

# 7

## Medium-term priorities and public service delivery

- The 2008 Budget supports government's objective of sustaining economic growth, creating jobs and investing in infrastructure to expand the productive capacity of the economy. Spending priorities include human development, anti-poverty initiatives, broadening access to services and fighting crime.
- Additional allocations of R115.6 billion are proposed over the next three years, increasing public expenditure by 6.1 per cent a year in real terms. At a consolidated national and provincial government level, capital expenditure grows by 10.2 per cent a year in real terms, while current expenditure grows by 3.8 per cent a year.
- Building on the substantial progress registered in health, education, public transport, housing and sanitation in recent years, government is taking new steps to improve service provision and to obtain better value for money. Beginning this year, national departments are expected to include specific efficiency measures and cost-saving initiatives in their strategic plans, and service delivery accountability is strengthened with the introduction of key performance indicators.

### ■ Enhancing growth and delivery

The 2008 Budget provides increased public expenditure over the medium-term expenditure framework (MTEF), focusing on programmes that reduce poverty and inequality. Policy and spending are targeted to bring about higher rates of growth over the long term, and to achieve South Africa's social and economic objectives.

*Achieving higher rates of growth over long term is a key objective of government spending*

*Budget priorities focus on raising growth, extending services*

To accelerate the rate of growth over the longer term, government will continue to invest in economic infrastructure; support industrial policy initiatives that raise productivity, competitiveness and export capacity; scale up job creation programmes; and improve the quality of education and health. Investment in public transport and the built environment provide for a steady extension of access to both economic opportunities and basic household services.

Government also plans to extend agricultural support programmes to improve the effectiveness of land usage and productivity, with additional allocations supporting land restitution and land reform.

*Labour-intensive public services can boost employment growth*

Unemployment remains a central challenge, with the pace of employment growth insufficient to absorb all new entrants into the labour market. The 2008 Budget provides additional support for labour-intensive public services and investment in skills development and for research and development.

South Africa's development depends in large measure on improving service delivery and modernising the state. Over the MTEF, government will work to improve access to public services. Particular attention will be paid to extending access to water, sanitation, electricity, public health, education and public transport. Early childhood education receives a significant boost.

To improve universal access to learning, education for learners with disabilities is expanded. Emphasis will also be placed on provision of adequate school infrastructure and supplies, including textbooks, particularly for Grades 10-12. To strengthen the quality of teaching and learning, support is provided for improved remuneration of education personnel.

*Allocations support a range of improvements in public health*

Targeted allocations will improve health services. Considerable spending is planned for modernisation of hospital facilities and medical equipment, improving management capacity and further upgrading of systems and facilities. To reinforce gains made in the fight against HIV and Aids, transfers to provinces for this purpose are increased. Attention will be placed on boosting prevention and expansion of treatment programmes. Special allocations are made to combat multidrug-resistant and extreme drug-resistant tuberculosis.

*Stepped up delivery of housing, water, sanitation and electricity*

Government will also step up housing delivery, focusing on coordination and synchronisation of delivery of all related community services, such as water, sanitation and electricity. The upgrading of informal settlements continues to be prioritised. Provinces and municipalities receive allocations to support provision of free basic services at community level.

The fight against crime receives further support with additional allocations for more police, equipping forensic laboratories, and upgrading network and telecommunications infrastructure. The number of prison spaces is to be expanded by 18 000 and additional resources are provided to increase court effectiveness, partly through increasing the numbers of prosecutors, magistrates and judges. The 2008 Budget also supports critical service delivery improvements in the Department of Home Affairs.

Government recognises that the state needs to use its resources more efficiently, obtaining better quality for each rand spent. Improved performance requires departments and public entities to report comprehensively on performance information. The 2008 *Estimates of National Expenditure* provides more detailed information on outputs and key performance indicators. Departments and public entities that consistently receive poor audit reports indicative of systemic weaknesses in financial management and internal controls will receive further scrutiny.

*An emphasis on reporting and accounting to institutions such as Parliament*

As government continues to modernise, more emphasis is placed on attaining value for money in public spending. This is achieved by:

- Greater scrutiny in the process of allocating additional funds
- Better monitoring of performance information
- Tighter cost controls and strict measures to deal with weaknesses that give rise to qualified audits
- Improved coordination of public services between national, provincial and local governments, departments and entities.

## ■ Consolidated expenditure and revised estimates

A functional classification of consolidated government expenditure is set out in Table 7.1. It takes into account consolidated national, and provincial spending, spending by various public entities and government business enterprises and transfers to local government.

Consolidated government expenditure is projected to increase from R633 billion in 2007/08 to R857 billion in 2010/11, largely financed through the national budget. The fastest-growing category of spending is social services. Within that category, spending on housing and community development grow by over 14 per cent a year. Spending on education and health also grow by more than 11 per cent a year. In economic services, spending on transport, which includes public transport infrastructure and subsidies and roads, grow rapidly. Spending on the criminal justice sector grows by about 12 per cent a year.

*Spending on housing and community development grow by more than 14 per cent a year*

**Table 7.1 Consolidated government expenditure by function, 2007/08 – 2010/11**

R million	2007/08	2008/09	2009/10	2010/11	Average annual growth	
	Revised estimate	Medium-term estimates			2004/05–2007/08	2007/08–2010/11
<b>Protection services</b>	<b>86 992</b>	<b>95 324</b>	<b>104 450</b>	<b>114 589</b>	<b>11.0%</b>	<b>9.6%</b>
Defence and intelligence	28 579	30 440	32 016	34 496	8.9%	6.5%
Police	38 563	42 730	47 932	52 214	13.0%	10.6%
Prisons	11 114	12 050	13 077	15 704	7.0%	12.2%
Justice	8 736	10 105	11 425	12 175	15.0%	11.7%
<b>Social services</b>	<b>311 678</b>	<b>354 444</b>	<b>394 472</b>	<b>432 434</b>	<b>15.8%</b>	<b>11.5%</b>
Education	105 746	121 087	134 139	146 680	11.6%	11.5%
Health	68 169	75 492	83 853	92 228	15.3%	10.6%
Social security and welfare	92 224	105 309	116 255	125 384	15.0%	10.8%
Housing	12 370	14 784	17 679	20 897	21.8%	19.1%
Community development	33 170	37 772	42 546	47 246	38.6%	12.5%
<b>Economic services</b>	<b>143 213</b>	<b>165 213</b>	<b>178 592</b>	<b>187 136</b>	<b>20.8%</b>	<b>9.3%</b>
Water schemes and related services	15 994	16 775	18 643	19 388	19.7%	6.6%
Fuel and energy	7 045	5 651	6 503	5 111	38.6%	-10.1%
Agriculture, forestry and fishing	14 145	14 624	14 839	16 000	24.4%	4.2%
Mining, manufacturing and construction	2 845	2 775	2 837	2 598	25.4%	-3.0%
Transport and communication	54 991	71 281	76 845	80 693	25.2%	13.6%
Other economic services	48 195	54 107	58 925	63 346	14.3%	9.5%
<b>General government services and unallocable expenditure</b>	<b>34 876</b>	<b>40 302</b>	<b>44 426</b>	<b>46 937</b>	<b>11.6%</b>	<b>10.4%</b>
<b>Allocated expenditure</b>	<b>576 760</b>	<b>655 283</b>	<b>721 940</b>	<b>781 097</b>	<b>15.9%</b>	<b>10.6%</b>
Interest	55 772	54 960	55 385	55 657	2.1%	-0.1%
Contingency reserve	–	6 000	12 000	20 000		
<b>Consolidated expenditure</b> <sup>1</sup>	<b>632 532</b>	<b>716 243</b>	<b>789 325</b>	<b>856 753</b>	<b>14.4%</b>	<b>10.6%</b>

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

## ■ Proposed revisions to expenditure plans

The MTEF operates as a rolling three-year budget framework, revised annually. This chapter discusses additional allocations to departments by sector. Revisions to the 2007 spending estimates are summarised in Table 7.2.

- R33.2 billion for the provincial equitable share and R6.5 billion for the local government equitable share
- R6 billion for public transport, roads and rail infrastructure and R6 billion for housing, water and sanitation
- R4.7 billion for school and hospital infrastructure and equipment
- R12 billion for social grants, R1 billion for public works programmes and R1.8 billion for school nutrition
- R2.3 billion for industrial support and R4.4 billion for transfers to public entities, including the Pebble Bed Modular Reactor project
- R2.6 billion for land reform and agricultural support programmes
- R8.2 billion for the criminal justice sector.

**Table 7.2 2008 Budget priorities – additional MTEF allocations, 2008/09 – 2010/11**

R million	2008/09	2009/10	2010/11	Total
<b>Provincial equitable share</b>	5 903	9 682	17 574	<b>33 159</b>
<i>includes school education, health care, welfare services, provincial infrastructure and economic development</i>				
<b>Local government equitable share</b>	1 114	711	4 649	<b>6 474</b>
<b>Economic infrastructure and investment</b>				
Public transport, roads and rail infrastructure	883	911	2 132	<b>3 926</b>
Public transport infrastructure and systems grant	–	–	2 000	<b>2 000</b>
Communications infrastructure	409	285	290	<b>984</b>
2010 World Cup stadiums and infrastructure	1 200	788	296	<b>2 284</b>
<b>Housing and built environment</b>				
Housing grant	–	200	2 000	<b>2 200</b>
Municipal infrastructure, and related services	604	1 200	2 000	<b>3 804</b>
Infrastructure grant to provinces	400	800	1 500	<b>2 700</b>
<b>Productive capacity of the economy</b>				
Industrial development, international trade and SMMEs	460	780	1 300	<b>2 540</b>
Research and development and knowledge production	1 790	1 980	630	<b>4 400</b>
Land and agrarian reform	730	900	930	<b>2 560</b>
Expanded public works programmes - DEAT	200	250	300	<b>750</b>
<b>Education health and welfare</b>				
Higher education	150	150	800	<b>1 100</b>
National school nutrition programme	345	493	918	<b>1 756</b>
Hospitals and tertiary services	750	770	1 590	<b>3 110</b>
HIV and Aids	350	600	1 150	<b>2 100</b>
Social grants	2 705	4 510	4 800	<b>12 015</b>
<b>Public administration and service delivery</b>				
Home Affairs reforms	298	427	592	<b>1 317</b>
SARS administration and capacity building	150	250	600	<b>1 000</b>
Expanded public works programmes - Public Works	30	50	80	<b>160</b>
<b>Justice, crime prevention and policing</b>				
Policing personnel, forensic and IT equipment	300	450	1 920	<b>2 670</b>
Appointment of judges, magistrates and public defenders	50	100	150	<b>300</b>
Correctional facilities and personnel	50	60	1 843	<b>1 953</b>
<b>International relations and defence</b>				
Defence modernisation and military skills development	100	200	1 100	<b>1 400</b>
Foreign Affairs capacity and African Renaissance Fund	229	264	230	<b>723</b>
Pan African Parliament	145	388	198	<b>731</b>
Other allocations	4 652	5 531	7 326	<b>17 509</b>
<b>Total policy adjustments</b>	<b>23 997</b>	<b>32 730</b>	<b>58 898</b>	<b>115 625</b>

## **Economic services**

### **Investment in economic infrastructure**

Investment in economic infrastructure is essential to secure accelerated economic growth and job creation over the long term. Some of these investments are financed through the budget process and others directly by state-owned entities. Over the medium term, government intends to step up such investment, particularly in telecommunications, electricity, roads and public transport. Government has agreed to provide support for Eskom's financing

*Stepped up funding for roads and public transport*

requirements for its capital investment plans. The larger contingency reserve makes provision for such an allocation.

*Towards integrated rapid transport networks*

In 2007 government approved a strategy to create integrated rapid transport networks. The development of a safe, reliable and accessible public transport system remains a budget priority, with a larger contribution to the public transport infrastructure and systems grant bringing the total allocation over the MTEF to R10 billion. Construction associated with the Gauteng freeway improvement scheme will begin in 2008, and these costs are to be recovered over time through toll revenue.

### **Gauteng freeway improvement scheme**

The Gauteng freeway improvement scheme will cover about 561km of new and existing freeways. Proposed works include lane additions and interchange upgrades, improvements at on and off ramps, and new and widened bridges. Improved incident management to save lives and minimise the effect of accidents on traffic flow is incorporated into project planning.

By 2010, about 185km of freeway upgrading will have been completed on sections of the N1, N3 and N12. The upgrading of the R21 (35km) is subject to its declaration as a national road. By 2010, an additional 65km of freeway will have been upgraded. This includes completion of the proposed PWV 14 between Johannesburg and OR Tambo International Airport.

The estimated cost of the first phase of the project, to be completed by 2012 is R14.3 billion. The South African National Roads Agency (Ltd) has received approval from government to raise funds for this scheme in the capital markets.

The consolidation of commuter and long-distance passenger rail is supported through an additional R2.4 billion, of which R1.3 billion is allocated for the incorporation of Shosholozha Meyl into the South African Rail Commuter Corporation (SARCC). The SARCC also receives an additional R1 billion for the overhaul and upgrading of 1 400 coaches. Construction of the Gautrain will be completed by the end of the MTEF period.

*Road upgrades and maintenance*

Investment in road maintenance will continue to be supported. Expansion of the national road network will be financed mainly through tolls. To upgrade the ageing network, 3 398 km of national roads will be improved and 32 262 km will be maintained. A further R800 million is allocated to the SA National Roads Agency.

In 2006/07, government allocated R600 million to Broadband Infracore for the purchase of Eskom and Transtel's telecommunications network. An additional R727 million is recommended over the next three years for the company to invest in backbone internet infrastructure that will contribute to reducing broadband internet costs.

The Department of Communications receives an extra R300 million to fund information and communications technology infrastructure at stadiums in time for the 2010 FIFA World Cup. Sentech receives an additional R257 million for the digitisation of television broadcasting.

*Investment in electricity generation and expansion of electrification programme*

South Africa's continued economic expansion has strained electricity generation capacity to the limit, highlighting the need to invest more in generation capacity and to intensify energy-conservation programmes. The 2008 Budget sets aside R2 billion from the

contingency reserve to subsidise the cost of investment in energy efficiency and renewable energy sources.

Between April 2004 and March 2007, 557 854 households, 1 861 schools and 57 clinics were connected to the electricity network. Over the next three years connections for another 700 000 households and 5 300 schools are planned. Expenditure associated with the integrated national electrification programme increased from R1 billion in 2004/05 to R2.3 billion in 2007/08, and will rise to R4.4 billion in 2010/11.

*More than half a million households were connected to the electricity network between 2004 and 2007*

### **Rea Vaya bus rapid transit system: Johannesburg**

The first phase of the City of Johannesburg's Rea Vaya bus rapid transit system has begun. It is estimated that 51 000 jobs will be created in the first phase of this project. At completion, the system will include exclusive median bus lanes, closed median stations about 0.5km apart, trunk routes using articulated buses, complementary and feeder routes using smaller buses, and a control centre. Buses will operate at high-peak frequencies of 3-5 minutes.

The first phase, which runs through 2010, covers 126km and 150 stations. Initial construction is under way at Soccer City, on the Soweto Highway and in Edith Cavell Street in the inner city. The selection of buses and engines is under way, with some 1 190 buses required in total for Phase 1. A range of environmentally friendly propulsion systems are being reviewed.

Operating costs will be covered by the fare income. The city has allocated R2.2 billion over the MTEF through the public transport infrastructure and systems fund to cover capital costs of the network. Rea Vaya operators will be compensated on the basis of vehicle kilometres run, rather than the number of passengers carried.

### **Housing and the built environment**

Investments in the built environment are aimed at expanding access to basic household services and providing infrastructure that links communities to economic opportunities. The 2008 Budget adds more than R6 billion to housing and related infrastructure programmes, including the housing grant and the municipal infrastructure grant. Additions to the local government equitable share will enable further expansion of free basic services.

*A further R6 billion for housing and related infrastructure*

A key focus is to support the elimination of informal housing and the development of sustainable settlements. The aim is to reduce spatial disparities and create safe, vibrant neighbourhoods. Additional funding of R2.2 billion is allocated to upgrade informal settlements and shield the housing programme from rising input costs. About 762 000 units will be upgraded over the next three years.

*Upgrading informal settlements a key priority*

The Department of Water Affairs and Forestry has been allocated R200 million in 2010/11 for project support to poor municipalities for the implementation of water and sanitation infrastructure projects.

Since 1994 about 2.3 million houses have been built, and it is estimated that a further 2.4 million homes need to be built to overcome the shortage. Over the medium term, a total of R35.8 billion is allocated for housing needs. To improve intergovernmental coordination, systems have been put in place to ensure closer scrutiny of housing delivery and evaluate progress.

*With 2.3 million houses built, another 2.4 million are needed to eliminate the backlog*

### Enhancing productive capacity

*Additional resources to support industrial policy*

The Department of Trade and Industry released the National Industrial Policy Framework and an action plan in August 2007. The industrial policy document recommends diversifying production, particularly to improve export performance. An amount of R2.3 billion is allocated to support industrial policy initiatives and R300 million for small business support. Government also proposes to allocate R5 billion over three years for tax incentives to support industrial development.

### Agriculture, land reform and restitution

*5 083 outstanding restitution claims to be settled*

Over the three-year spending period, a further R1 billion is allocated to settle the outstanding 5 083 land restitution claims. Alexkor receives an additional allocation of R260 million to establish a viable mining operation that will be jointly owned with the Richtersveld community – giving effect to the community's restitution claim, successfully concluded in 2007.

As the restitution programme nears completion, both human and financial resources are being shifted to accelerate the pace of land redistribution. To date, government has delivered about 4 million hectares of agricultural land to historically disadvantaged beneficiaries. The land reform target is to redistribute 21 million hectares of land by 2014. A further R900 million is allocated for this purpose over the medium term. The total budget for land reform increases from R1.6 billion in 2007/08 to R4.1 billion in 2010/11.

*Support for land reform beneficiaries*

Agricultural extension services, which include post-settlement support to beneficiaries of land reform and restitution, receive an additional R500 million over the MTEF through the provinces. Over the next three years, about 5 000 new extension officers are to be recruited to provide agricultural advice and production assistance to some 450 000 farmers.

The Department of Agriculture's inspection services, which are charged with protecting South Africa's bio-security, food quality and safety status, receive an additional R160 million over the MTEF. This is to ensure that South African agricultural exports retain their accreditation in international markets.

### Science and technology

*Enhancing scientific capacity of higher education institutions*

The 2008 Budget provides support to R&D, statutory science councils, universities and technikons. An additional R300 million is allocated for strengthening the scientific capacity of higher education institutions and for enhancing their status as centres of technological innovation. The number of university research chairs is projected to increase by at least 30 per cent over the next three years, providing mentorship to post-graduate students in various fields, including engineering.

To improve maritime research and contribute to understanding the effects of climate change on the African continent, the Department of Environmental Affairs and Tourism receives R600 million to replace

the ageing polar research vessel, SA Agulhas. The full cost of replacing the ship is estimated at R900 million. The department also receives R45 million to lead policy development and coordination within government on issues related to climate change.

Labour-intensive programmes operating under the Department of Environmental Affairs and Tourism have been particularly successful. These programmes cover tourism facilities, waste management, street marshalling, coastal monitoring and data gathering, and have created 50 335 short-term work opportunities in the past three years. An additional R750 million is allocated to create about 43 500 more job opportunities over the MTEF.

*Further support for expanded public works*

The Pebble Bed Modular Reactor project is set to receive an additional R3.5 billion, constituting the remaining portion of the R6 billion committed by government.

**Table 7.3 Economic services and infrastructure: expenditure by vote, 2004/05 – 2010/11**

R million	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
		Outcome		Revised estimate	Medium-term estimates		
<b>Appropriation by vote</b>							
Agriculture	1 411	1 909	2 224	3 223	2 535	2 628	2 751
<i>Grants to provinces</i>	344	410	401	582	584	680	812
Communications	1 654	1 034	1 320	1 881	1 724	1 707	1 774
Environmental Affairs and Tourism	1 661	1 776	2 060	2 791	3 062	3 447	3 763
Housing	4 808	5 249	7 166	8 081	10 587	12 732	15 279
<i>Grants to provinces</i>	4 589	4 868	6 678	7 650	9 853	11 731	14 223
Land Affairs	2 019	2 875	3 720	5 719	6 659	5 961	6 188
<i>Grants to provinces</i>	6	8	8	–	–	–	–
Minerals and Energy	1 876	2 192	2 608	2 925	3 595	4 318	4 589
<i>Grants to local government</i>	196	297	391	468	596	897	951
Provincial and Local Government	13 138	15 976	24 576	29 960	34 194	41 173	48 603
<i>Local government equitable share</i>	7 678	9 643	18 058	20 676	24 889	30 156	36 196
<i>Grants to local government</i>	4 943	5 947	6 138	8 891	8 857	10 530	11 890
<i>Grants to provinces</i>	220	41	–	–	–	–	–
Public Enterprises	679	2 671	2 590	4 604	3 008	2 266	316
Science and Technology	1 633	2 041	2 613	3 137	3 704	4 197	4 549
Trade and Industry	2 522	3 056	3 805	5 346	5 103	6 057	5 208
Transport	6 680	10 410	13 360	16 324	20 509	22 412	23 730
<i>Grants to local government</i>	–	242	518	974	3 170	2 325	4 465
Water Affairs and Forestry	3 858	3 804	4 306	5 335	6 699	7 970	7 944
<i>Grants to local government</i>	341	165	386	722	861	855	570
<b>Total</b>	<b>41 939</b>	<b>52 993</b>	<b>70 347</b>	<b>89 326</b>	<b>101 377</b>	<b>114 867</b>	<b>124 693</b>

### Long-term mitigation scenarios for climate change

In March 2006, Cabinet mandated the Department of Environmental Affairs and Tourism to examine the potential for mitigating South Africa's greenhouse gas emissions, which contribute to climate change. Technical work on this scenario process was concluded in November 2007. The key finding was that without adaptation and mitigation interventions, South Africa is likely to see a four-fold increase in greenhouse gas emissions by 2050.

Immediate strategic mitigation options are available, including energy efficiency – especially in industry – electricity supply options, carbon capture and storage, transport efficiency and strategies to raise awareness about climate change.

The technical findings will be presented in the first half of 2008. The inter-ministerial committee on climate change will then advise Cabinet on long-term national climate policy, including research required to inform future industrial policy, and to develop mandated positions for the next round of United Nations negotiations on climate change.

## ■ Social services

Most social services programmes are delivered at provincial level and are funded through the equitable share and conditional grants.

### Education, skills and cultural development

*A further R1.5 billion for higher education*

The 2008 Budget emphasises improving human development, investing in community services and accelerating social progress. Investing in education and skills development is expected to support employment and economic growth in the long run. Additional allocations totalling R1.5 billion over the spending period increase the subsidy to higher education institutions, including additional allocations to the National Student Financial Aid Scheme.

The provincial infrastructure grant is increased by R2.7 billion, which is earmarked for school rehabilitation and construction. A further R1.8 billion is allocated for the school nutrition programme. National priorities funded through increases to the provincial equitable share include early childhood education, inclusive education for learners with special needs, school books and the expansion of Grade R.

### Review of the sector education and training authorities

Sector education and training authorities (SETAs) form part of the broader skills development framework and receive their resources from the skills development levy – a dedicated payroll tax. During 2007, government conducted a review of the SETAs, which have been in existence since 2001. Its main findings were as follows:

- The scope of functions undertaken by the SETAs has become too broad and is in need of review.
- SETAs are aiming for the same generic targets, regardless of demography or occupational structure. As a result they end up offering short-term training to achieve their targets at the expense of more in-depth training in their sector skills.
- The alignment between trade and learnership qualifications should be improved.
- There is a need to improve governance and accountability. The Department of Labour must take an explicit stance against underperforming SETAs.
- There is a need to align SETA programmes with the programmes provided through the FET colleges.
- Lack of information hampers the monitoring of SETAs, particularly with regard to investment in training by employers.

The FET college programme is further supported by a bursary scheme for which R600 million was set aside in the 2007 MTEF. More than 12 500 students have been awarded bursaries. Having successfully merged 150 technical colleges into 50 FET colleges with multiple campuses over the past five years, the focus is now on improving the quality of programmes.

*Further funding of FET colleges targets improving course quality*

Funded from the skills development levy, spending by sectoral education and training authorities and the National Skills Fund is projected to rise from R6.8 billion in 2007/08 to R9.1 billion in 2010/11. Government is exploring ways of leveraging skills levy funding to support FET colleges.

The maintenance, upgrading and extension of museums and libraries is supported with an additional R166 million, which includes funding for the Castle of Good Hope, the Robben Island Museum's conservation management plan and equipment for the new National Library campus.

### **Improving health care**

Expenditure on health services continues to grow over the next three years. Priority programmes include hospital revitalisation (33 hospitals currently under construction), the comprehensive HIV and Aids treatment and prevention programme, and prevention and management of multi-drug resistant and extreme drug-resistant TB.

Efforts to control the HIV and Aids epidemic are strengthened. The 2008 Budget commits an additional R2.1 billion over the MTEF to the provincial conditional grant for HIV and Aids to extend the comprehensive treatment programme, which is currently being implemented at 316 sites. Additional funding should allow 500 000 more people access to treatment in addition to the 418 000 already on treatment, as well as increasing the numbers of people tested and expanding a range of prevention programmes. Spending on dedicated HIV and Aids programmes by health, education and social development departments will exceed R6.5 billion annually by 2010/11. Additional allocations of R2 billion for hospital revitalisation are proposed over the MTEF.

*New allocations to HIV and Aids programme will enable a further 500 000 people to receive treatment*

#### **Providing water and sanitation at clinics and schools**

In 2007, an additional R105.4 was made available over the MTEF to the provincial infrastructure service delivery grant of the Departments of Health and Education. The amount was for delivery of water supply and sanitation to schools and clinics. The deadline for completion of all work at clinics is March 2008. In addition, R560 million was set aside in 2008/09 and 2009/10 to provide water and sanitation at various schools.

Progress as of December 2007 is as follows:

- 110 clinics previously not served with sanitation received these services, and 144 of 272 clinics with inadequate sanitation had been upgraded, with outstanding work expected to be complete by end of March 2008.
- 91 clinics that had never received water services now receive water, and 195 of 245 clinics that had inadequate services now receive full services.
- The bucket system was eliminated in all schools by December 2007.
- A further 53 schools have been provided with water supply and five with sanitation.

*Occupation-specific dispensations to support and retain teachers and nurses*

The 2008 Budget includes provision for occupation-specific salary dispensations for teachers, nurses and legally qualified staff. A new dispensation for social workers is also envisaged. These career-pathing systems are aimed at raising productivity and recruiting and retaining skilled staff, particularly in rural areas.

### Social assistance and welfare services

*R6.2 billion added to maintain purchasing power of social grants*

Social assistance grant programmes play a significant role in reducing poverty and vulnerability. Social assistance transfers increase at an average annual rate of 10.5 per cent over the spending period, from R62.5 billion in 2007/08 to R84.3 billion in 2010/11. Included in the amount are additional allocations of R6.2 billion intended to maintain the purchasing power of social grants.

An additional R12 billion is allocated to the social grants programmes to provide for inflation-related increases and to continue the gradual expansion of the grant system. Details are provided in Chapter 6.

*Funds for SASSA to improve delivery of grants*

To improve efficiency in delivery of grants, R225 million has been allocated to the South African Social Security Agency. Additional allocations are also proposed for the Department of Social Development to improve its monitoring and evaluation capacity, and to develop an infrastructure plan and a management information system. The establishment of a dedicated appeals tribunal will be expedited to allow people who have been refused social assistance grants access to independent arbitration.

Welfare services, delivered at a provincial level, receive a significant boost with allocations targeted at child care, and home- and community-based care.

**Table 7.4 Social services: expenditure by vote, 2004/05 – 2010/11**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Outcome			Revised estimate	Medium-term estimates		
R million							
<b>Appropriation by vote</b>							
Arts and Culture	1 114	1 121	1 330	1 581	2 117	2 413	2 289
Education	11 340	12 437	14 250	16 378	18 858	20 194	23 090
<i>Grants to provinces</i>	991	1 248	1 713	2 017	2 546	1 995	2 536
Health	8 455	9 937	11 338	12 745	15 101	16 619	18 915
<i>Grants to provinces</i>	7 444	8 907	10 207	11 507	13 687	15 143	17 349
Labour	1 164	1 296	1 454	2 019	1 733	1 876	1 983
Social Development	47 766	55 068	61 676	67 025	76 008	83 893	90 450
Sport and Recreation SA	283	437	887	5 051	3 496	2 579	1 004
<i>Grants to local government</i>	134	–	600	4 605	2 895	1 888	296
<i>Grants to provinces</i>	9	24	119	194	290	402	426
<b>Total</b>	<b>70 121</b>	<b>80 296</b>	<b>90 934</b>	<b>104 798</b>	<b>117 313</b>	<b>127 573</b>	<b>137 730</b>
<b>Direct charges against the National Revenue Fund</b>							
Labour: Skills development	4 725	4 883	5 328	6 800	7 530	8 245	9 045
<b>Total</b>	<b>74 847</b>	<b>85 179</b>	<b>96 262</b>	<b>111 598</b>	<b>124 842</b>	<b>135 818</b>	<b>146 775</b>

## **Governance and administration**

### **Modernising the state**

The 2008 Budget allocates funds to improve public service performance and delivery. The focus for the medium term will be on improved planning and coordination between national, provincial and local government, institutional transformation and the modernisation of departmental systems, and better front-line service delivery.

*Government intends to improve the state's capacity to deliver services*

Government will extend programmes to develop single points of service where South Africans can access the range of government programmes and pertinent information. These include the development of the Citizen Relations Portal, a web-enabled system for communication about government services.

The Department of Home Affairs is implementing a turnaround strategy that includes establishment and expansion of a customer service centre, a track-and-trace system for identity document applications and more rapid delivery of citizens' documents. The 2007 Budget forward estimate already included R923 million for the turnaround strategy and designing new business processes. Home Affairs receives an increase of R1.5 billion over the medium term to support improvements in existing service delivery processes (R452 million), information technology support (R830 million) and a new passport system (R240 million). Permit processes and systems will be redesigned to eliminate the backlog in applications and improve primary services for visitors and refugees.

*Additional funds support turnaround and systems upgrades at Home Affairs*

The increase in the budget of the Presidency includes R3 million for the government-wide monitoring and evaluation framework, a monitoring tool designed to improve government accountability.

### **Attaining value for money by monitoring performance**

Over the past few years, the National Treasury has implemented a number of budget reforms to enhance the value of public money spent. Particular emphasis has been placed on designing programme structures and developing related measurable objectives. A key reform under way relates to greater use of performance indicators, the aim of which is to increase government's ability to monitor and evaluate spending outcomes and enhance public oversight.

In 2007, the National Treasury issued the *Framework for Managing Programme Performance Information* – a detailed guideline for using performance information to manage towards better results, including advice on the development of performance indicators and tracking systems.

The 2008 *Estimates of National Expenditure* aims to provide better visibility with regard to government's performance and spending. National departments have been requested to submit detailed and meaningful measurable objectives for each major programme, including an explanation of strategic intent, specific interventions and measurements for achieving the objectives. In addition, departments were asked to identify selected quantitative performance indicators for which trend information was available. The new format presents the performance and other operational information over a 7-year period, including projections over the three years of the MTEF.

The National Treasury is also working with five national departments to pilot the use of quantitative performance indicators linked to strategic planning systems for improved results-based management.

*Management institute reconstituted to strengthen civil service training*

The South African Management Development Institute is being reconstituted as an academy to provide training based on international best practice for the public service. The institute is planning to increase its output from 79 133 person training days in 2005/06 to more than 475 000 person training days in 2010/11, while also improving the quality and relevance of training.

**Table 7.5 Central government administration: expenditure by vote, 2004/05 – 2010/11**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
	Outcome			Revised estimate	Medium-term estimates		
<b>R million</b>							
<b>Appropriation by vote</b>							
The Presidency	168	190	236	266	290	303	309
Parliament	499	598	755	835	905	956	1 015
Foreign Affairs	2 393	2 688	2 945	3 890	4 341	5 163	4 940
Home Affairs	2 069	3 172	2 547	3 316	4 505	4 895	5 270
Public Works	2 249	2 354	3 026	3 759	4 141	4 770	5 161
Government Communication and Information System	211	254	293	384	418	477	514
National Treasury	13 535	13 101	16 171	19 310	21 318	24 336	26 898
<i>South African Revenue Service</i>	4 603	4 254	4 875	5 511	6 186	6 838	7 594
<i>Secret Services</i>	2 117	2 330	2 223	2 584	2 764	2 888	3 063
<i>Grants to local government</i>	517	388	410	791	587	1 000	1 365
<i>Grants to provinces</i>	3 348	2 984	4 983	6 414	7 247	8 797	10 080
Public Service and Administration	134	197	429	383	412	351	398
Public Service Commission	77	91	96	107	111	121	132
South African Management Development Institute	34	55	58	131	106	122	131
Statistics South Africa	371	644	1 097	1 130	1 272	1 619	1 992
<b>Total</b>	<b>21 741</b>	<b>23 344</b>	<b>27 653</b>	<b>33 511</b>	<b>37 819</b>	<b>43 112</b>	<b>46 762</b>
<b>Direct charges against the National Revenue Fund</b>							
The Presidency	2	2	2	2	2	3	3
Parliament	204	212	223	240	254	267	283
State debt cost	48 851	50 912	52 192	52 829	51 236	51 125	51 156
Provincial equitable share	120 885	135 292	150 753	172 862	199 377	225 466	246 306
<b>Total</b>	<b>191 683</b>	<b>209 761</b>	<b>230 824</b>	<b>259 444</b>	<b>288 689</b>	<b>319 973</b>	<b>344 510</b>

## ■ Protection, security and international relations

### Justice, crime prevention and policing

*Funding will bring police numbers to 201 000 by March 2011*

The 2008 Budget provides additional allocations of R250 million for the upgrading of equipment in police forensic science laboratories, and R530 million for the appointment of about 8 500 police officials, bringing total projected police numbers to 201 000 by March 2011. An amount of R1.3 billion is allocated for the upgrading and renewal of the information and communication technology network of the South African Police Service, providing the platform for better control of vehicles, dockets and firearms.

In 2010/11, R640 million is allocated for deployment of the 31 000 police officials who will perform security functions during the 2010 FIFA World Cup. Provision is already made for 10 000 police reservists to assist in this regard.

*Tighter security for 2010 FIFA World Cup*

Enhancing court efficiency is a key priority for the Department of Justice and Constitutional Development over the medium term. The assignment of two prosecutors to each court is continuing, and additional allocations totalling R410 million provide for the appointment of about 50 judges, 170 magistrates and 171 public defenders. A further R65 million supports the development of the National Prosecuting Authority's electronic case-flow management system.

*Access to justice and improved court efficiency are funded priorities*

The Department of Correctional Services is expanding capacity to reduce overcrowding and improve rehabilitation, which will ultimately reduce the number of repeat offenders. The department is procuring six new-generation correctional centres to house 18 000 offenders by 2010/11, five of these through public private partnerships. A further R300 million is allocated over the medium term to cover staffing costs at the new prison under construction in Kimberley.

Over the spending period, the Department of Defence will continue upgrading equipment as part of rejuvenating the Defence Force. Additional allocations of R1.4 billion will provide for the acquisition of eight A400M transport aircraft, the repair and maintenance of defence infrastructure, and an increase in the intake of young recruits into the Military Skills Development System. The SANDF plans to recruit 12 590 young people over the next three years.

*SANDF recruitment and equipment programmes are supported*

**Table 7.6 Justice and protection services: expenditure by vote, 2004/05 – 2010/11**

R million	2004/05	2005/06 Outcome	2006/07	2007/08 Revised estimate	2008/09	2009/10	2010/11 Medium-term estimates
<b>Appropriation by vote</b>							
Correctional Services	8 829	9 631	9 251	10 754	11 672	12 652	15 250
Defence	20 201	23 511	23 818	26 149	28 233	29 861	32 200
Independent Complaints Directorate	47	55	65	81	98	115	123
Justice and Constitutional Development	4 670	5 154	6 005	7 112	8 341	9 480	10 070
Safety and Security	25 415	29 361	32 521	36 386	40 453	45 321	49 394
<b>Total</b>	<b>59 162</b>	<b>67 711</b>	<b>71 660</b>	<b>80 483</b>	<b>88 798</b>	<b>97 429</b>	<b>107 037</b>
<b>Direct charges against the National Revenue Fund</b>							
Justice and Constitutional Development: judges and magistrates salaries	829	1 040	1 099	1 267	1 389	1 520	1 655
<b>Total</b>	<b>59 991</b>	<b>68 751</b>	<b>72 760</b>	<b>81 749</b>	<b>90 187</b>	<b>98 949</b>	<b>108 692</b>

### International relations, peace and security

The interests of the African continent are central to South Africa's foreign policy, including support for the African Union and the New Partnership for Africa's Development. Asia's economic rise also has

*The interests of Africa are central to South Africa's foreign policy*

implications for South Africa's foreign policy. Over the next three years, government will work to increase its representation in Africa and Asia, providing tangible support to Africa's regional peace initiatives and post-conflict reconstruction processes, participating in the global system of governance, and strengthening political and economic relations with key partners.

The increase in the budget to the Department of Foreign Affairs totals R1.7 billion over the medium term, including:

- R117 million for the African Renaissance Fund for post-conflict reconstruction, technical assistance and in-house technical review capacity
- R117 million for more missions in Asia and to increase staffing of missions in Africa
- R135 million to manage the refurbishment of foreign properties
- R80 million to host the African Diaspora Conference in 2008/09 and to chair the South African Development Community in 2008 and 2009
- R717 million for the construction of a Pan African Parliament building in Midrand, Johannesburg.

Excluding Southern African Customs Union transfers, donor funding from South Africa to foreign governments and international bodies is estimated to total about R1.6 billion in 2007/08. Funding from South Africa is mainly in the form of multilateral and bilateral support for projects in Africa that contribute to economic growth, development and poverty reduction. This includes contributions to the concessional lending windows of the African Development Bank and World Bank.

The African Renaissance Fund, on the vote of the Department of Foreign Affairs, is the main vehicle through which bilateral support is granted directly from South Africa to other countries. It is allocated about R1.3 billion over the next three years.

## **■ Conclusion**

The budget gives effect to national priorities that are the outcomes of an extensive planning and coordination process at national, provincial and local level. It takes into account political priorities, the need for long-term investment and the capacity of the implementation machinery. Increases to the provincial and local government equitable shares take account of national priorities. However, provinces and municipalities are governments in their own right and produce their own budgets, which reflect national, provincial and local priorities. Chapter 8 provides a detailed discussion of changes to provincial and municipal allocations.