



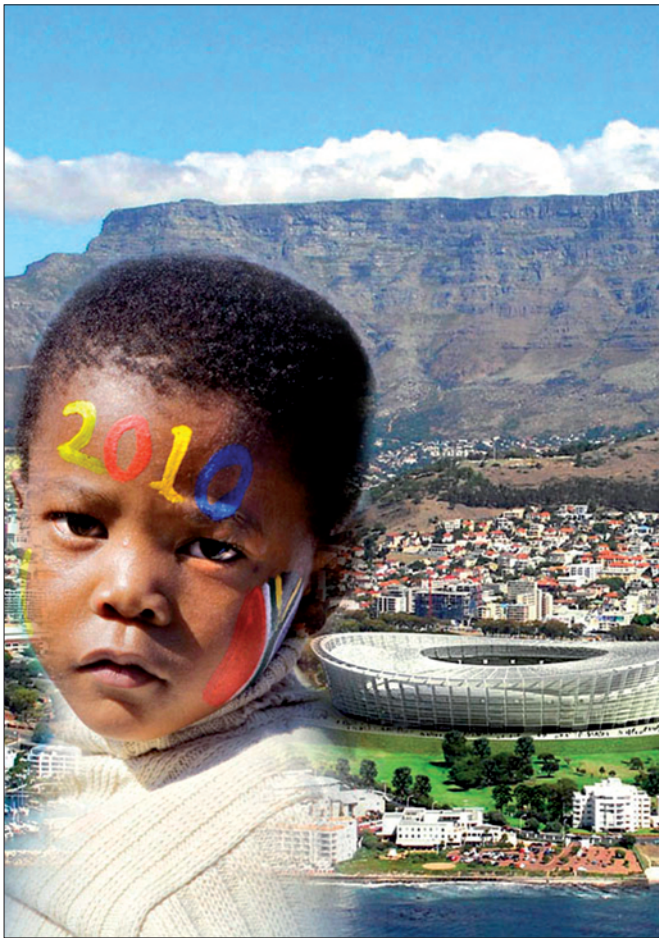
NATIONAL TREASURY

A People's Guide...

# BUDGET 2009

## What is the National Budget?

In February of each year, the Minister of Finance announces government's spending, tax and borrowing plans for the next three years. This is called the national budget. It describes how government will raise money and how it will be spent. The national budget divides money between national departments, provinces and municipalities. **Budget highlights on page 4...**



## Tougher times ahead

The world economy is in a worse position than it has been in several decades. According to a report by the International Labour Organisation, more than 18 million people could lose their jobs this year and this figure could be even higher if the situation gets worse. All countries are affected by this slowdown. Economic information from many countries, including developed countries such as the United States, Britain and France, is concerning. South Africa is not as badly affected, and we want to keep it that way. In fact, we want to do better so that we can continue to provide for the needs of our people. We must also use the period ahead to try and deal with the many challenges facing us.

Like the rest of the world, our economy is going to grow more slowly. We too are experiencing job losses and many people will struggle to cover their monthly household expenses. When the economy grows at a slower rate, governments collect less taxes. This means that government will have to borrow to meet some of its spending commitments.

Government spending will continue to grow on services that help poor communities, and public works programmes which will create more new jobs. Over R780 billion will be spent on large infrastructure projects over the next three years, including building more power stations, roads and railways, upgrading water and sanitation networks and providing more houses. We will also work with business and trade unions to ensure that job losses are kept to a minimum.

Many countries are not able to respond to this situation as we can. South Africa can take these measures to protect our economy and the poor because in previous years we handled our finances with discipline. We saved money when our economy was doing well. As a result, we can increase spending on public services without hurting our economy.

### The main areas in the budget that receive more money are:

- R12 billion more for social grants
- R45 billion more for provinces to improve education, health and roads and to spend more on rural development
- R10.9 billion more for housing, water, sanitation and municipal services
- R5.4 billion more for improving the criminal justice sector
- R6.4 billion more for public transport, national roads and rail infrastructure

Despite government's best efforts, meeting the needs of all South Africans will be tougher over the period ahead. Government officials must remain mindful of the fact that our resources belong to all South Africans. We all have a role to play in making sure money is not wasted by any of our civil servants. We must combine our efforts in working together toward our economic recovery.

## Public works will put more people to work



Government is working to create more jobs for unemployed South Africans. The expanded public works programme began in 2004/05. In its first five years, the programme created over 70 000 full time equivalent jobs a year for unskilled and unemployed people. These

jobs were created by increasing the number of workers used in government's infrastructure projects and in the delivery of public services. Many of these jobs have been short-term or part-time positions and provided some gainful employment and skills transfer. From 2009,

government kicks off a new phase of the expanded public works programme. More than R4.1 billion will be invested in this programme to create even more jobs over the next five years. These jobs will be created in:

- Home-based care and community health services
- Construction, maintenance and environmental protection projects
- New programmes run by non-profit, religious and community-based organisations

Government aims to increase the number of full time equivalent jobs to 400 000 a year by 2014, helping to bring down poverty and unemployment.

## Investing in a bigger, safer public transport system

One of the legacies of apartheid is the poor design of our cities, forcing workers to live far from their places of work. To fix this, government is investing billions of rands in public transport.

These investments are going to build new railway lines, buy new trains, put more buses on the road, subsidise bus and rail transport, and get unsafe taxis off the road. Over the next three years, government will provide R25 billion to the Rail Commuter Corporation to invest in new trains and introduce new routes. Government is also increasing

the budget for rail safety inspectors to reduce accidents and delays. The R25 billion Gautrain project is nearing completion, and the line from OR Tambo International Airport to Sandton should be in operation by early 2010.

Government is providing large cities with R12 billion over the next three years for the construction of rapid bus transit systems. Progress is most advanced in Johannesburg, which is planning to spend R1.2 billion on its *Rea Vaya* bus rapid transit system by June 2009. Cape Town has recently issued

a tender for R600 million for infrastructure related to its planned system.

Existing subsidised bus services also receive more money to provide for increases in costs and higher passenger numbers. To make public transport safer, an extra R350 million is provided to pay taxi owners to scrap unsafe vehicles. Over the next three years, it is expected that about 17 000 taxis will be removed from the roads.

Funding for a rural transport strategy is also provided for in the Budget.

## Government expands social grants to help the poor

Government provides social grants to more than 13 million South Africans.

The state also provides benefits such as free schooling to the poor, free primary health care, and free water and electricity to poor households.

All children up to the age of 15 whose parents earn less than R2 300 a month are eligible for the child support grant. Men above the age of 63 and women older than 60 can access the old age pension if they earn less than a certain amount. The age limit for men to receive the old age

grant will be reduced to 61 in April 2009 and 60 in April 2010.

Social grants increase from 1 April 2009 as follows:

- The old age pension, disability and care dependency grants increase by R50 to R1 010 a month
- The child support grant increases by R10 to R240 a month
- The foster care grant increases by R30 to R680 a month

In 2009/10, spending on grants will increase to R80 billion, which is 12% of total government spending. This makes South Africa one of the world's biggest spenders on social grants.



## Budget Highlights

### The main changes to the budget for the next three years are:

#### On the economy

- GDP growth projected at 1.2 per cent in 2009 before recovering to 4 per cent by 2011
- Consumer price inflation to fall to 5.8 per cent in 2009
- Over R780 billion of public infrastructure spending planned for the next five years
- Consolidated government budget deficit of 3.8 per cent in 2009/10 before recovering to 1.9 per cent by 2011/12
- Real growth in consolidated government spending (excluding interest) of 5.1 per cent

#### Spending highlights

- R24.8 billion to provinces for increasing services mainly in health and education
- R4.1 billion for the second phase of the expanded public works programme
- R4 billion more for the school nutrition programme to feed more children more often
- R2.1 billion more for provincial infrastructure
- R1.9 billion for municipal infrastructure and R1 billion for regional bulk water infrastructure
- R600 million for municipalities to extend free basic services
- R3.7 billion more for increased housing provision
- R932 million for the treatment and prevention of HIV and Aids
- R5.4 billion for the criminal justice sector overhaul including fingerprint and DNA databases
- R12 billion more for social grants and R1.2 billion for grant administration fees
- R6.4 billion for public transport, roads and rail infrastructure
- R700 million for investing in rural development

#### Tax proposals

- Personal income tax relief for individuals amounting to R13.6 billion
- Taxes on petrol and diesel to increase by 40.5 and 41.5 cents per litre respectively
- A packet of 20 cigarettes will cost 88 cents more
- A 750 ml bottle of natural wine will cost 10.5 cents more
- A 340 ml can of beer to cost 7 cents more while a bottle of spirits will cost R3.21 more
- New motor vehicle excise taxes to tax carbon emissions and a new tax on energy intensive light bulbs
- An increase in the plastic bag levy by 1 cent per bag