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Consolidated spending plans

In brief

- Total consolidated spending will amount to R1.95 trillion in 2020/21, R2.04 trillion in 2021/22 and R2.14 trillion in 2022/23.
- Relative to the 2019 Budget, main budget non-interest expenditure will be reduced by R156.1 billion over the medium-term expenditure framework (MTEF) period. As a result, it will grow from R1.54 trillion in 2020/21 to R1.65 trillion in 2022/23.
- Funding for new and urgent priorities is provided through reprioritising existing baselines.
- To reduce growth in the public-service wage bill, the 2020 Budget proposes reductions to compensation spending totalling R160.2 billion over the MTEF period.
- In addition, baseline reductions of R28.2 billion in 2020/21, R33.2 billion in 2021/22 and R39.3 billion in 2022/23, mainly on non-compensation spending, have been implemented. These were partially offset by reallocations to baselines and additional allocations to state-owned companies.

Overview

This chapter outlines government's consolidated spending plans over the next three years. It shows changes to medium-term allocations since the 2019 Budget, and spending priorities for each function. Government spending remains highly redistributive, with 55.4 per cent of the budget allocated to learning and culture, health and social development.

Total consolidated government spending is expected to be R6.14 trillion over the medium term. Main budget non-interest expenditure will grow from R1.54 trillion in 2020/21 to R1.65 trillion in 2022/23. Relative to the 2019 Budget, main budget non-interest spending is reduced by R156.1 billion over the medium term. This is largely due to proposed measures, amounting to R160.2 billion, to reduce growth in the public-service wage bill. As discussed in Chapter 6, the way in which compensation reductions affect individual department baselines will only be finalised in 2020/21.

Consolidated government spending amounts to R6.14 trillion over the MTEF period

Baselines reduced by
R66 billion in 2020/21,
R88.1 billion in 2021/22 and
R106.8 billion in 2022/23

As noted in the 2019 *Medium Term Budget Policy Statement* (MTBPS), weak economic performance, revenue outcomes and balance sheets of several state-owned companies have necessitated reductions in government spending over the MTEF period. The 2020 Budget includes baseline reductions of R66 billion in 2020/21, R88.1 billion in 2021/22 and R106.8 billion in 2022/23. These include reductions to compensation ceilings and government programmes.

Cost pressures, including new and urgent priorities, have been funded through a combination of reallocations and reprioritisations over the MTEF period. Despite these fiscal measures, government debt as a share of GDP continues to increase. Debt-service costs remain the fastest-growing expenditure item at an annual average rate of 12.3 per cent, and will increase to R290.1 billion in 2022/23.

Revisions to main budget spending plans

The 2020 Budget proposes total baseline reductions of R261 billion over the medium term, as shown in Table 5.1. The reductions were partially offset by baseline reallocations and additional allocations to state-owned companies, mainly Eskom.

Table 5.1 Adjustments to main budget non-interest expenditure since 2019 Budget

R million	2020/21	2021/22	2022/23	MTEF total
2019 Budget non-interest expenditure	1 545 500	1 653 077	1 736 538	4 935 115
<i>Less: Contingency reserve</i>	<i>6 000</i>	<i>6 000</i>	<i>6 000</i>	<i>18 000</i>
Allocated expenditure (2019 Budget)	1 539 500	1 647 077	1 730 538	4 917 115
Skills development levy adjustments	-1 025	-1 722	-500	-3 246
Baseline reductions and reallocations	-66 045	-88 149	-106 801	-260 995
Programme baseline reductions	-28 238	-33 219	-39 341	-100 798
Wage bill reductions	-37 807	-54 929	-67 460	-160 196
Baseline allocations	59 293	29 981	21 843	111 117
Financial support for state-owned companies	44 042	14 309	1 777	60 128
Net change in adjustments announced in 2019 Budget ¹	7 753	7 620	11 953	27 326
Programme allocations	7 499	8 051	8 113	23 663
Allocated in 2020 Budget	1 531 724	1 587 186	1 645 080	4 763 991
<i>Plus: Contingency reserve</i>	<i>5 000</i>	<i>5 000</i>	<i>5 000</i>	<i>15 000</i>
2020 Budget non-interest expenditure	1 536 724	1 592 186	1 650 080	4 778 991
<i>Change in non-interest expenditure since 2019 Budget</i>	<i>-8 776</i>	<i>-60 890</i>	<i>-86 458</i>	<i>-156 124</i>

1. Includes reversal of savings from wage bill measures and national macro-reorganisation of government, adjustments due to lower CPI, and early retirement savings in police

Source: National Treasury

Non-compensation baseline reductions mainly affect conditional grants to provinces and municipalities, and national and provincial programme spending. As far as possible, reductions were made in underperforming or underspending programmes. The largest reductions are made to the human settlements and public transport sectors.

Reductions in government programmes imply the need to review programmes, possibly resulting in closure or downscaling over the medium term, and to use allocated budgets more efficiently. In addition, reductions on goods and services may negatively affect maintenance of government facilities and information communications technology infrastructure, and lead to increased accruals.

Table 5.2 Reallocations to baselines over the MTEF period

R million	2020/21	2021/22	2022/23	MTEF total
2020 Budget additions to baseline	7 499	8 051	8 113	23 663
Post-retirement medical assistance	804	1 565	2 028	4 397
Common Monetary Area Compensation	340	390	490	1 220
Municipal Revenue Management Improvement Programme	330	433	454	1 216
Township Entrepreneurship Fund	–	500	500	1 000
Universal Service and Access Fund: New model for broadcasting digital migration	522	604	–	1 126
Innovation Fund	200	500	500	1 200
South African Revenue Service: Infrastructure-related projects	400	300	300	1 000
Provincial conditional grants	362	473	582	1 418
Other allocations ¹	4 541	3 286	3 259	11 086

1. Details of other baseline reallocations provided in the Estimates of National Expenditure

Source: National Treasury

Allocations to the human settlements sector are reduced by R14.6 billion over the MTEF period, implying fewer subsidy houses, serviced sites and related bulk and connector infrastructure. The *municipal infrastructure grant* is reduced by R2.8 billion over the same period, slowing provision of infrastructure such as water and electricity connections to poor households.

Public transport spending is reduced by R13.2 billion over the next three years, mainly on allocations to the Passenger Rail Agency of South Africa and the *public transport network grant*. The reduced allocation to the agency is mainly due to underspending in previous years, which resulted in huge cash surpluses. The agency is expected to ensure that critical investments are made to stabilise Metrorail. Planning and implementation of integrated public transport networks will be suspended in Buffalo City, Mbombela and Msunduzi as these three cities have progressed the least in launching public transport systems. Accordingly, there will be no allocations to these cities in the 2020 MTEF period.

Public transport spending reduced by R13.2 billion over MTEF period

Reductions in basic and higher education infrastructure allocations amount to R5.2 billion over the medium term. These reductions are expected to cause revisions to infrastructure plans and delays in project completion. Spending in the national Department of Health is reduced by R3.9 billion over the MTEF period. This implies that some activities related to national health insurance will be phased in over a longer timeframe.

Table 5.3 Largest baseline reductions over the MTEF period¹

R million	2020/21	2021/22	2022/23	MTEF total
2020 Budget baseline adjustments	-28 238	-33 219	-39 341	-100 798
Programme specific reductions	-10 666	-10 596	-15 742	-37 004
<i>of which:</i>				
<i>Passenger Rail Agency of South Africa</i>	-4 469	-2 780	-1 351	-8 599
<i>New Development Bank</i>	–	–	-4 730	-4 730
<i>Social grants</i>	-1 438	-1 521	-1 245	-4 204
<i>Public entity transfers</i>	-528	-1 185	-1 367	-3 080
<i>Police: Reallocation to implement the integrated criminal justice strategy</i>	-824	-940	-997	-2 761
<i>TVET² college: Infrastructure and efficiency grant</i>	-688	-819	-826	-2 333
<i>South African Social Security Agency</i>	-406	-517	-626	-1 550
<i>South African National Roads Agency Limited</i>	–	–	-1 391	-1 391
Provincial equitable share	-2 349	-2 452	-2 524	-7 325
Provincial conditional grants	-4 893	-5 940	-7 202	-18 036
<i>of which:</i>				
<i>Human settlements development grant</i>	-2 331	-1 984	-2 402	-6 717
<i>Provincial roads maintenance grant</i>	-500	-1 084	-1 258	-2 841
<i>Health conditional grants</i>	-446	-698	-732	-1 875
<i>Education infrastructure grant</i>	-459	-616	-775	-1 850
Local equitable share	-1 000	-1 100	-1 100	-3 200
Local conditional grants	-4 622	-6 457	-7 425	-18 504
<i>of which:</i>				
<i>Public transport network grant</i>	-1 049	-1 570	-1 727	-4 347
<i>Urban settlements development grant</i>	-1 420	-1 968	-2 554	-5 943
<i>Municipal infrastructure grant</i>	-989	-894	-939	-2 822
<i>Water services infrastructure grant</i>	-426	-541	-698	-1 665
Cross-cutting reductions ³	-4 708	-6 674	-5 348	-16 729

1. Selected information on large baseline reductions over the MTEF period, details provided in the Estimates of National Expenditure

2. Technical and vocational education and training

3. Mainly includes goods and services reductions in national departments and public entities

Source: National Treasury

Provisional allocations

Provisional allocations are only confirmed once certain requirements have been met. In addition to provisional allocations to Eskom, the 2020 Budget includes provisional allocations of R7 billion in 2020/21, R1.9 billion in 2021/22 and R3.6 billion in 2022/23. These allocations are mainly for financial support to South African Airways and road asset management for the secondary and strategic road network.

Table 5.4 Provisional allocations not assigned to votes

R million	2020/21	2021/22	2022/23	MTEF total
Public entity: South African Social Security Agency	–	500	524	1 024
South African Airways	6 502	–	–	6 502
Provision for disaster recovery efforts	500	–	–	500
Competition Commission	–	125	131	256
Broadband (SA Connect Phase 2)	–	–	1 289	1 289
Roads asset management for the secondary and strategic road network	–	800	1 048	1 848
Construction of the Tygerberg hospital	–	180	235	415
Construction of the Klipfontein hospital	–	130	200	330
Other ¹	19	118	147	283
Total	7 021	1 853	3 573	12 447

1. Includes provisional allocation for the Municipal Demarcation Board
Source: National Treasury

Consolidated government expenditure

Total consolidated government spending is expected to grow at an average annual growth rate of 5.1 per cent, from R1.84 trillion in 2019/20 to R2.14 trillion in 2022/23.

Table 5.5 Consolidated government expenditure by economic classification¹

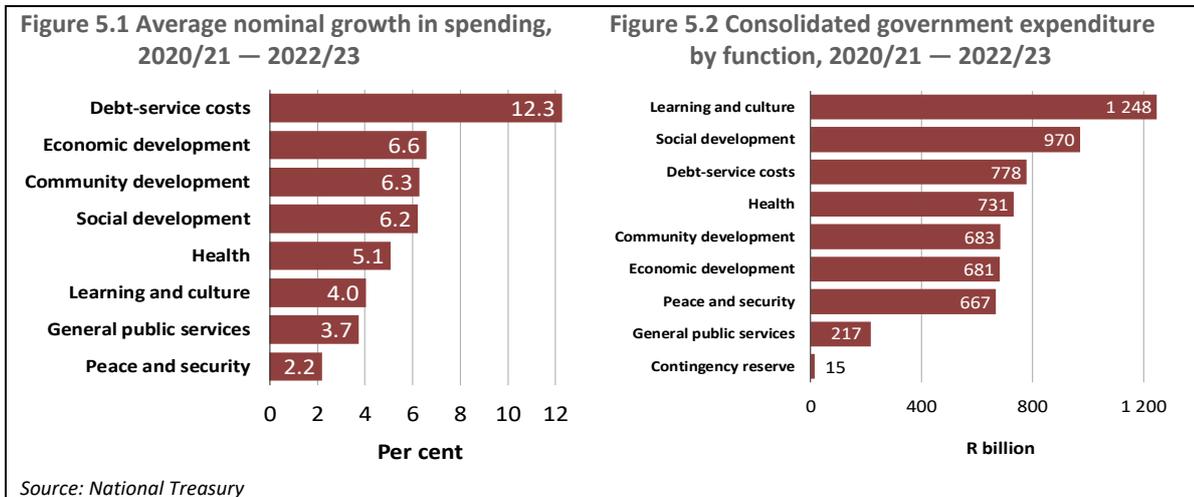
R million	2019/20 Revised estimate	2020/21 Medium-term estimates	2021/22 Medium-term estimates	2022/23 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth
Economic classification						
Current payments	1 095 868	1 143 427	1 218 008	1 286 331	59.6%	5.5%
Compensation of employees	629 200	638 865	667 815	697 113	32.7%	3.5%
Goods and services	251 656	265 078	281 465	288 525	13.6%	4.7%
Interest and rent on land	215 012	239 484	268 728	300 693	13.2%	11.8%
<i>of which:</i>						
<i>Debt-service costs</i>	205 005	229 270	258 482	290 145	12.7%	12.3%
Transfers and subsidies	599 650	640 225	671 805	713 436	33.1%	6.0%
Municipalities	137 654	145 339	155 518	165 464	7.6%	6.3%
Departmental agencies and accounts	26 591	28 639	27 012	28 492	1.4%	2.3%
Higher education institutions	46 555	48 278	50 341	51 873	2.5%	3.7%
Foreign governments and international organisations	2 589	2 880	2 838	3 029	0.1%	5.4%
Public corporations and private enterprises	35 361	35 540	39 865	43 227	1.9%	6.9%
Non-profit institutions	37 089	41 023	43 696	45 849	2.1%	7.3%
Households	313 810	338 528	352 534	375 503	17.4%	6.2%
Payments for capital assets	82 804	92 147	101 411	108 975	4.9%	9.6%
Buildings and other capital assets	63 727	71 527	79 612	85 692	3.9%	10.4%
Machinery and equipment	19 077	20 620	21 799	23 284	1.1%	6.9%
Payments for financial assets	65 223	73 646	44 116	27 298		
Total	1 843 546	1 949 445	2 035 339	2 136 040	100.0%	5.0%
Contingency reserve	–	5 000	5 000	5 000		
Consolidated expenditure	1 843 546	1 954 445	2 040 339	2 141 040		5.1%

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

Debt-service costs are the fastest-growing expenditure item over the medium term, rising at an annual average rate of 12.3 per cent – more than double the average growth rate for total expenditure.

Despite proposed reductions in compensation ceilings, compensation of employees continues to account for the largest portion of total spending, at 32.7 per cent over the medium term.

Transfers and subsidies, including transfers to local government and public entities, account for 33.1 per cent of total spending. Public-sector infrastructure spending remains proportionately low, as capital spending continues to be crowded out by rising consumption spending pressures, including the public-service wage bill, and debt-service costs.



■ Spending priorities by function

To the degree possible with limited resources, spending across functions supports the implementation of the seven priorities outlined in government’s 2019-2024 medium-term strategic framework. New and urgent government priorities have been funded through the reallocation of budgets within and across functions. Improving efficiency – meaning that government will have to do more with less – is a key theme across all function groups.

Government remains committed to improving education and health outcomes, and reducing poverty, as shown by the size of allocations to the learning and culture, health and social development functions over the medium term.

Table 5.6 Consolidated government expenditure by function¹

R million	2019/20 Revised estimate	2020/21	2021/22	2022/23	Percentage of total MTEF allocation	Average annual MTEF growth
Learning and culture	385 593	396 422	417 767	434 166	23.4%	4.0%
Basic education	262 458	265 881	281 433	293 211	15.7%	3.8%
Post-school education and training	112 087	118 847	124 209	128 386	7.0%	4.6%
Arts, culture, sport and recreation	11 049	11 694	12 125	12 569	0.7%	4.4%
Health	221 962	229 707	243 970	257 559	13.7%	5.1%
Social development	284 479	309 512	320 056	340 924	18.2%	6.2%
Social protection	207 528	221 483	236 319	252 037	13.3%	6.7%
Social security funds	76 951	88 029	83 738	88 887	4.9%	4.9%
Community development	201 675	212 347	228 194	242 169	12.8%	6.3%
Economic development	198 906	211 531	228 224	240 911	12.7%	6.6%
Industrialisation and exports	37 393	39 016	43 672	45 664	2.4%	6.9%
Agriculture and rural development	29 608	28 342	29 637	30 658	1.7%	1.2%
Job creation and labour affairs	21 742	22 437	25 158	26 555	1.4%	6.9%
Economic regulation and infrastructure	94 467	105 311	112 566	120 258	6.3%	8.4%
Innovation, science and technology	15 697	16 425	17 191	17 776	1.0%	4.2%
Peace and security	214 365	217 001	221 291	228 804	12.5%	2.2%
Defence and state security	50 766	51 378	48 932	50 439	2.8%	-0.2%
Police services	105 163	106 127	110 758	114 186	6.2%	2.8%
Law courts and prisons	48 448	49 604	51 992	53 641	2.9%	3.5%
Home affairs	9 988	9 891	9 609	10 538	0.6%	1.8%
General public services	66 337	70 009	73 238	74 064	4.1%	3.7%
Executive and legislative organs	14 202	14 571	14 443	15 028	0.8%	1.9%
Public administration and fiscal affairs	44 342	47 277	50 414	50 279	2.8%	4.3%
External affairs	7 793	8 161	8 381	8 758	0.5%	4.0%
Payments for financial assets	65 223	73 646	44 116	27 298		
Allocated by function	1 638 541	1 720 175	1 776 857	1 845 895	100.0%	4.1%
Debt-service costs	205 005	229 270	258 482	290 145		12.3%
Contingency reserve	–	5 000	5 000	5 000		
Consolidated expenditure	1 843 546	1 954 445	2 040 339	2 141 040		5.1%

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue
Source: National Treasury

Learning and culture

Over the medium term, the learning and culture function aims to develop the capabilities of citizens from early childhood by providing access to education, training and skills development, and to strengthen social cohesion. The function will continue to receive the largest share of government spending over the MTEF period, rising from R385.6 billion in 2019/20 to R434.2 billion in 2022/23.

Learning and culture continues to receive largest share of spending

Basic education

Basic education accounts for the largest share of expenditure in the function. The sector will focus on improving early literacy and numeracy of learners, introducing subjects like coding, data analytics and robotics, and improving school sanitation and the quality of teaching.

Responsibility for early childhood development to shift to basic education sector

Early childhood development is the foundation for success in school. Over the medium term, the Department of Basic Education will work with the Department of Social Development and other partners to shift responsibility for early childhood development from the social development sector to the basic education sector. They will also introduce two years of compulsory pre-schooling before all children enter Grade 1.

Provincial expenditure on personnel dominates spending in the sector and function at 76.5 per cent and 51.4 per cent, respectively.

R35 billion allocated to build, maintain and upgrade schooling infrastructure

Over the medium term, the *education infrastructure grant* is allocated R35 billion to construct, maintain and upgrade schooling infrastructure. The *school infrastructure backlogs grant* is allocated R5.6 billion to provide water, sanitation facilities and electricity to schools, and replace schools constructed with inappropriate materials. Of this allocation, R2.8 billion is set aside to provide appropriate sanitation facilities, which accounts for the 15.3 per cent annual average growth rate over the spending period.

The *national school nutrition programme grant* is allocated R24.3 billion over the next three years to provide meals to 9 million learners in almost 20 000 poor schools (quintiles 1 to 3), and identified special schools.

Post-school education and training

The medium-term focus in this sector will be to expand access to universities and technical and vocational education and training (TVET) colleges, improve their performance, develop artisans, support work-based learning, and strengthen the management and governance of community education and training colleges.

NSFAS expects to fund 1 million university and 870 000 TVET students

Expenditure for the National Student Financial Aid Scheme increases at an average annual rate of 7.3 per cent from R33 billion in 2019/20 to R40.8 billion in 2022/23. The institution expects to fund more than 1 million students at universities and more than 870 000 students at TVET colleges over the period.

Arts, sports, recreation and culture

This sector will focus on growing cultural and creative industries to create job opportunities and improve social cohesion. Existing infrastructure in the sector will be integrated where possible and new facilities will be constructed to ensure community access. The sector is allocated R36.4 billion over the MTEF period.

Table 5.7 Learning and culture expenditure

R million	2019/20 Revised estimate	2020/21	2021/22	2022/23	Percentage of total MTEF allocation	Average annual MTEF growth
Basic education	262 458	265 881	281 433	293 211	67.3%	3.8%
Compensation of employees	204 162	205 265	214 754	224 160	51.6%	3.2%
<i>of which:</i>						
<i>Provincial compensation of employees</i>	203 460	204 559	214 018	223 400	51.4%	3.2%
Goods and services	27 187	26 861	28 041	29 331	6.7%	2.6%
<i>of which:</i>						
<i>Property payments</i>	3 596	3 724	3 928	4 061	0.9%	4.1%
<i>Workbooks and LTSM</i> ¹	5 304	5 386	5 488	5 825	1.3%	3.2%
<i>National school nutrition programme</i>	7 186	7 666	8 125	8 516	1.9%	5.8%
Transfers and subsidies	20 058	22 419	25 201	25 585	5.9%	8.5%
<i>of which:</i>						
<i>Subsidies to schools</i> ²	16 730	19 072	20 400	21 441	4.9%	8.6%
Education infrastructure grant	10 514	11 008	11 710	12 255	2.8%	5.2%
School infrastructure backlogs grant	1 330	1 491	2 037	2 038	0.4%	15.3%
Post-school education and training	112 087	118 847	124 209	128 386	29.8%	4.6%
<i>of which:</i>						
<i>University subsidies</i>	42 359	44 796	47 189	49 437	11.3%	5.3%
<i>of which:</i>						
<i>University infrastructure</i>	2 489	2 841	2 921	3 045	0.7%	7.0%
<i>National Student Financial Aid Scheme</i> ³	32 987	37 097	39 115	40 777	9.4%	7.3%
<i>Technical and vocational education and training</i>	12 555	13 384	14 026	14 525	3.4%	5.0%
<i>of which:</i>						
<i>Compensation of employees</i>	6 987	6 864	7 145	7 356	1.7%	1.7%
<i>Subsidies</i>	5 205	6 036	6 370	6 639	1.5%	8.5%
<i>Community education and training</i>	2 058	2 386	2 489	2 541	0.6%	7.3%
<i>of which:</i>						
<i>Compensation of employees</i>	1 905	2 224	2 319	2 365	0.6%	7.5%
<i>Skills development levy institutions</i> ⁴	21 986	20 988	21 207	20 930	5.1%	-1.6%
Arts and culture, sport and recreation	11 049	11 694	12 125	12 569	2.9%	4.4%
Total	385 593	396 422	417 767	434 166	100.0%	4.0%

1. Learner and teacher support material

2. Includes some provision for LTSM and property payments for schools that manage their own budgets

3. Total payments made from all income sources, including Funza Lushaka teacher bursaries and debt repayments from students

4. Spending of the 21 SETAs and the National Skills Fund

Source: National Treasury

Social development

This function aims to reduce poverty and inequality by providing social welfare services and grants, and to empower women, youth and persons with disabilities.

Table 5.8 Social protection expenditure

R million	2019/20 Revised estimate	2020/21 Medium-term estimates	2021/22 Medium-term estimates	2022/23 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth
Social protection expenditure	207 528	221 483	236 319	252 037	100.0%	6.7%
<i>of which:</i>						
<i>Social grants</i>	175 156	187 836	201 347	216 027	85.3%	7.2%
<i>of which:</i>						
Child support	64 967	69 765	74 780	80 735	31.7%	7.5%
Old age ¹	76 951	83 106	90 053	97 068	38.1%	8.0%
Disability	23 078	24 390	25 488	26 522	10.8%	4.7%
Foster care	5 081	4 965	4 829	4 795	2.1%	-1.9%
Care dependency	3 430	3 569	3 809	4 077	1.6%	5.9%
Grant-in-aid	1 238	1 632	1 978	2 421	0.8%	25.1%
Social Relief of Distress	410	407	407	407	0.2%	-0.2%
Provincial social development	22 292	23 264	24 525	25 661	10.3%	4.8%
Women, youth and persons with disabilities	791	832	875	915	0.4%	5.0%
<i>of which:</i>						
Women	156	174	184	192	0.1%	7.1%
Youth	523	551	578	605	0.2%	5.0%
Persons with disabilities	19	20	22	22	0.0%	6.2%
Total	207 528	221 483	236 319	252 037	100.0%	6.7%
<i>Social grants as percentage of GDP</i>	3.4%	3.5%	3.5%	3.5%		
Social grant beneficiary numbers by grant type (thousands)						
Child support	12 777	12 991	13 210	13 434	71.0%	1.7%
Old age ¹	3 655	3 769	3 886	4 003	20.9%	3.1%
Disability	1 058	1 051	1 045	1 039	5.6%	-0.6%
Foster care	350	326	304	285	1.6%	-6.7%
Care dependency	155	158	161	164	0.9%	1.9%
Total	17 996	18 296	18 606	18 926	100.0%	1.7%

1. Includes war veterans

Source: National Treasury

Social grants

The 2020 Budget continues to increase social grants in line with inflation. Due to lower expected inflation over the period, allocations have been reduced as shown in Table 5.3. Over the medium term, the total number of beneficiaries is expected to increase by almost 1 million to approximately 19 million by 2022/23. Over the MTEF period, funds amounting to R714 million are reprioritised from the Department of Social Development to its provincial counterparts for programmes to prevent HIV and AIDS infections, substance abuse, gender-based violence and femicide. Additional funds are reprioritised from the *social worker scholarship programme grant*, which will end in 2020/21, to provinces to employ 200 social worker graduates.

Funds amounting to R406.2 million in 2020/21, R517.3 million in 2021/22 and R626 million in 2022/23 are reprioritised, mainly to the *early childhood development conditional grant*. As a result, the subsidy rate per child will increase by 23.8 per cent from R15 in 2019/20 to R18.57 in 2022/23. By

2022/23, government estimates it will provide access to early childhood development services to almost 700 000 children under the age of four.

Table 5.9 Average monthly social grant values

Rand	2019/20	2020/21	Percentage increase
Old age	1 780	1 860	4.5%
Old age, over 75	1 800	1 880	4.4%
War veterans	1 800	1 880	4.4%
Disability	1 780	1 860	4.5%
Foster care	1 000	1 040	4.0%
Care dependency	1 780	1 860	4.5%
Child support	425	445	4.7%

Source: National Treasury

Women, youth and persons with disabilities

Over the next three years, this department is allocated an additional R15 million to establish a national council to combat gender-based violence and femicide. Its budget will increase to R853 million in 2022/23, with a focus on strengthening interventions for women's economic empowerment; promoting the rights of people with disabilities; and supporting youth development. An amount of R651.9 million is allocated through the provincial equitable share over the same period to provide sanitary products to more than half of all female learners in grades 7 to 12 in the country's poorest schools (quintiles 1, 2 and 3).

R15 million allocated to establish a national council to combat gender-based violence and femicide

Health

The health function aims to ensure access to high-quality healthcare services for all residents. Parliament is considering the National Health Insurance (NHI) Bill. Its enactment is expected to trigger large-scale reforms. Over the medium term, R55.6 million is reprioritised to the Department of Health to strengthen its capacity to phase in NHI. This allocation will be reviewed as NHI is implemented.

NHI expected to result in large-scale reforms

From 2020/21, the *human resource capacitation grant* will be merged with the *health professions training and development grant* to form components of the new *statutory human resource and training and development grant*. This component is allocated R3.3 billion over the medium term to ensure sufficient medical internships and community service posts for medical students to complete their training.

A team convened by the Presidency has developed a National Quality Health Improvement Plan, which aims to improve the quality of healthcare facilities to ensure that they can be accredited for NHI. For this purpose, R25 million is reprioritised in 2020/21 towards the non-personal services component of the *NHI indirect grant*. Subsequent allocations will be based on progress demonstrated in 2020/21.

From 2021/22, allocations for mental health and oncology will also be added as components to the *HIV, TB, malaria and community outreach grant*, shifting from the *NHI indirect grant* due to underspending. To address funding shortfalls in the community outreach services component of the grant, R800 million is reprioritised from the HIV/AIDS component in 2020/21.

Table 5.10 Health expenditure

R million	2019/20 Revised estimate	2020/21	2021/22	2022/23	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	221 962	229 707	243 970	257 559	100.0%	5.1%
<i>of which:</i>						
<i>Central hospital services</i>	44 129	44 706	46 633	49 207	19.2%	3.7%
<i>Provincial hospital services</i>	36 385	37 634	39 394	41 539	16.2%	4.5%
<i>District health services</i>	98 491	101 958	108 560	113 788	44.4%	4.9%
<i>of which:</i>						
<i>HIV, TB, malaria and community outreach</i>	22 039	24 387	27 931	29 405	11.2%	10.1%
<i>Emergency medical services</i>	8 249	8 506	8 843	9 283	3.6%	4.0%
<i>Facilities management and maintenance</i>	9 340	10 058	10 363	10 979	4.3%	5.5%
<i>Health science and training</i>	5 401	5 757	6 474	6 918	2.6%	8.6%
<i>National Health Laboratory Service</i>	7 465	8 638	9 271	9 913	3.8%	9.9%
<i>National Department of Health¹</i>	5 171	6 074	6 468	6 641	2.6%	8.7%
Total	221 962	229 707	243 970	257 559	100.0%	5.1%
<i>of which:</i>						
<i>Compensation of employees</i>	141 320	145 126	152 008	160 906	62.6%	4.4%
<i>Goods and services</i>	62 486	67 142	71 561	74 466	29.2%	6.0%
<i>Transfers and subsidies</i>	7 071	6 059	7 477	8 692	3.0%	7.1%
<i>Buildings and other fixed structures</i>	5 668	6 087	7 479	7 845	2.9%	11.4%
<i>Machinery and equipment</i>	5 350	5 264	5 421	5 630	2.2%	1.7%

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas

Source: National Treasury

Progress in dealing with medico-legal claims

In recent years, medical malpractice claims and litigation have increased rapidly. Although in many cases the quality of care is insufficient, the increase in claims is inconsistent with certain indicators of health outcomes in the public sector. For example, the overall death rate in public hospitals declined from 5.4 per cent in 2013/14 to 4.6 per cent in 2018/19, while maternal mortality in facilities decreased by 20.5 per cent over the same period. Since 2014, contingent liabilities and payments of medico-legal claims in the public sector have increased at an average annual growth rate of 30 per cent and 23 per cent respectively. In 2018/19, medico-legal contingent liabilities reached R99.2 billion, while medico-legal claim payments reached R2 billion. These payments are affecting the budgets of public facilities and, in turn, the delivery of services. Due to large lump-sum payments often awarded in malpractice cases, the effects are unplanned.

This is a multifaceted problem, caused by inadequate quality of care, weak capacity in provincial medico-legal teams, poor administration of medical records, and high profitability for law firms specialising in this area. Government aims to stabilise its liability through a range of interventions and has made progress in the following areas:

- Funding has been reprioritised in the Department of Health's budget to pilot the National Quality Health Improvement Plan in 2020/21.
- The department has contracted law firms with medico-legal expertise to support claim management and provide legal services in some provinces.
- Several provinces are strengthening provincial medico-legal teams, including by contracting external legal capacity.
- Parliament is considering the State Liability Amendment Bill, which would introduce periodic payments and provide for compensation in kind, in the form of future medical care in public facilities.
- The Special Investigating Unit is probing potential fraud in this area, which has resulted in several arrests.

The effect of these interventions on state contingent liabilities still needs to be evaluated. Long-term solutions may require wider legal reform, which the South African Law Reform Commission is exploring.

Community development

This function funds access to affordable housing, basic services and public transport, and facilitates spatial transformation and urban development. Expenditure in the function will rise from R201.7 billion in 2019/20 to R242.2 billion in 2022/23.

Table 5.11 Community development expenditure

R million	2019/20 Revised estimate	2020/21	2021/22	2022/23	Percentage of total MTEF allocation	Average annual MTEF growth
Community development	201 675	212 347	228 194	242 169	100.0%	6.3%
<i>of which:</i>						
<i>Human settlements</i>	41 140	39 682	40 661	42 214	18.0%	0.9%
<i>Public transport, including commuter rail</i>	41 442	44 718	49 008	52 181	21.4%	8.0%
<i>Local government equitable share</i>	66 973	74 683	81 062	87 213	35.6%	9.2%
<i>Municipal infrastructure grant</i>	14 816	14 671	15 937	16 852	7.0%	4.4%
<i>Regional and local water and sanitation services</i>	10 361	11 153	11 052	11 512	4.9%	3.6%
<i>Electrification programmes</i>	5 086	5 116	5 257	6 074	2.4%	6.1%
Total	201 675	212 347	228 194	242 169	100.0%	6.3%
<i>of which:</i>						
<i>Compensation of employees</i>	17 822	17 560	18 278	19 004	8.0%	2.2%
<i>Goods and services</i>	13 647	14 969	14 582	15 525	6.6%	4.4%
<i>Transfers and subsidies</i>	160 827	167 413	179 619	190 697	78.8%	5.8%
<i>Buildings and other fixed structures</i>	5 992	8 085	9 332	10 409	4.1%	20.2%
<i>Machinery and equipment</i>	3 155	4 092	6 113	6 267	2.4%	25.7%

Source: National Treasury

Municipalities, provinces and public entities deliver water, sanitation, electricity, housing and public transport. As a result, transfers and subsidies to these entities make up 78.8 per cent of expenditure in this function. The local government equitable share remains the fastest-growing expenditure item at 9.2 per cent over the medium term.

The Department of Human Settlements will continue to deliver subsidised housing over the medium term. The introduction of new conditional grants for upgrading informal settlements is postponed until 2021/22 and R20.1 billion is allocated in 2021/22 and 2022/23 for this grant.

Economic development

This function promotes faster and sustained inclusive economic growth to address the challenges of unemployment, poverty and inequality.

Over the medium term, government has allocated R495.1 million to the Department of Agriculture, Land Reform and Rural Development to respond to biosecurity threats, and revitalise laboratories and quarantine stations to strengthen inspection services at ports of entry. This will improve compliance with international standards, and support exports. An additional R500 million is reprioritised over the medium term for the department to finalise outstanding land restitution claims.

R500 million reprioritised over the MTEF to finalise land restitution claims

Small Enterprise Finance Agency to support smaller businesses through grants

The Black Business Supplier Development Programme, Cooperatives Incentive Schemes and the National Informal Business Upliftment Scheme are allocated R1.4 billion over the medium term to support small businesses and cooperatives. The Small Enterprise Finance Agency will collaborate with government and the private sector through a blended-finance model involving loans and grants to small and medium enterprises over the medium term. The Small Enterprise Development Agency is allocated R2.8 billion to provide support to small and medium enterprises, including increasing the incubation network in rural areas and townships.

An additional R60 million is reprioritised to the Competition Commission over the medium term to implement the Competition Amendment Act (2018). Over the same period, R107.1 million is reprioritised to refurbish 27 industrial parks in various townships.

Table 5.12 Economic development expenditure

R million	2019/20 Revised estimate	2020/21 Medium-term estimates	2021/22	2022/23	Percentage of total MTEF allocation	Average annual MTEF growth
Economic regulation and infrastructure	94 467	105 311	112 566	120 258	49.7%	8.4%
<i>of which:</i>						
<i>Water resource and bulk infrastructure</i>	27 182	31 383	36 177	39 173	15.7%	13.0%
<i>Road infrastructure</i>	46 038	49 506	51 620	54 593	22.9%	5.8%
<i>Environmental programmes</i>	6 998	6 950	7 247	7 137	3.1%	0.7%
Job creation and labour affairs	21 742	22 437	25 158	26 555	10.9%	6.9%
<i>of which:</i>						
<i>Employment programmes¹</i>	20 231	20 753	23 384	24 754	10.1%	7.0%
Industrialisation and exports	37 393	39 016	43 672	45 664	18.9%	6.9%
<i>of which:</i>						
<i>Economic development and incentive programmes</i>	16 106	16 668	15 929	16 165	7.2%	0.1%
Innovation, science and technology	15 697	16 425	17 191	17 776	7.6%	4.2%
Agriculture and rural development	29 608	28 342	29 637	30 658	13.0%	1.2%
<i>of which:</i>						
<i>Land reform</i>	2 108	1 708	1 865	1 717	0.8%	-6.6%
<i>Agricultural land holding account</i>	2 136	989	1 083	1 092	0.5%	-20.0%
<i>Restitution</i>	3 593	3 406	3 610	3 939	1.6%	3.1%
<i>Farmer support and development</i>	3 853	4 071	4 322	4 504	1.9%	5.3%
Total	198 906	211 531	228 224	240 911	100.0%	6.6%
<i>of which:</i>						
<i>Compensation of employees</i>	52 620	54 334	57 208	59 879	25.2%	4.4%
<i>Goods and services</i>	59 266	63 623	69 168	70 573	29.9%	6.0%
<i>Transfers and subsidies</i>	40 999	42 408	45 913	50 494	20.4%	7.2%
<i>Buildings and other fixed structures</i>	31 339	36 060	41 041	44 935	17.9%	12.8%
<i>Machinery and equipment</i>	3 929	4 043	3 890	3 497	1.7%	-3.8%

1. Includes the Expanded Public Works Programme, the Community Works Programme and the Jobs Fund

Source: National Treasury

To support industry, R18.5 billion is allocated to the Department of Trade, Industry and Competition for business incentives including manufacturing and services sector development, and infrastructure investment. In addition, R1.4 billion is set aside to support the commercialisation of technological innovation and upgrade infrastructure to strengthen the

research and innovation capabilities of the Council for Scientific and Industrial Research and the South African National Space Agency.

Economic regulation and infrastructure

Over the medium term, the South African National Roads Agency Limited will maintain 22 214 kilometres of roads, and provinces plan to reseal 16 226 kilometres of roads through the *provincial roads maintenance grant*.

To unlock spectrum for high-speed internet, R1.9 billion is reprioritised to subsidise devices that allow analogue televisions to receive digital signals for 2.8 million low-income households, and to compensate the South African Post Office for associated administration costs. A further R100 million is allocated for Sentech to operate analogue and digital signals.

Responding to climate change and natural disasters

Extreme weather events are becoming more frequent as a result of climate change. While parts of South Africa continue to grapple with a years-long drought, severe floods and storms in KwaZulu-Natal during 2019 damaged infrastructure and resulted in the deaths of 50 people. According to the World Economic Forum, extreme weather, natural disasters and climate action failure are three of the top five global risks in 2020. Since 2016, government has allocated R6.3 billion for drought relief projects and R660 million for flood relief. Yet reactive responses to disasters are inefficient and costly. The National Treasury is exploring ways to improve the immediate fiscal response to disasters and the fiscal management of government's response to the long-term effects of climate change.

Government provides funding for disaster response and recovery mainly through conditional grants. Funds are available for emergency housing and temporary infrastructure repairs, while social development departments provide assistance such as food parcels. Ring-fenced allocations in conditional grants then fund rebuilding of damaged infrastructure, including subsidised houses. However, the release of funds is often slow, and these are not always spent as planned. The National Treasury and the National Disaster Management Centre will review the funding system during 2020.

Infrastructure design and construction can become more resilient to extreme weather. Submission guidelines for funding requests from the Budget Facility for Infrastructure will be adjusted to incorporate climate resilience. Government is also considering making ecological infrastructure, such as wetlands that can reduce flood damage, eligible for infrastructure grant funding. Projects with positive climate impacts are eligible for grant and concessional loan financing through international green financing initiatives. The *energy efficiency demand side management grant* is already using this funding to roll out renewable-energy projects in municipal buildings.

South Africa has joined the Network of Central Banks and Supervisors for Greening the Financial System, which focuses on initiatives in sustainable finance. During 2020, the National Treasury will publish a paper on financing a sustainable economy, and the process to establish minimum practice and standards for emerging environmental risks. The National Treasury is also exploring tools to assess and anticipate the effects of climate change across budget-related areas.

Peace and security

The peace and security function aims to ensure the safety of the country, in particular through an efficient and effective criminal justice system.

Over the medium term, funds have been reprioritised from the South African Police Service – the largest component of this function – to other departments and entities within the function to implement the integrated criminal justice strategy. The Department of Justice and Constitutional Development will receive R1.8 billion, mainly to enhance prosecution capacity in the National Prosecuting Authority (NPA), including the sexual offences and community affairs unit established to address gender-based violence against women and children. These funds will also help to operationalise the Investigative Directorate, capacitate various anti-corruption units and establish five additional specialised commercial crimes courts to ensure their presence in each province. In addition, R985 million is reprioritised to the Directorate for Priority Crime

Funds reallocated to enhance capacity at NPA, and investigate and prosecute corruption

Investigation to appoint additional investigators, primarily to address the backlog of corruption cases.

Table 5.13 Peace and security expenditure

R million	2019/20 Revised estimate	2020/21 2021/22 2022/23 Medium-term estimates			Percentage of total MTEF allocation	Average annual MTEF growth
Defence and state security	50 766	51 378	48 932	50 439	22.6%	-0.2%
Police services	105 163	106 127	110 758	114 186	49.6%	2.8%
Law courts and prisons	48 448	49 604	51 992	53 641	23.3%	3.5%
Home affairs	9 988	9 891	9 609	10 538	13.8%	1.8%
Total	214 365	217 001	221 291	228 804	100.0%	2.2%
<i>of which:</i>						
<i>Compensation of employees</i>	<i>146 536</i>	<i>147 850</i>	<i>154 231</i>	<i>158 667</i>	<i>69.1%</i>	<i>2.7%</i>
<i>Goods and services</i>	<i>47 742</i>	<i>47 118</i>	<i>49 782</i>	<i>51 002</i>	<i>22.2%</i>	<i>2.2%</i>
<i>Transfers and subsidies</i>	<i>13 013</i>	<i>13 839</i>	<i>9 951</i>	<i>10 269</i>	<i>5.1%</i>	<i>-7.6%</i>
<i>Buildings and other fixed structures</i>	<i>2 674</i>	<i>3 161</i>	<i>3 285</i>	<i>3 411</i>	<i>1.5%</i>	<i>8.4%</i>
<i>Machinery and equipment</i>	<i>4 135</i>	<i>4 914</i>	<i>3 975</i>	<i>5 382</i>	<i>2.1%</i>	<i>9.2%</i>

Source: National Treasury

R831 million reprioritised for border security

To safeguard the country's borders, R831 million is reprioritised from the police to the departments of Defence and Home Affairs. These allocations will pay for equipment and technology to enable the military to broaden coverage of the borders, and the Department of Home Affairs to profile passengers before they reach ports of entry and minimise security risks. In addition, R255 million is reprioritised to the Independent Electoral Commission in 2020/21 to procure 38 000 voter registration devices.

General public services

This function aims to build a capable, ethical and developmental state. This requires professional and responsive public servants, as well as engaged citizens.

Funds reprioritised for census and allocated to South African Revenue Service

Public administration and fiscal affairs grows fastest over the medium term as R3.1 billion was reprioritised to Statistics South Africa over the MTEF period to conduct the population census in 2021/22. In addition, R1 billion is allocated to the South African Revenue Service to improve its information communications technology capacity and operations.

To fund critical priorities over the medium term, R74.5 million is reprioritised within the function. The Auditor-General of South Africa receives R374 million as a direct charge against the National Revenue Fund to support audits in financially distressed municipalities and entities.

Table 5.14 General public services expenditure

R million	2019/20 Revised estimate	2020/21	2021/22	2022/23	Percentage of total MTEF allocations	Average annual MTEF growth
Executive and legislative organs	14 202	14 571	14 443	15 028	20.3%	1.9%
Public administration and fiscal affairs	44 342	47 277	50 414	50 279	68.1%	4.3%
External affairs	7 793	8 161	8 381	8 758	11.6%	4.0%
Total	66 337	70 009	73 238	74 064	100.0%	3.7%
<i>of which:</i>						
<i>Compensation of employees</i>	32 022	32 849	33 935	35 460	47.0%	3.5%
<i>Goods and services</i>	21 621	24 638	26 881	25 779	35.6%	6.0%
<i>Transfers and subsidies</i>	8 861	9 201	9 329	9 819	13.0%	3.5%
<i>Buildings and other fixed structures</i>	2 129	1 683	1 569	1 517	2.2%	-10.7%
<i>Machinery and equipment</i>	1 051	863	925	936	1.3%	-3.8%

Source: National Treasury

Conclusion

The 2020 Budget includes significant expenditure reductions. Cost pressures, including new and urgent priorities, are funded through a combination of reallocations and reprioritisations over the MTEF period. Despite these fiscal measures, government debt as a share of GDP continues to increase. Debt-service costs remain the fastest-growing expenditure item at an annual average rate of 12.3 per cent, and will increase to R290.1 billion in 2022/23.

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