

# 8

## Medium-term expenditure and division of revenue

### ■ Enhancing growth and service delivery

Government is committed to accelerating the pace of economic expansion and job creation, ensuring that the benefits of growth are shared more equitably and improving the quality of service delivery. The 2012 Budget supports these objectives while encouraging more efficient and effective use of resources over the medium-term expenditure framework (MTEF) period.

*Budget encourages a more efficient and effective use of public resources*

Spending plans focus on developing infrastructure, supporting employment creation and improving local government services. These allocations complement efforts to transform the structure of the economy, broaden participation and reduce inequality. To promote more rapid recovery over the medium term, an economic competitiveness and support package is introduced. This initiative focuses on expanding manufacturing and trade, support for small businesses, investments in network infrastructure and identified special economic zones, and support for innovation and new technology.

South Africa has limited fiscal resources. In the context of an uncertain global outlook, public spending must be carefully managed to ensure maximum developmental impact and sustainable improvements in public services.

*Spending must be managed to ensure improvements in public services*

### Spending trends

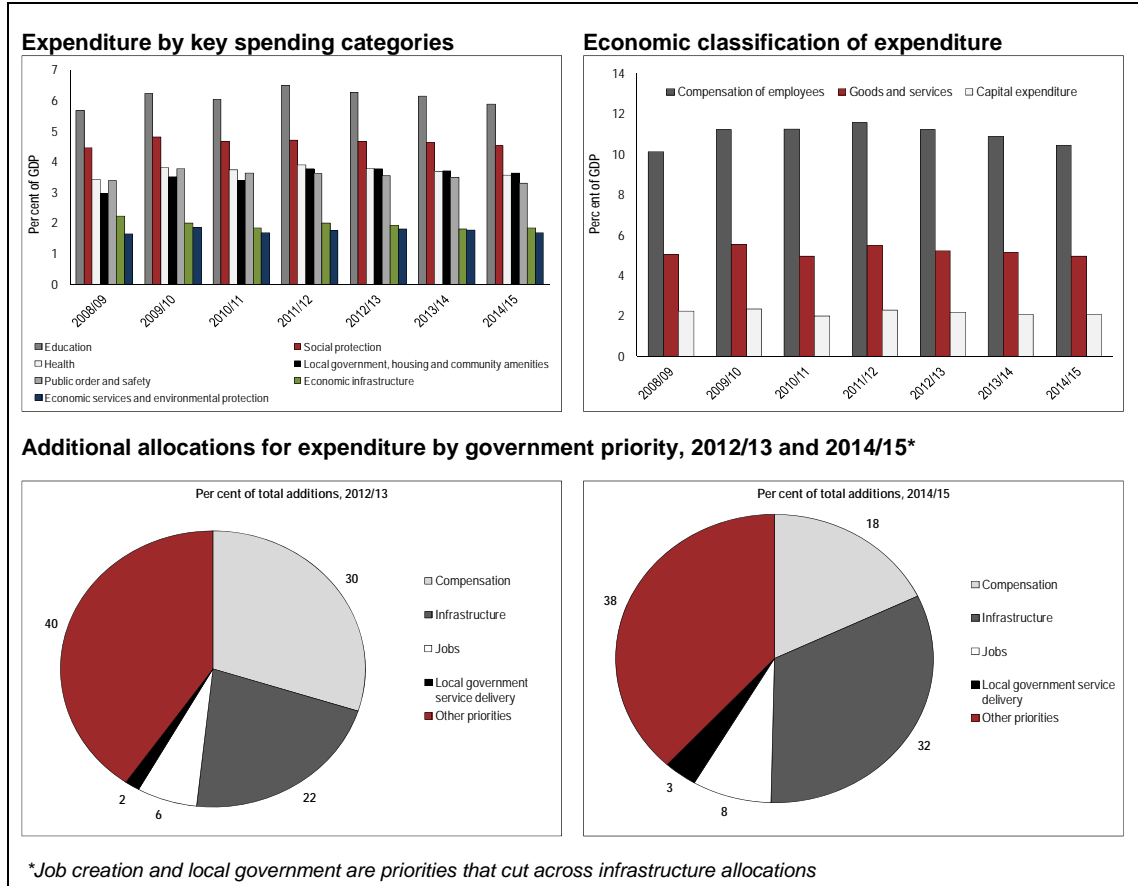
South Africa enjoyed strong economic growth from 2003 to 2008. This enabled government to significantly increase public spending. Since the global downturn began in 2008, economic performance has been weaker and government revenue has lagged behind expenditure growth. Between

2008/09 and 2011/12, government spending as a share of GDP increased from 30.8 per cent to 32.5 per cent.

*Budget balances spending on personnel, goods and services, and capital assets in a manner consistent with developmental objectives*

The 2012 Budget adds R55.9 billion to funds already allocated over the next three years. A balance is sought to ensure that spending on personnel, goods and services, and capital assets is consistent with government’s growth and broad-based development objectives. More moderate growth in the wage bill means that most of the additional resources are allocated to infrastructure, employment-related programmes, local government infrastructure and enhancing economic competitiveness.

**Figure 8.1 Key spending trends, 2008/09 – 2014/15**



Improving the efficiency of government by redirecting spending to priority areas is a central focus of the budget process. Departments and public entities have again cut budgets in selected areas and reprioritised these funds.

### ■ Division of revenue

*Nationally raised funds are apportioned through the division of revenue*

In keeping with the requirements of the Constitution, nationally raised revenue is apportioned between national, provincial and local government in the Division of Revenue Bill. Provinces and municipalities receive equitable shares as a general allocation and conditional grants to achieve specific outputs. Funding is also set aside on national department budgets as allocations in-kind; these are used by national departments to provide

services and infrastructure on behalf of provinces and municipalities. For statutory purposes, in-kind allocations form part of national expenditure.

The Explanatory Memorandum to the Division of Revenue explains the provincial and municipal allocations, and outlines how the division takes into account the recommendations of the Financial and Fiscal Commission. The memorandum is available as Annexure W1 of the *Budget Review* on the National Treasury website ([www.treasury.gov.za](http://www.treasury.gov.za)).

Excluding a contingency reserve of R41.6 billion and provision made for debt-service costs, the MTEF provides for a total of R874.2 billion to be allocated in 2012/13, R941.2 billion in 2013/14 and R1 trillion in 2014/15. The 2012 Budget makes available a total of R83 billion above budget baseline, consisting of R55.9 billion in additional non-interest expenditure allocations, R20.2 billion in savings identified on national departments' budgets, R5.4 billion from provincial conditional grants and R1.4 billion from local government conditional grants.

*In aggregate, R83 billion is made available above baseline over MTEF period*

National government receives R31.2 billion, provinces R19.4 billion and local government R5.3 billion of these allocations. Total non-interest spending, including the contingency reserve, grows by 9 per cent a year over the period ahead, or about 3.4 per cent in real terms.

In 2011/12, provinces in aggregate received 97.1 per cent of their budgets through transfers from national government. In the 2010/11 municipal financial year, transfers from other spheres accounted for 75 per cent of municipal budgets. Own revenues in the metropolitan municipalities account, on average, for 81 per cent of budgets, but in the poorest municipalities own revenues account for less than half of budgets.

*Own revenues account for 81 per cent of metropolitan municipality budgets*

Table 8.1 summarises the division of revenue for the 2012 Budget, taking account of the revenue-raising capacities and spending responsibilities of each sphere of government.

**Table 8.1 Division of nationally raised revenue, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Outcome			Revised estimate	Medium-term estimates		
Debt-service cost	54 394	57 129	66 227	76 645	89 388	100 806	109 039
Non-interest expenditure	581 560	690 068	738 914	814 554	879 977	953 024	1 030 539
<i>Percentage increase</i>	19.0%	18.7%	7.1%	10.2%	8.0%	8.3%	8.1%
<b>Total expenditure</b>	<b>635 953</b>	<b>747 197</b>	<b>805 141</b>	<b>891 199</b>	<b>969 365</b>	<b>1 053 830</b>	<b>1 139 579</b>
<i>Percentage increase</i>	17.5%	17.5%	7.8%	10.7%	8.8%	8.7%	8.1%
Contingency reserve	–	–	–	–	5 780	11 854	24 000
<b>Division of available funds</b>							
<b>National departments</b>	<b>289 236</b>	<b>345 366</b>	<b>355 189</b>	<b>383 747</b>	<b>412 368</b>	<b>446 220</b>	<b>478 828</b>
<b>Provinces</b>	<b>246 836</b>	<b>293 164</b>	<b>322 822</b>	<b>362 626</b>	<b>384 487</b>	<b>411 092</b>	<b>437 004</b>
Equitable share	201 796	236 891	265 139	291 736	309 057	328 921	349 351
Conditional grants	45 040	56 273	57 682	70 891	75 430	82 171	87 653
<b>Local government</b>	<b>45 487</b>	<b>51 537</b>	<b>60 904</b>	<b>68 180</b>	<b>77 342</b>	<b>83 858</b>	<b>90 707</b>
Equitable share <sup>1</sup>	25 560	23 845	30 541	32 876	37 873	40 582	43 639
General fuel levy sharing	–	6 800	7 542	8 573	9 040	9 613	10 190
Conditional grants	19 928	20 892	22 821	26 732	30 429	33 663	36 878
<b>Total</b>	<b>581 560</b>	<b>690 068</b>	<b>738 914</b>	<b>814 554</b>	<b>874 197</b>	<b>941 170</b>	<b>1 006 539</b>
<i>Percentage shares</i>							
National departments	49.7%	50.0%	48.1%	47.1%	47.2%	47.4%	47.6%
Provinces	42.4%	42.5%	43.7%	44.5%	44.0%	43.7%	43.4%
Local government	7.8%	7.5%	8.2%	8.4%	8.8%	8.9%	9.0%

1. With effect from 2006/07, the local government equitable share includes compensation for the termination of Regional Services Council (RSC) and Joint Services Board levies for metros and district municipalities. From 2009/10 the RSC levies replacement grant is only allocated to district municipalities.

### Transfers to provinces

Table 8.2 shows the transfers to provinces for 2012 MTEF. After taking account of savings, R19.4 billion is added to the provincial fiscal framework over the next three years, of which R15 billion is added to the equitable share and R4.4 billion to conditional grants.

**Table 8.2 Total transfers to provinces, 2010/11 – 2014/15**

R million	2010/11	2011/12		2012/13	2013/14	2014/15
	Outcome	Budget	Revised	Medium-term estimates		
Eastern Cape	47 460	53 016	53 815	56 624	60 095	63 347
Free State	20 211	22 497	22 909	24 051	25 410	26 682
Gauteng	58 919	65 094	65 647	70 168	75 618	81 160
KwaZulu-Natal	69 340	76 241	76 921	82 230	88 145	94 286
Limpopo	39 249	43 261	44 044	46 267	48 988	51 645
Mpumalanga	25 288	28 576	29 097	30 495	32 450	34 304
Northern Cape	9 090	10 216	10 681	11 337	11 960	12 605
North West	21 294	23 813	24 257	25 554	27 289	28 938
Western Cape	31 972	34 910	35 255	37 581	40 328	43 178
Unallocated	–	305	–	180	809	858
<b>Total</b>	<b>322 822</b>	<b>357 929</b>	<b>362 626</b>	<b>384 487</b>	<b>411 092</b>	<b>437 004</b>

Additions to the equitable share provide for the carry-through costs of the higher-than-anticipated wage settlement in 2011, the expansion of grade R

in public ordinary schools, the extension of no-fee schools and the standardisation of subsidies paid to early childhood development centres.

Over the MTEF period, an additional R3.5 billion is added to conditional grants in the health sector, including provision for hospital revitalisation, piloting of national health insurance district health services, and the expansion of HIV and Aids prevention and treatment programmes. Conditional grants to provinces by sector are shown in Table 8.3.

The Department of Health is working with the Council for Scientific and Industrial Research and the Development Bank of Southern Africa to strengthen health infrastructure delivery. A detailed audit on the state of health facilities will be concluded in early 2012 and future infrastructure plans will take this data into account.

Funds are reallocated within health conditional grants to create the new *nursing colleges and schools grant*, amounting to R450 million over the three-year spending period to fund the rehabilitation and upgrading of these facilities. The national department will exercise a greater oversight role in the provincial procurement process.

*Funds allocated to rehabilitate and upgrade nursing colleges*

Additions to the *human settlements development grant* of R1 billion over the medium term provide for informal settlements upgrading, increasing the three-year baseline amount for the grant to R50.5 billion.

The *expanded public works programme grants* have been restructured and simplified so that provinces and municipalities are better positioned to create jobs. The in-year calculation of performance and incentive payouts earned under the previous structure of the incentive grants made it difficult for provinces and municipalities to plan for and spend the grant effectively. From 2012/13, provinces and municipalities will be given greater certainty on the size of their allocations and more guidance on how to implement labour-intensive projects. The incentive to create jobs will be preserved by including past performance as a factor in calculating allocations for the grant.

*Expanded public works grants restructured to encourage provinces and municipalities to create jobs*

**Table 8.3 Conditional grants to provinces, 2011/12 – 2014/15**

R million	2011/12 Revised estimate	2012/13	2013/14	2014/15	Total for MTEF
<b>Agriculture, Forestry and Fisheries</b>	<b>1 652</b>	<b>2 066</b>	<b>2 147</b>	<b>2 194</b>	<b>6 407</b>
Comprehensive agricultural support programme <sup>1</sup>	1 189	1 535	1 600	1 665	4 800
Ilima/Letsema projects	405	416	438	461	1 315
Land care programme: Poverty relief and infrastructure development	58	116	109	68	292
<b>Arts and Culture</b>	<b>570</b>	<b>565</b>	<b>598</b>	<b>632</b>	<b>1 794</b>
Community library services	570	565	598	632	1 794
<b>Basic Education</b>	<b>10 737</b>	<b>11 247</b>	<b>11 923</b>	<b>12 321</b>	<b>35 491</b>
Dinaledi schools	70	100	105	111	316
Education infrastructure <sup>1</sup>	5 678	5 822	6 198	6 270	18 290
HIV and Aids (life skills education)	199	209	220	233	661
National school nutrition programme	4 579	4 906	5 179	5 474	15 559
Technical secondary schools recapitalisation	211	209	221	233	664
<b>Cooperative Governance and Traditional Affairs</b>	<b>–</b>	<b>180</b>	<b>190</b>	<b>201</b>	<b>571</b>
Provincial disaster	–	180	190	201	571
<b>Health</b>	<b>23 877</b>	<b>25 692</b>	<b>28 750</b>	<b>31 794</b>	<b>86 235</b>
Comprehensive HIV and Aids	7 398	8 763	10 534	12 211	31 508
Forensic pathology services	590	–	–	–	–
Health infrastructure	1 690	1 621	1 721	1 836	5 179
Health professions training and development	1 977	2 076	2 190	2 322	6 588
Hospital revitalisation	4 172	4 104	4 184	4 556	12 844
National health insurance	–	150	350	500	1 000
National tertiary services	8 049	8 878	9 620	10 168	28 667
Nursing colleges and schools	–	100	150	200	450
<b>Higher Education and Training</b>	<b>4 375</b>	<b>4 757</b>	<b>5 318</b>	<b>5 618</b>	<b>15 693</b>
Further education and training colleges	4 375	4 757	5 318	5 618	15 693
<b>Human Settlements</b>	<b>15 122</b>	<b>15 726</b>	<b>16 984</b>	<b>17 808</b>	<b>50 518</b>
Human settlements development <sup>1</sup>	15 122	15 726	16 984	17 808	50 518
<b>National Treasury</b>	<b>1 090</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Infrastructure grant to provinces	1 090	–	–	–	–
<b>Public Works</b>	<b>2 161</b>	<b>2 429</b>	<b>2 671</b>	<b>2 824</b>	<b>7 924</b>
Devolution of property rate funds	1 803	1 919	2 052	2 168	6 138
Expanded public works programme integrated grant for provinces	157	293	362	383	1 038
Social sector expanded public works programme incentive grant for provinces	200	217	258	273	748
<b>Sport and Recreation South Africa</b>	<b>452</b>	<b>470</b>	<b>498</b>	<b>526</b>	<b>1 493</b>
Mass participation and sport development	452	470	498	526	1 493
<b>Transport</b>	<b>10 856</b>	<b>12 299</b>	<b>13 093</b>	<b>13 736</b>	<b>39 128</b>
Gautrain rapid rail link	5	–	–	–	–
Provincial roads maintenance <sup>1</sup>	6 697	7 982	8 540	8 953	25 475
Public transport operations	4 153	4 317	4 553	4 783	13 652
<b>Total conditional grants</b>	<b>70 891</b>	<b>75 430</b>	<b>82 171</b>	<b>87 653</b>	<b>245 255</b>
<b>Indirect transfers</b>	<b>700</b>	<b>2 315</b>	<b>5 189</b>	<b>5 500</b>	<b>13 004</b>
School infrastructure backlogs	700	2 315	5 189	5 500	13 004

1. Includes funding for disasters

## Transfers to local government

Table 8.4 sets out the proposed transfers to local government over the three-year period. Direct transfers to local government increase by R5.3 billion over the baseline allocations. Of this, R2.2 billion is added to the equitable share and R3.1 billion to conditional grants. Additions to the equitable share provide for increased support for the institutional costs of poor municipalities and for the anticipated increase in the costs of basic services in the second and third years of the MTEF period.

Providing basic services infrastructure to cater for growing populations while eliminating backlogs is a major challenge for larger cities. Over the next three years, R2.9 billion is added to the *urban settlements development grant* to accelerate the upgrading of informal settlements. This increases the total baseline to R27 billion over the medium term. An additional R600 million has been provided to extend the *electricity demand-side management grant* so that more municipalities can retrofit energy-saving technologies in public lighting and buildings. The *regional bulk infrastructure grant*, which provides bulk water to municipalities, increases by R1.8 billion, bringing the three-year baseline to R8.8 billion.

*Additional support to help cities provide basic infrastructure*

## Improving the performance of government

National departments are responsible to support and oversee provinces and municipalities, and need the skills and capacity to steer implementation through legislated norms and standards. They also need to balance the tension between supporting institutions and holding them accountable.

Institutional challenges in provinces and municipalities require long-term remedial action. The challenges are manifest in persistent overspending on personnel, which reduces funds for infrastructure and service delivery. New rules aimed at regulating aspects of infrastructure delivery are under consideration to take effect next year. Organisational designs will soon be introduced to prevent appointments being made without budgets and to ensure that the right skills are obtained through appointments. Stronger internal controls should return provinces to sustainable cash positions.

*Steps being taken to improve financial management in provinces and municipalities*

Although the deterioration in municipal finances is slowing, financial management in many municipalities needs attention. Municipalities need to find the right balance between investing in new infrastructure, clearing backlogs and spending on maintenance to avoid disruption of services. Benchmarks for expenditure on asset management and a change of emphasis in some conditional grants will improve the situation in the period ahead. Recent legislative amendments will help distinguish between managerial and political accountability.

**Table 8.4 National transfers to local government, 2008/09 – 2014/15**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Outcome			Revised estimate	Medium-term estimates		
R million							
<b>Direct transfers</b>							
<b>Equitable share and related</b>	<b>25 560</b>	<b>23 847</b>	<b>30 541</b>	<b>32 876</b>	<b>37 873</b>	<b>40 582</b>	<b>43 639</b>
<b>Fuel levy sharing</b>	–	<b>6 800</b>	<b>7 542</b>	<b>8 573</b>	<b>9 040</b>	<b>9 613</b>	<b>10 190</b>
<b>Infrastructure</b>	<b>18 562</b>	<b>18 759</b>	<b>20 870</b>	<b>24 846</b>	<b>28 029</b>	<b>31 222</b>	<b>34 301</b>
Municipal infrastructure grant	6 986	8 788	9 704	11 444	13 882	14 643	15 764
Urban settlement development grant	3 572	4 418	4 968	6 267	7 392	9 077	10 546
Public transport infrastructure and systems grant	2 920	2 418	3 699	4 803	4 988	5 550	5 871
Integrated national electrification programme grant	589	900	1 033	1 097	1 151	1 315	1 488
Neighbourhood development partnership grant	181	508	832	750	578	598	591
2010 FIFA World Cup stadiums development grant	4 295	1 661	302	–	–	–	–
Rural roads asset management grant	9	13	10	35	37	39	41
Municipal drought relief grant	9	54	320	450	–	–	–
<b>Capacity building and other current transfers</b>	<b>1 366</b>	<b>2 132</b>	<b>1 951</b>	<b>1 886</b>	<b>2 400</b>	<b>2 440</b>	<b>2 577</b>
2010 FIFA World Cup host city operating grant	–	508	210	–	–	–	–
Financial management grant	180	300	365	424	403	425	449
Municipal systems improvements grant	200	200	212	220	230	243	257
Expanded public works programme incentive grant for municipalities	–	100	280	420	599	702	744
Infrastructure skills development grant	–	–	–	–	75	100	106
Water services operating subsidy grant	986	849	664	542	562	421	450
Electricity demand side management grant	–	175	220	280	200	200	200
Municipal disaster grant	–	–	–	–	330	350	371
<b>Sub total direct transfers</b>	<b>45 487</b>	<b>51 537</b>	<b>60 904</b>	<b>68 180</b>	<b>77 342</b>	<b>83 858</b>	<b>90 707</b>
<b>Indirect transfers</b>							
<b>Infrastructure transfers</b>	<b>2 038</b>	<b>2 763</b>	<b>2 682</b>	<b>3 781</b>	<b>4 956</b>	<b>5 348</b>	<b>5 509</b>
Regional bulk infrastructure grant	441	577	851	1 686	2 517	2 922	3 351
Backlogs in the electrification of clinics and schools	90	149	–	–	–	–	–
Backlogs in water and sanitation at clinics and schools	186	350	–	–	–	–	–
Integrated national electrification programme (Eskom) grant	1 241	1 616	1 720	1 738	1 879	1 983	2 099
Neighbourhood development partnership grant	80	70	50	100	80	55	58
Rural households infrastructure grant	–	–	62	258	480	389	–
<b>Capacity-building and other current transfers</b>	<b>380</b>	<b>326</b>	<b>314</b>	<b>247</b>	<b>133</b>	<b>313</b>	<b>328</b>
Financial management grant (DBSA)	50	–	–	–	–	–	–
Electricity demand-side management grant	–	75	109	119	–	–	–
Water services operating subsidy grant	330	251	205	128	133	313	328
<b>Sub total indirect transfers</b>	<b>2 418</b>	<b>3 088</b>	<b>2 996</b>	<b>4 029</b>	<b>5 088</b>	<b>5 661</b>	<b>5 836</b>
<b>Total</b>	<b>47 906</b>	<b>54 626</b>	<b>63 899</b>	<b>72 209</b>	<b>82 430</b>	<b>89 519</b>	<b>96 543</b>



## ■ Expenditure outcome and revised estimate: 2010/11 and 2011/12

Expenditure on national votes (including transfers to provinces and municipalities) amounted to R805.1 billion in 2010/11, out of a total adjusted appropriation of R817.4 billion, or 98.5 per cent of available funds. Provinces spent R330.7 billion against an adjusted budget of R340.1 billion, or 97.2 per cent of their budgets. Municipalities underspent their budgets by a net R16.7 billion (2009/10: R16.8 billion). Overspending on personnel costs is evident in several provincial education and health departments, with underspending apparent in the transport and human settlements votes. The revised estimate of expenditure for 2011/12 shows projected underspending of R8.3 billion on national department allocations and provincial overspending of R4.8 billion, or 1.3 per cent.

*Municipalities underspent their budgets by a net R16.7 billion in 2010/11*

## ■ Consolidated government expenditure

Trends in consolidated government expenditure are set out in Table 8.5.

**Table 8.5 Consolidated government expenditure by function, 2011/12 – 2014/15**

R million	2011/12	2012/13	2013/14	2014/15	Average annual growth	
	Revised estimate	Medium-term estimates			2008/09–2011/12	2011/12–2014/15
<b>General public services</b>	<b>52 068</b>	<b>51 991</b>	<b>55 413</b>	<b>58 631</b>	<b>5.9%</b>	<b>4.0%</b>
<b>Defence</b>	<b>38 367</b>	<b>41 617</b>	<b>44 348</b>	<b>46 992</b>	<b>7.3%</b>	<b>7.0%</b>
<b>Public order and safety</b>	<b>90 544</b>	<b>97 991</b>	<b>104 530</b>	<b>110 575</b>	<b>11.0%</b>	<b>6.9%</b>
Police services	60 886	65 047	69 653	73 675	11.9%	6.6%
Law courts	13 325	15 092	16 000	16 892	10.7%	8.2%
Prisons	16 333	17 852	18 877	20 008	8.0%	7.0%
<b>Economic infrastructure</b>	<b>81 494</b>	<b>83 595</b>	<b>90 224</b>	<b>98 298</b>	<b>3.0%</b>	<b>6.4%</b>
Communication	2 471	2 461	2 581	2 729	-4.4%	3.4%
Fuel and energy	6 659	6 218	6 186	6 808	-19.2%	0.7%
Transport	72 364	74 917	81 457	88 760	6.9%	7.0%
<b>Economic services and environmental protection</b>	<b>53 077</b>	<b>61 393</b>	<b>66 439</b>	<b>70 575</b>	<b>11.4%</b>	<b>10.0%</b>
<b>Local government, housing and community amenities</b>	<b>107 482</b>	<b>120 051</b>	<b>129 576</b>	<b>139 322</b>	<b>16.7%</b>	<b>9.0%</b>
Housing development	27 589	28 792	31 099	32 568	18.9%	5.7%
Local government and community development	51 639	59 134	64 476	68 326	16.6%	9.8%
Water supply	28 253	32 125	34 000	38 429	15.1%	10.8%
<b>Health</b>	<b>113 796</b>	<b>121 906</b>	<b>130 536</b>	<b>139 352</b>	<b>13.9%</b>	<b>7.0%</b>
<b>Recreation and culture</b>	<b>9 043</b>	<b>8 571</b>	<b>9 543</b>	<b>9 940</b>	<b>-6.0%</b>	<b>3.2%</b>
<b>Education</b>	<b>195 483</b>	<b>207 281</b>	<b>223 100</b>	<b>236 067</b>	<b>14.2%</b>	<b>6.5%</b>
<b>Social protection</b>	<b>144 693</b>	<b>157 930</b>	<b>171 394</b>	<b>184 792</b>	<b>11.1%</b>	<b>8.5%</b>
<b>Science and technology</b>	<b>9 856</b>	<b>10 797</b>	<b>11 333</b>	<b>12 116</b>	<b>8.1%</b>	<b>7.1%</b>
<b>Allocated expenditure</b>	<b>895 903</b>	<b>963 123</b>	<b>1 036 435</b>	<b>1 106 660</b>	<b>11.1%</b>	<b>7.3%</b>
Debt-service cost	76 645	89 388	100 806	109 039	12.1%	12.5%
Contingency reserve	–	5 780	11 854	24 000		
Unallocated	–	30	30	–		
<b>Consolidated expenditure<sup>1</sup></b>	<b>972 547</b>	<b>1 058 321</b>	<b>1 149 125</b>	<b>1 239 699</b>	<b>11.1%</b>	<b>8.4%</b>

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

*Consolidated government expenditure is projected to reach R1.2 trillion in 2014/15*

These estimates include spending by provinces, government agencies, public entities and transfers to municipalities, but do not include municipal spending from own revenue. Consolidated government expenditure is projected to increase from R972.5 billion in 2011/12 to R1.2 trillion in 2014/15, largely financed through the national budget. Over the MTEF, non-interest government expenditure grows by an annual average of 8.4 per cent, compared with annual average growth of 11.1 per cent over the previous three years. State debt cost, in contrast, increases by 12.5 per cent over the MTEF period, compared with an annual average increase of 12.1 per cent over the previous three years.

The budget framework includes a contingency reserve of R5.8 billion, R11.9 billion and R24 billion over the next three years, which allows for new priorities or unavoidable commitments to be accommodated within the projected framework. Additional allocations and adjustments to consolidated expenditure plans by spending category over the MTEF period are summarised in Table 8.6.

*Estimates of National Expenditure provides greater detail on national government spending*

The *Estimates of National Expenditure* provides greater detail on national government spending across all departments. The *Explanatory Memorandum to the Division of Revenue* describes in detail the transfers to provincial and local government. The spending plans of provinces are published in the two weeks following the tabling of the national budget, and draft budgets of municipalities are tabled in municipal councils by 31 March (90 days before commencement of the municipal financial year).

## ■ Revised medium-term expenditure plans

### Job creation

*Additional support for a range of public employment initiatives*

Job creation is a central priority of government. An additional R4.8 billion over the 2012 MTEF period is provided for the expanded public works programme, bringing its allocations to a total of R77.8 billion.

- The community work programme receives an additional R3.5 billion, enabling the number of people employed to increase to 332 000 in 2014/15 from 89 689 in March 2011. This initiative guarantees participants 100 days of work on local community priorities.
- The natural resource management programme (Working for Water, Working on Fire) receives an additional R1.1 billion, providing for a total of 135 006 jobs over the medium term from 114 000 jobs in April 2011.
- The non-state sector programme receives an additional R345 million, which will fund about 127 009 cumulative short-term jobs by 2014/15 – up from 48 358 jobs in April 2011.

The National Rural Youth Services Corps receives an additional R200 million over the next three years. This skills development programme for rural youth has enrolled 7 500 participants and plans to enrol an additional 5 000 per year over the next three years.

An additional allocation of R300 million over the MTEF period will support the creation of about 16 000 short-term jobs through the Mzansi Golden Economy strategy in the arts and culture sector.

**Table 8.6 2012 Budget priorities – additional MTEF allocations, 2012/13 – 2014/15**

R million	2012/13	2013/14	2014/15	Total
<b>Job creation</b>				
Community work programme	590	1 089	1 780	<b>3 459</b>
Working for water	150	200	400	<b>750</b>
Working on fire	80	100	200	<b>380</b>
Mzansi Golden Economy	50	100	150	<b>300</b>
National rural youth service corps	200	–	–	<b>200</b>
Other job related items	145	429	524	<b>1 098</b>
<b>Education and related functions</b>				
Equalisation of no-fee schools and expansion of access to Grade R	–	1 116	1 899	<b>3 015</b>
Annual national assessments	–	75	160	<b>235</b>
University infrastructure	150	300	400	<b>850</b>
<b>Health and social protection</b>				
National health insurance pilot project	150	350	500	<b>1 000</b>
HIV and Aids and ARVs	–	–	968	<b>968</b>
Revitalisation of hospital infrastructure	–	132	294	<b>426</b>
Early childhood development	–	650	700	<b>1 350</b>
<b>Economic infrastructure</b>				
Passenger Rail Agency of South Africa (rolling stock)	–	–	4 000	<b>4 000</b>
Sentech: Digital terrestrial television (DTT) infrastructure	–	141	–	<b>141</b>
SABC: Digital library and Playout centre	–	76	62	<b>138</b>
Integrated national electrification programme (municipal) grant	–	100	200	<b>300</b>
Electricity demand-side management grant: Eskom (solar water geysers)	1 000	1 700	2 000	<b>4 700</b>
Electricity demand-side management grant: (municipalities)	200	200	200	<b>600</b>
Repair of flood damaged infrastructure	1 302	1 125	665	<b>3 092</b>
Signalling and depot infrastructure	279	350	400	<b>1 029</b>
<b>Human settlements and community amenities</b>				
Regional bulk infrastructure grant	382	606	896	<b>1 884</b>
Informal settlement upgrading: Local conditional grant	–	950	1 931	<b>2 881</b>
Informal settlement upgrading: Provincial conditional grant	139	526	363	<b>1 028</b>
Social housing	220	200	200	<b>620</b>
<b>Economic support and environmental affairs</b>				
Upgrading of tourism facilities: SANPARKS	–	150	200	<b>350</b>
Special economic zones	500	750	1 000	<b>2 250</b>
Manufacturing competitiveness enhancement programme	1 250	2 000	2 500	<b>5 750</b>
Green fund	300	500	–	<b>800</b>
<b>General public services</b>				
Who Am I project	–	349	425	<b>774</b>
Border post infrastructure upgrading	110	130	160	<b>400</b>
<b>Defence, public order and safety</b>				
Court infrastructure	100	100	100	<b>300</b>
Strategic defence procurement programme	150	200	250	<b>600</b>
<b>Compensation of employees adjustment</b>	5 688	6 249	6 757	<b>18 694</b>
<b>Other priorities</b>	5 862	5 212	7 534	<b>18 608</b>
<b>Total</b>	<b>18 997</b>	<b>26 155</b>	<b>37 818</b>	<b>82 970</b>

## Education

*Education remains the largest category of government spending*

Education remains the largest category of government spending. Improving the quality of education is the key to sustaining long-term growth and reducing inequality. Progress has been made in expanding access, including the phasing in of no-fee schools. Over the medium term, government's primary objectives are to improve the quality of education at all levels and to reduce skills shortages in the labour market.

**Table 8.7 Education expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
	Outcome			Revised estimate	Medium-term estimates			MTEF total
National departments	15 839	17 635	20 014	23 173	26 912	31 571	33 579	92 062
Provinces	107 198	125 878	137 967	156 973	163 855	173 935	183 773	521 562
Public entities	8 121	9 218	9 213	15 338	16 515	17 595	18 714	52 824
<b>Total</b>	<b>131 158</b>	<b>152 731</b>	<b>167 193</b>	<b>195 483</b>	<b>207 281</b>	<b>223 100</b>	<b>236 067</b>	<b>666 448</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	84 855	100 125	111 037	124 172	128 640	135 317	142 674	406 631
<i>Goods and services</i>	12 116	13 628	13 673	16 975	18 286	20 154	21 442	59 882
<i>Capital expenditure</i>	5 164	5 901	5 811	7 975	10 282	13 395	13 872	37 549

Spending on education increased by an annual average of 12.9 per cent from 2008/09 to 2011/12, and will grow from R207.3 billion in 2012/13 to R236.1 billion in 2014/15, at an average annual growth rate of 6.7 per cent. Provincial education spending is expected to grow by 5.9 per cent over the next three years from R163.9 billion in 2012/13 to R183.8 billion in 2014/15. Additional allocations of R18.8 billion over the medium term are accommodated, mainly for baseline adjustments in provincial education departments and for other key objectives.

*Funding to equalise per learner subsidies paid to the poorest 60 per cent of schools*

Over the medium term, funding is added to the provincial equitable share to equalise per learner subsidies paid to the poorest 60 per cent of schools and to increase access to grade R. Learner performance in literacy and numeracy remains a challenge, as shown by national assessments of all grade 3 and 6 learners conducted in 2011. The assessments identify problem areas in each school and allow for tailored interventions to be developed. An amount of R235 million is added to the baseline of the national department over the three-year spending period to extend assessments to grade 9 and to strengthen the assessments in grades 1 to 6. Learner and teacher workbooks in literacy and numeracy will be provided to all grade 1 to 9 learners from 2012.

*Support for poor students to attend universities and colleges*

Over the three-year period, R17.1 billion is allocated to the National Student Financial Aid Scheme to provide poor students with loans and bursaries. An additional R850 million is allocated to improve university infrastructure, including student accommodation facilities.

## Health and social protection

Medium-term priorities in health include infrastructure, the comprehensive HIV and Aids treatment and prevention programme, and hospital

revitalisation. Progress in these areas will strengthen the public health system, paving the way for the introduction of national health insurance.

The health sector is allocated an additional R12.3 billion over the next three years. Of this, R1 billion is allocated for national health insurance pilot projects and increasing primary health care visits. The health insurance project will include establishing 10 pilot district sites and developing an improved district health authority model. Functioning models of a reengineered primary health care system will be established.

*R1 billion for national health insurance pilot projects and increased primary care*

To improve health infrastructure, R450 million has been provided to upgrade about 30 nursing colleges. A further R426 million is allocated to the initial stages of a large-scale revitalisation project to be conducted through public-private partnerships. The hospitals are Chris Hani, King Edward, George Mukhari, Limpopo Academic and Nelson Mandela Academic.

**Table 8.8 Health and social protection expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012 MTEF total
	Outcome			Revised estimate	Medium-term estimates			
National departments	73 001	87 055	92 804	103 414	111 391	119 970	129 061	360 422
Provinces	80 871	94 781	105 007	119 705	128 745	138 312	147 672	414 729
Public entities	28 620	31 533	33 692	35 370	39 700	43 648	47 411	130 759
<b>Total</b>	<b>182 493</b>	<b>213 369</b>	<b>231 503</b>	<b>258 489</b>	<b>279 837</b>	<b>301 930</b>	<b>324 144</b>	<b>905 911</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	<i>49 754</i>	<i>52 020</i>	<i>60 942</i>	<i>69 009</i>	<i>75 141</i>	<i>80 162</i>	<i>85 457</i>	<i>240 759</i>
<i>Goods and services</i>	<i>29 754</i>	<i>34 119</i>	<i>35 176</i>	<i>39 381</i>	<i>41 609</i>	<i>45 218</i>	<i>48 615</i>	<i>135 442</i>
<i>Capital expenditure</i>	<i>7 418</i>	<i>8 027</i>	<i>7 817</i>	<i>10 274</i>	<i>10 109</i>	<i>10 312</i>	<i>10 739</i>	<i>31 160</i>

To accommodate provision of antiretroviral treatment at the CD4 threshold of 350, an additional R968 million is made available over the medium term, bringing the number of antiretroviral recipients from 1.5 million in 2011 to about 3 million by 2014/15. This will be funded through provincial conditional grants.

An additional R1.4 billion is allocated over the medium term to support early childhood development programmes, and the implementation of an in-house and community-based childcare and protection programme (Isibindi). This will increase access to early childhood development from the current 500 000 to 580 000 children, and will cater for the increase in subsidy from R12 to R15 per child per day over the MTEF period. The Isibindi model will serve 858 000 children and adolescents, with a focus on rural communities, orphans and child-headed households. About 10 000 youth workers will be employed in this programme.

*Early childhood development programmes to be expanded*

Allocations for social assistance will grow from R111.2 billion in 2012/13 to R129 billion in 2014/15, at an average annual growth rate of 7.9 per cent. The increase will cater for the expected increase in the social grant beneficiaries from 15.6 million in 2012/13 to 16.8 million in 2014/15. A new payment model for social grants is being implemented to improve grant administration.

*A new payment model will improve social grant administration*

## Economic infrastructure

*Devolution of provincial bus services to large municipalities is a step towards integrated public transport*

With an additional R14 billion allocated over the medium term, the budget for economic infrastructure increases from R83.6 billion in 2012/13 to R98.3 billion in 2014/15, rising by an annual average of 8.4 per cent. Provincial transport expenditure increased marginally between 2008/09 and 2011/12, from R12.3 billion to R13.7 billion. Public transport expenditure in provinces provides for the operational subsidisation of bus services. These services will largely be devolved to metropolitan municipalities, allowing for the development of integrated public transport networks that are aligned with rail and bus rapid transit systems.

**Table 8.9 Economic infrastructure expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
	Outcome			Revised estimate	Medium-term estimates			MTEF total
National departments	23 016	40 758	32 508	14 915	15 767	16 159	17 479	49 406
Provinces	29 445	29 303	28 194	30 822	30 329	32 074	34 388	96 791
Public entities	22 222	32 333	29 342	35 757	37 499	41 991	46 430	125 920
<b>Total</b>	<b>74 683</b>	<b>102 394</b>	<b>90 044</b>	<b>81 494</b>	<b>83 595</b>	<b>90 224</b>	<b>98 298</b>	<b>272 117</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	7 193	8 425	9 355	10 664	11 642	12 490	13 256	37 388
<i>Goods and services</i>	13 773	16 547	18 009	21 431	22 334	23 809	25 155	71 298
<i>Capital expenditure</i>	18 458	24 634	20 658	25 301	23 716	25 934	30 107	79 756

Rail commuter transport services are severely constrained by the age and poor condition of much of the rolling stock. A Cabinet-approved programme to replace the current fleet will be phased in over 20 years.

In 2014/15, an additional R4 billion is allocated to the Passenger Rail Agency of South Africa to begin purchasing 233 coaches. The agency also receives R1 billion to build three depots and upgrade signalling in Gauteng, KwaZulu-Natal and the Western Cape.

*Steps to roll out digital terrestrial television and transition from analogue programming*

Over the medium term the Department of Communications plans to roll out digital terrestrial television. Sentech will receive R141 million to purchase 30 television and 30 radio transmitters. A total of R643 million is provided over the period for the dual illumination of analogue and digital television, and for digital broadcasting infrastructure. To ensure analogue programming content is available in digital format, a playout centre will be established and technology provided for a digital library for the South African Broadcasting Corporation, for which it receives R138 million as part of a total allocation of R478.6 million.

*Initiatives to address the impact of limited electricity supply*

In energy, the focus is on demand-side management to address the impact of limited supply until new generation capacity comes online. Over the medium term, Eskom receives R4.7 billion to complete installation of 1 million solar water geysers. An additional R600 million is allocated to municipalities to install low-energy lighting, water treatment pumps and traffic signals. To support electrification of informal settlements, an additional R300 million is allocated to the integrated national electrification programme, which has previously focused on formal household connections.

### Financing the Gauteng freeway improvement project

The Gauteng freeway improvement project began in 2007. It involves widening, upgrading, surfacing, and building or rebuilding 185km of the road network, and the provision of associated infrastructure. Debt-financed investments for these upgrades totalled R20 billion.

Tolling enables the South African National Roads Agency (SANRAL) to construct and maintain a strategic national highway network to standards that cannot be afforded across the entire road system. Road users benefit through lower vehicle operating costs, improved road safety and time savings. Tolls also contribute, over time, to reducing congestion on major routes. Taxis and other public transport operators will be exempt from tolls on the Gauteng freeway network.

However, the impact of introducing toll fees in a metropolitan environment has raised affordability concerns. To allow for lower tariffs on the Gauteng freeway network and steeper discounts for regular road-users, a special appropriation of R5.75 billion is proposed in the 2011/12 financial year.

To ensure sustainability, attention will be given to alternative routes that can support mobility, with more focus on maintenance of the entire network. Continued investment in rapid public transport networks in metropolitan areas aims to attract more users to scheduled, safe and affordable services.

### Human settlements and community amenities

Investment in municipal infrastructure provides for the extension of basic services and is a key component in government's developmental strategy. Spending under this function increased by 12.1 per cent a year from 2008/09 to 2011/12, and will grow from R120.1 billion in 2012/13 to R139.3 billion in 2014/15, at an average annual growth rate of 9 per cent. National spending is expected to grow by 8.5 per cent over the next three years, from R73.7 billion in 2012/13 to R86.7 billion in 2014/15. Additional allocations of R9.9 billion over the medium term are accommodated, mainly for service delivery expansion.

*Allocations to support extension of basic services*

**Table 8.10 Local government, housing and community amenities expenditure, 2008/09 – 2014/15**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012 MTEF total
R million	Outcome			Revised	Medium-term estimates			
National departments	39 328	47 897	56 153	63 878	73 689	81 477	86 667	241 833
Provinces	13 952	16 154	18 840	22 439	22 012	22 571	23 340	67 923
Public entities	14 294	15 677	16 276	21 165	24 349	25 528	29 316	79 194
<b>Total</b>	<b>67 574</b>	<b>79 728</b>	<b>91 268</b>	<b>107 482</b>	<b>120 051</b>	<b>129 576</b>	<b>139 322</b>	<b>388 949</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	5 690	6 844	7 687	8 744	9 655	10 342	11 053	31 049
<i>Goods and services</i>	7 409	8 397	7 384	8 662	11 485	13 242	14 280	39 006
<i>Capital expenditure</i>	4 556	5 784	5 813	10 430	11 684	11 031	12 782	35 497

A key focus is to develop sustainable settlements. Additional funding of R1 billion is allocated to the *human settlements development grant* to support informal settlement upgrading in provinces. About 58 per cent of households in informal settlements are in the eight metropolitan municipalities, and R950 million in 2013/14 and R1.9 billion in 2014/15 has been added to the *urban settlements development grant* for informal settlement upgrading.

*R1 billion to support informal settlement upgrading in provinces*

The Department of Water Affairs is allocated R400 million to build a wastewater treatment plant in Sedibeng district municipality; R889 million to construct regional bulk water distribution systems in Sekhukhune district municipality to connect with De Hoop dam; and R595 million for water and wastewater systems in the OR Tambo District municipality.



*Social housing projects to benefit households earning between R1 500 and R7 500 a month*

Funding in local government, housing and community amenities has been reprioritised to reflect revised implementation schedules and to support a more focused approach to delivery. Over the MTEF period, R680 million is shifted from the *neighbourhood development partnership grant* to subsidise investment in social housing projects targeted at households with earnings between R1 500 and R7 500 a month. Funds from the underperforming *rural household infrastructure grant* have been shifted to the *regional bulk infrastructure grant*; from 2014/15 this grant is incorporated into the *municipal infrastructure grant* to allow for improved planning, delivery and maintenance of sanitation services.

Substantial increases to the finance-linked individual subsidy programme will be introduced in the 2012 budget. This subsidy aims to improve households' ability to access home loans by providing a deposit. The subsidy value that households earning between R3 500 and R15 000 per month can access has increased from R54 000 to R83 000 on a maximum property value of R300 000. These changes will improve participation of low- and middle-income working families in housing programmes, and keep the subsidy level aligned with residential property market price trends.

### **Economic services and environmental protection**

Over the medium term, spending on economic services and environmental protection increases by an annual average of 7.2 per cent, reaching R70.6 billion in 2014/15. An additional allocation of R15.8 billion is provided over the period.

**Table 8.11 Economic services and environmental protection expenditure, 2008/09 – 2014/15**

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
<b>R million</b>	<b>Outcome</b>			<b>Revised estimate</b>	<b>Medium-term estimates</b>			<b>MTEF total</b>
National departments	16 789	17 021	19 691	23 536	27 965	31 189	33 516	92 670
Provinces	13 527	15 484	15 711	16 744	18 211	19 364	20 369	57 944
Public entities	8 072	9 511	11 024	12 797	15 217	15 886	16 690	47 793
<b>Total</b>	<b>38 388</b>	<b>42 016</b>	<b>46 425</b>	<b>53 077</b>	<b>61 393</b>	<b>66 439</b>	<b>70 575</b>	<b>198 406</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	10 034	12 567	13 104	15 244	17 050	18 264	19 355	54 669
<i>Goods and services</i>	10 968	13 528	15 331	17 901	21 625	22 735	24 753	69 113
<i>Capital expenditure</i>	2 429	2 009	2 438	2 871	2 501	2 244	1 944	6 689

### *Economic support and environmental protection*

*Additional R350 million to help SANParks upgrade visitor capacity*

Protecting South Africa's ecological heritage benefits the environment and can yield economic benefits through tourism. An additional R350 million is allocated over the medium term for South African National Parks to acquire and upgrade tourism infrastructure, increasing capacity from 4.5 million visitors in 2011/12 to a target of 4.7 million by 2014/15. Funds have also been allocated to provide equipment for institutions supporting environmental management.



### Climate change and the environment

Improving environmental management and addressing climate change are key policy objectives. Government is making progress on a number of fronts.

- South Africa hosted the 17<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change in Durban at the end of 2011. The conference succeeded in extending the Kyoto Protocol until 2017 and approved the Durban Platform, which provides a roadmap towards an accord that will apply to all emitters of greenhouse gases. The meeting also launched a global fund to help developing countries mitigate climate change.
- Cabinet endorsed a strategy and action plan for sustainable development in November 2011. The plan includes over 100 interventions to promote five priorities: sustaining ecosystems and using natural resources efficiently, building sustainable communities, promoting a green economy, responding effectively to climate change, and enhancing systems for planning and implementation. Interventions cut across multiple government functions and funding instruments.
- Government will initiate a national green fund in April 2012, with capitalisation of R800 million over two years to support green-economy activities.

The Department of Trade and Industry will receive an additional R150 million for equipment and facilities for the National Metrology Institute of South Africa.

An economic competitiveness support package to promote more rapid recovery and job creation is introduced in the 2012 MTEF; the six-year programme receives R9.5 billion over the medium term.

### Economic competitiveness and support package

Department	Programme	Objective
Trade and Industry	Manufacturing competitiveness enhancement programme: R5.8 billion	Provide strengthened financial support to manufacturers to enhance competitiveness.
	Special economic zones: R2.3 billion	To finance special economic zones.
Agriculture, Forestry and Fisheries	Provincial and rural agricultural colleges: R150 million	For research, facilities improvement, equipment acquisition and increasing student intake.
	Agricultural Research Council: R400 million	Research and production of animal vaccines; support to smallholder farmers.
Mineral Resources	Council for Geoscience: R200 million	Upgrade laboratory equipment and facilities.
	Council for Mineral Technology: R150 million	For mineral projects: semi-precious gemstones, rare earth pilot plant, metal atomising plant, mining discharge and exposed rocks facilities.
Science and Technology	Technology localisation: R60 million	Support local and technology-intensive manufacturers.
	Internship programme: R110 million	Placement of postgraduate students at small companies.
	Research: R180 million	Commercialise new technology in satellite development, titanium, nanotechnology, renewable energy and waste.

### Agriculture and rural development

Government aims to improve the effectiveness of land usage and agricultural productivity. Over the medium term, the Department of Agriculture, Forestry and Fisheries receives a total allocation of R18.1 billion, of which R1.9 billion is an additional allocation.

*Further support for agricultural productivity and emerging farmers*

The Land Bank receives R1 billion over the medium term. This amount represents the remaining recapitalisation amount owed to the bank to support its developmental mandate. An additional R995 million has been made available to the Department of Agriculture, Forestry and Fisheries for the *comprehensive agricultural support programme*. Under the economic competitiveness and support package, R150 million is made available for provincial and municipal agricultural colleges. The Department of Rural Development and Land Reform has prioritised the settlement of 4 000 restitution claims over the MTEF period.

### Science and technology

*Support for research and innovation*

The medium-term priorities in science and technology include space science, bioeconomy and energy research, and stimulating scientific and technological innovation. Spending in these areas is intended to enhance public-sector infrastructure and job creation initiatives, and to promote more rapid economic growth. The Department of Science and Technology and its portfolio of science councils receive R34.2 billion over the 2012 MTEF.

**Table 8.12 Science and technology expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
	Outcome			Revised estimate	Medium-term estimates			MTEF total
National departments	2 253	2 680	1 960	1 815	2 324	2 829	3 109	8 263
Public entities	5 541	6 007	7 044	8 041	8 473	8 503	9 006	25 983
<b>Total</b>	<b>7 794</b>	<b>8 686</b>	<b>9 003</b>	<b>9 856</b>	<b>10 797</b>	<b>11 333</b>	<b>12 116</b>	<b>34 246</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	2 427	2 674	3 021	3 369	3 524	3 730	4 006	11 260
<i>Goods and services</i>	2 212	2 417	2 615	2 951	3 052	3 157	3 269	9 479
<i>Capital expenditure</i>	373	371	379	459	689	560	701	1 950

Over the next three years, total expenditure increases to R12.1 billion in 2014/15, at an average annual rate of 8 per cent. Of this, R1 billion goes to the economic competitiveness and support package, as follows:

- R400 million to the Agricultural Research Council for research into vaccines, crop production and extension services to smallholder farms.
- R350 million for technology localisation and research
- R200 million to the Council for Geoscience for minerals and energy research
- R150 million to Mintek for upgrading laboratories and mining research.

## General public services

With an additional R5.4 billion allocated over the medium term, the budget for general public services increases from R141.4 billion in 2012/13 to R167.7 billion in 2014/15, rising by an annual average of 8.4 per cent. Provincial spending is expected to grow by 4.3 per cent over the next three years, from R16.2 billion in 2012/13 to R18.7 billion in 2014/15.

In the two outer years, the Department of Home Affairs receives an additional R774 million for an integrated information technology system that will help the department to process transactions for issuing documents, certificates, permits and passports. Additional amounts will improve the turnaround time for identity documents and passports. The department will receive an additional R400 million to upgrade border post infrastructure and provide employee housing.

*Integrated IT system will help Home Affairs process IDs, passports and other documents*

**Table 8.13 General public services expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
	Outcome			Revised estimate	Medium-term estimates			MTEF total
National departments	68 205	72 650	76 992	88 947	100 315	110 619	119 269	330 203
Provinces	12 767	13 541	14 491	15 605	16 153	18 226	18 691	53 069
Public entities	17 239	18 746	20 422	24 161	24 911	27 374	29 711	81 995
<b>Total</b>	<b>98 211</b>	<b>104 937</b>	<b>111 905</b>	<b>128 713</b>	<b>141 379</b>	<b>156 219</b>	<b>167 671</b>	<b>465 268</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	16 540	19 259	21 152	23 839	25 938	27 984	29 961	83 882
<i>Goods and services</i>	15 034	14 939	14 132	17 371	15 168	16 567	17 384	49 119
<i>Capital expenditure</i>	5 172	3 978	4 235	4 857	5 234	5 047	5 083	15 364

Funding allocated to the Department of Performance Monitoring and Evaluation amounts to R21 million in 2012/13, R20 million in 2013/14 and R21 million in 2014/15 to adjust the baseline of the presidential hotline, which addresses citizens' complaints and concerns.

The Richtersveld Community filed a land claim for a parcel of land in Alexander Bay against Alexkor and the state under the Restitution of Land Rights Act (1994). The deed of settlement was signed on 22 April 2007. An amount of R350 million is earmarked for transfer to Alexkor Limited for the settlement of any outstanding and unfunded obligations, and a tax obligation of R69.9 million.

*Finalisation of Alexkor claim*

## Defence, public order and safety

Government is committed to intensifying the fight against crime. While progress has been made in this area, much more needs to be done to reduce violent crime, root out corruption and increase access to justice.

Spending on defence, public order and safety (excluding provincial departments of community safety) has increased by 9.7 per cent a year from 2008/09 to 2011/12, and will grow from R139.6 billion in 2012/13 to R157.6 billion in 2014/15, at an average annual growth rate of 6.3 per cent. The sector receives additional funding of R7.6 billion over the MTEF period to cater mainly for improved conditions of service, additional personnel and infrastructure.

*Spending caters for improved conditions of service in defence, public order and safety*

**Table 8.14 Defence, public order and safety expenditure, 2008/09 – 2014/15**

R million	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2012
	Outcome			Revised estimate	Medium-term estimates			MTEF total
National departments	92 590	104 970	111 939	123 735	134 154	143 054	151 503	428 712
Provinces	1 411	1 522	1 628	1 716	1 918	2 032	2 147	6 097
Public entities	3 313	3 125	3 489	3 459	3 535	3 792	3 917	11 245
<b>Total</b>	<b>97 315</b>	<b>109 617</b>	<b>117 055</b>	<b>128 911</b>	<b>139 608</b>	<b>148 878</b>	<b>157 567</b>	<b>446 053</b>
<i>Of which:</i>								
<i>Compensation of employees</i>	55 299	63 963	74 236	80 945	87 422	93 283	98 580	279 285
<i>Goods and services</i>	24 542	26 913	28 933	32 728	35 373	37 450	39 500	112 324
<i>Capital expenditure</i>	5 679	6 054	6 446	5 768	6 443	6 686	6 960	20 090

The Independent Police Investigative Directorate Act, which comes into effect in April 2012, establishes a new entity in place of the Independent Complaints Directorate. An amount of R127 million is allocated to recruit 212 additional personnel, and to procure machinery and equipment. The number of cases finalised by the directorate is expected to increase from 5 750 in 2011/12 to 6 750 in 2014/15.

Additional funding of R300 million is allocated over the medium term to supplement the capital works budget for court infrastructure, particularly in previously disadvantaged areas. Two new high courts will be built in Polokwane and Nelspruit, scheduled for completion in 2012/13 and 2014/15, respectively. The additional allocation will increase the total infrastructure budget for the Department of Justice and Constitutional Development from R1 billion in 2011/12 to R1.1 billion in 2014/15.

*Additional allocation for the Public Protector to intensify the fight against corruption and promote good governance*

The Office of the Public Protector is allocated an additional R60 million over the three-year period to intensify the fight against corruption and promote good governance. This will enable the number of investigators to increase from 98 in 2011/12 to 155 in 2014/15. The number of complaints investigated and finalised is expected to increase from 16 416 in 2011/12 to 21 888 in 2014/15.

To boost border control, an additional R749 million is allocated over the medium term to deploy members of the South African National Defence Force along the borders. Expenditure on this initiative increases from R400 million in 2011/12 to R617 million in 2014/15. The number of deployed personnel increases by 1 142, bringing the total to 3 300.

An amount of R700 million is to be allocated to Denel in 2012/13 to recapitalise Denel Aerostructures.

## Conclusion

*The 2012 Budget is about creating more jobs, investing in infrastructure and improving delivery*

The division of resources between national, provincial and local government reflects their distinct and complementary roles in accelerating growth and development. South Africa's priorities have to be achieved within a sustainable and responsible fiscal trajectory. A key determinant of progress in managing public-sector expenditure is government's ability to achieve an efficient mix between personnel, capital, and goods and services spending – and for national departments, provinces and municipalities to make better use of public funds.