             | 2 222 296         | 2 218 978         | 2 242 812         | 2 395 243         | (6 377)          | 2 388 866         | 2 388 866         |
| 4. Maritime Defence        | 1 092 571         | 1 086 239         | 1 097 975         | 1 211 774         | 7 038            | 1 218 812         | 1 218 812         |
| 5. Military Health Support | 1 305 559         | 1 305 227         | 1 320 428         | 1 577 578         | 6 289            | 1 583 867         | 1 583 867         |
| 6. Defence Intelligence    | 145 820           | 134 820           | 135 789           | 148 786           | (4 045)          | 144 741           | 144 741           |
| 7. Joint Support           | 2 303 398         | 2 335 123         | 2 343 384         | 2 484 826         | 7 402            | 2 492 228         | 2 492 228         |
| 8. Force Employment        | 1 218 866         | 1 238 653         | 1 242 236         | 1 363 706         | 16 928           | 1 380 634         | 1 380 634         |
| 9. Special Defence Account | 7 923 608         | 7 045 000         | 7 045 000         | 9 015 379         | 243 460          | 9 258 839         | 9 258 839         |
| <b>Total</b>               | <b>20 257 326</b> | <b>20 202 350</b> | <b>20 201 343</b> | <b>22 459 432</b> | <b>1 056 746</b> | <b>23 516 178</b> | <b>23 516 178</b> |

## Economic classification

|  | Appropriation     |                   | Audited outcome   | Appropriation     |                  |                   | Revised estimate  |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|  | Main              | Adjusted          |                   | Main              | Additional       | Adjusted          |                   |
| R thousand                                       | 2004/05           |                   | 2004/05           | 2005/06           |                  |                   | 2005/06           |
| <b>Current payments</b>                          | <b>11 957 772</b> | <b>12 776 704</b> | <b>12 363 974</b> | <b>12 837 175</b> | <b>769 135</b>   | <b>13 606 310</b> | <b>13 606 310</b> |
| Compensation of employees                        | 7 770 087         | 7 770 087         | 7 722 601         | 8 604 458         | (161 576)        | 8 442 882         | 8 442 882         |
| Goods and services                               | 4 187 685         | 5 006 617         | 4 606 531         | 4 232 717         | 930 711          | 5 163 428         | 5 163 428         |
| Financial transactions in assets and liabilities | –                 | –                 | 34 842            | –                 | –                | –                 | –                 |
| <b>Transfers and subsidies</b>                   | <b>8 232 641</b>  | <b>7 354 033</b>  | <b>7 352 675</b>  | <b>9 357 388</b>  | <b>287 611</b>   | <b>9 644 999</b>  | <b>9 644 999</b>  |
| Provinces and municipalities                     | 16 024            | 16 024            | 14 855            | 16 632            | –                | 16 632            | 16 632            |
| Departmental agencies and accounts               | 8 213 806         | 7 335 198         | 7 050 886         | 9 022 481         | 243 460          | 9 265 941         | 9 265 941         |
| Public corporations and private enterprises      | –                 | –                 | 284 097           | 315 364           | 44 151           | 359 515           | 359 515           |
| Non-profit institutions                          | 2 811             | 2 811             | 2 837             | 2 911             | –                | 2 911             | 2 911             |
| <b>Payments for capital assets</b>               | <b>66 913</b>     | <b>71 613</b>     | <b>484 694</b>    | <b>264 869</b>    | <b>–</b>         | <b>264 869</b>    | <b>264 869</b>    |
| Buildings and other fixed structures             | 66 913            | 71 613            | 79 638            | 70 203            | –                | 70 203            | 70 203            |
| Machinery and equipment                          | –                 | –                 | 405 056           | 193 019           | –                | 193 019           | 193 019           |
| Software and intangible assets                   | –                 | –                 | –                 | 1 647             | –                | 1 647             | 1 647             |
| <b>Total</b>                                     | <b>20 257 326</b> | <b>20 202 350</b> | <b>20 201 343</b> | <b>22 459 432</b> | <b>1 056 746</b> | <b>23 516 178</b> | <b>23 516 178</b> |

Table 21.B Summary of personnel numbers and compensation of employees

|  | Audited outcome  |                  |                  | Adjusted appropriation | Medium-term expenditure estimates |                  |                   |
|--|------------------|------------------|------------------|------------------------|-----------------------------------|------------------|-------------------|
|  | 2002/03          | 2003/04          | 2004/05          |                        | 2005/06                           | 2006/07          | 2007/08           |
| <b>A. Permanent and full-time contract employees</b> |                  |                  |                  |                        |                                   |                  |                   |
| Compensation (R thousand)                            | 6 601 419        | 7 018 726        | 7 546 233        | 8 315 248              | 8 806 428                         | 9 342 092        | 9 856 155         |
| Unit cost (R thousand)                               | 88               | 94               | 97               | 116                    | 110                               | 115              | 122               |
| Compensation as % of total                           | 97.7%            | 97.6%            | 97.7%            | 98.5%                  | 98.1%                             | 98.3%            | 98.3%             |
| Personnel numbers (head count)                       | 75 290           | 74 599           | 77 465           | 71 705                 | 79 925                            | 81 284           | 80 575            |
| <b>B. Part-time and temporary contract employees</b> |                  |                  |                  |                        |                                   |                  |                   |
| Compensation (R thousand)                            | 152 649          | 174 007          | 176 368          | 127 634                | 169 558                           | 162 540          | 170 986           |
| Unit cost (R thousand)                               |                  |                  |                  |                        |                                   |                  |                   |
| Compensation as % of total                           | 2.3%             | 2.4%             | 2.3%             | 1.5%                   | 1.9%                              | 1.7%             | 1.7%              |
| Unit cost (R thousand)                               |                  |                  |                  |                        |                                   |                  |                   |
| <b>Total for department</b>                          |                  |                  |                  |                        |                                   |                  |                   |
| <b>Compensation (R thousand)</b>                     | <b>6 754 068</b> | <b>7 192 733</b> | <b>7 722 601</b> | <b>8 442 882</b>       | <b>8 975 986</b>                  | <b>9 504 632</b> | <b>10 027 141</b> |
| <b>Unit cost (R thousand)</b>                        | <b>90</b>        | <b>96</b>        | <b>100</b>       | <b>118</b>             | <b>112</b>                        | <b>117</b>       | <b>124</b>        |
| <b>Personnel numbers (head count)</b>                | <b>75 290</b>    | <b>74 599</b>    | <b>77 465</b>    | <b>71 705</b>          | <b>79 925</b>                     | <b>81 284</b>    | <b>80 575</b>     |

Table 21.C Summary of expenditure on training

|                                       | Audited outcome |               |               | Adjusted appropriation | Medium-term expenditure estimates |               |               |
|---------------------------------------|-----------------|---------------|---------------|------------------------|-----------------------------------|---------------|---------------|
|                                       | 2002/03         | 2003/04       | 2004/05       | 2005/06                | 2006/07                           | 2007/08       | 2008/09       |
| <b>Training and staff development</b> |                 |               |               |                        |                                   |               |               |
| Expenditure (R thousand)              | 47 340          | 76 047        | 64 006        | 73 901                 | 77 413                            | 77 955        | 81 893        |
| <b>Total</b>                          | <b>47 340</b>   | <b>76 047</b> | <b>64 006</b> | <b>73 901</b>          | <b>77 413</b>                     | <b>77 955</b> | <b>81 893</b> |

Table 21.D Summary of official development assistance expenditure

| Donor                    | Project                                   | Cash/<br>kind | Audited outcome |              |              | Adjusted appropriation | Medium-term expenditure estimate |          |         |
|--------------------------|---|---------------|-----------------|--------------|--------------|------------------------|----------------------------------|----------|---------|
|                          |   |               | 2002/03         | 2003/04      | 2004/05      | 2005/06                | 2006/07                          | 2007/08  | 2008/09 |
| R thousand               |   |               |                 |              |              |                        |                                  |          |         |
| <b>Foreign</b>           |   |               |                 |              |              |                        |                                  |          |         |
| Various                  | Improving service delivery                | Kind          | 103             | -            | -            | -                      | -                                | -        |         |
| Beckman Coulter          | CX Delta machine to improve medical core  | Kind          | -               | -            | -            | -                      | -                                | -        |         |
| United States of America | Aids awareness                            | Kind          | 4 653           | -            | -            | -                      | -                                | -        |         |
| United States of America | Training assistance                       | Kind          | -               | -            | -            | -                      | -                                | -        |         |
| Unknown                  | Promotional Items                         | Kind          | 2               | -            | -            | -                      | -                                | -        |         |
| Netherlands              | African mission in Burundi (ROE\$1=R6.39) | Cash          | -               | 4 792        | 1 980        | -                      | -                                | -        |         |
| <b>Total</b>             |   |               | <b>4 758</b>    | <b>4 792</b> | <b>1 980</b> | <b>-</b>               | <b>-</b>                         | <b>-</b> |         |

Table 21.E Summary of expenditure on infrastructure

| Description   | Service delivery outputs |                |                | Adjusted appropriation | Medium-term expenditure estimate |                |                |
|---|--------------------------|----------------|----------------|------------------------|----------------------------------|----------------|----------------|
|   | Audited outcome          |                |                | 2005/06                | 2006/07                          | 2007/08        | 2008/09        |
| R thousand  |                          |                |                |                        |                                  |                |                |
| <b>Groups of small projects or programmes</b>       |                          |                |                |                        |                                  |                |                |
| Upgrading and installations of Defence buildings    | 55 026                   | 43 672         | 79 638         | 37 103                 | 39 065                           | 67 768         | 45 656         |
| Upgrading of military hospitals                     | -                        | -              | -              | 33 100                 | 19 500                           | 6 000          | 17 000         |
| Construction of ammunition storage                  | -                        | -              | -              | -                      | 2 000                            | 1 000          | -              |
| Construction of accomodation facility               | -                        | -              | -              | -                      | 500                              | 2 000          | 19 000         |
| Upgrading of fire detection and prevention facility | -                        | -              | -              | -                      | 13 000                           | 1 000          | -              |
| <b>Maintenance on infrastructure (capital)</b>      |                          |                |                |                        |                                  |                |                |
| Maintenance and repair of buildings                 | 85 710                   | 86 340         | 74 505         | 127 319                | 136 216                          | 404 865        | 562 816        |
| <b>Total</b>  | <b>140 736</b>           | <b>130 012</b> | <b>154 143</b> | <b>197 522</b>         | <b>210 281</b>                   | <b>482 633</b> | <b>644 472</b> |

Table 21.F Summary of departmental public-private partnership projects

| R thousand  | Total cost of project | Budget expenditure | Medium-term expenditure estimate |          |          |
|---|-----------------------|--------------------|----------------------------------|----------|----------|
|   |                       | 2005/06            | 2006/07                          | 2007/08  | 2008/09  |
| <b>Projects in preparation, registered in terms of Treasury Regulation 16<sup>1</sup></b> | <b>1 800</b>          | <b>1 800</b>       | -                                | -        | -        |
| Advisory fees   | 1 800                 | 1 800              | -                                | -        | -        |
| <b>Total</b>  | <b>1 800</b>          | <b>1 800</b>       | <b>-</b>                         | <b>-</b> | <b>-</b> |

1. Only projects that have received Treasury Approval: 1

