

5

Consolidated spending plans

In brief

- Total consolidated spending amounts to R2 trillion each year over the medium term, the majority of which goes towards social services. Debt-service costs increase at an annual average rate of 13.3 per cent and will reach R338.6 billion in 2023/24.
- To reduce growth in the public-service wage bill, proposed reductions to consolidated compensation spending amount to R303.4 billion from 2020/21 to 2023/24. This consists of R160.2 billion announced in the 2020 Budget and an additional R143.2 billion over the medium term.
- Main budget non-interest expenditure will grow from R1.56 trillion in 2021/22 to R1.57 trillion in 2023/24. The majority of funding for new and urgent priorities is provided through reprioritising and reallocating existing baselines. Overall, baselines will be reduced by R264.9 billion over the medium-term expenditure framework (MTEF) period.
- In 2020/21, R12.6 billion was allocated to various sectors to create about 694 000 short-term jobs. The programme is expected to continue in 2021/22.

Overview

Over the next three years, government's consolidated spending is projected to amount to R6.16 trillion. This chapter outlines spending plans and shows net changes to medium-term allocations and functional priority spending trends since the 2020 *Budget Review*. More than half of the budget is allocated to the learning and culture, health and social development functions to support vulnerable and low-income households.

The 2021 Budget meets urgent pandemic-related spending pressures, such as procuring COVID-19 vaccines, expanding the public employment initiative, and continuing social and economic relief measures. This support includes:

- Provisional allocations of R11 billion for the public employment initiative in 2021/22. By January 2021, the initiative had created 430 000 jobs of varying duration. It aims to create another 180 000 such jobs by March 2021.



- An extension of unemployment insurance benefits through the Unemployment Insurance Fund (UIF) for another three months to April 2021. This will increase spending on the COVID-19 Temporary Employer/Employee Relief Scheme to R73.6 billion in 2021/22. As at end-January 2021, the UIF had paid R57.3 billion to 13.9 million workers.
- A recapitalisation of R5 billion in 2021/22, to be funded through reprioritisation, and another R2 billion in both 2022/23 and 2023/24 for the Land Bank. The 2021 *Medium Term Budget Policy Statement* (MTBPS) will confirm the sources of reprioritisation to accommodate this requirement.



Other cost pressures are funded through a combination of reallocations and reprioritisations over the MTEF period. Notwithstanding these fiscal measures, government debt as a share of GDP remains high at 87.3 per cent by 2023/24. Debt-service costs increase at an annual average rate of 13.3 per cent and will reach R338.6 billion in 2023/24.

Revisions to main budget spending plans

Total baseline reductions proposed in the 2021 Budget amount to R307.8 billion over the medium term, as shown in Table 5.1. Reductions were partially offset by additional allocations for measures to combat the COVID-19 pandemic and to fund the South African Revenue Service. This resulted in net reductions of R264.9 billion over the medium term. State-owned companies will be funded through reprioritisations.

Table 5.1 Adjustments to main budget non-interest expenditure since 2020 Budget

R million	2021/22	2022/23	2023/24	MTEF total
2020 Budget non-interest expenditure	1 592 186	1 650 080	1 722 433	4 964 699
<i>Less: Contingency reserve</i>	<i>5 000</i>	<i>5 000</i>	<i>5 000</i>	<i>15 000</i>
Allocated expenditure (2020 Budget)	1 587 186	1 645 080	1 717 433	4 949 699
Skills development levy adjustments	-2 772	-2 740	-936	-6 448
Baseline reductions	-65 349	-90 122	-152 326	-307 797
Programme baseline reductions and use of reserves	-39 043	-43 983	-80 311	-163 337
Wage bill reductions	-26 306	-46 139	-72 015	-144 460
Baseline allocations	22 446	4 602	2 283	29 332
COVID-19 response	15 345	3 000	-	18 345
Other allocations ¹	7 101	1 602	2 283	10 987
Provisional allocations	11 000	1 000	1 000	13 000
Allocated in 2021 Budget	1 552 511	1 557 821	1 567 455	4 677 786
<i>Plus: Contingency reserve</i>	<i>12 000</i>	<i>5 000</i>	<i>5 000</i>	<i>22 000</i>
2021 Budget non-interest expenditure	1 564 511	1 562 821	1 572 455	4 699 786
<i>Change in non-interest expenditure since 2020 Budget</i>	<i>-27 675</i>	<i>-87 259</i>	<i>-149 978</i>	<i>-264 913</i>

1. Includes the New Development Bank, financial support to state-owned companies and public entities, and the rescheduling of some infrastructure reductions introduced in the 2020 MTBPS

Source: National Treasury

Since the 2020 Budget, consolidated compensation reductions of more than R303 billion from 2020/21 to 2023/24 have been proposed. Chapter 3 discusses the public-service wage bill in more detail. Over the 2021 MTEF period, compensation ceilings are lowered to slow growth in the public-service wage bill and shift the composition of spending towards investment. The wage bill accounts for R1.97 trillion or

32 per cent of consolidated government expenditure over the medium term.

Over the MTEF period, R29.3 billion is added to baselines from reprioritisations and additional funding. Table 5.1 shows additional funding of R18.3 billion to manage further waves of COVID-19, extend the *special COVID-19 social relief of distress grant* in 2021/22 and roll out the vaccination programme. Other allocations totalling R11 billion include payments to the New Development Bank and public entities. Additions to baselines are shown in greater detail in Table 5.2.

Table 5.2 2021 Budget additions

R million	2021/22	2022/23	2023/24	MTEF total
2021 Budget additions to baseline	22 446	4 602	2 283	29 332
COVID-19: Vaccine rollout	5 200	3 000	–	8 200
COVID-19: Managing second and third wave	8 000	–	–	8 000
Extension of the special COVID-19 social relief of distress grant	2 145	–	–	2 145
Other adjustments ¹	7 101	1 602	2 283	10 987

¹ Includes the New Development Bank, financial support to state-owned companies and public entities, and the rescheduling of some infrastructure reductions introduced in the 2020 MTBPS

Source: National Treasury

Table 5.3 shows that non-compensation baseline reductions mainly affect conditional grants to provinces and municipalities, and national and provincial programme spending.

Table 5.3 Baseline reductions by economic classification over the MTEF period

R million	2020/21	2021/22	2022/23	2023/24	MTEF total
Economic classification					
Current payments		-35 896	-51 926	-80 904	-168 726
Compensation of employees ¹		-26 306	-46 139	-72 015	-144 460
Goods and services		-9 583	-5 779	-8 874	-24 236
Interest and rent on land		-6	-8	-15	-30
Transfers and subsidies		-27 832	-36 872	-66 790	-131 494
Provinces and municipalities ²		-13 274	-17 640	-31 993	-62 908
Departmental agencies and accounts ³		-3 245	-4 112	-7 375	-14 731
Higher education institutions		-1 712	-2 250	-4 081	-8 043
Foreign governments and international organisations		-98	-131	-238	-468
Public corporations and private enterprises		-729	-949	-1 720	-3 398
Non-profit institutions		-347	-452	-820	-1 619
Households		-8 428	-11 337	-20 562	-40 327
Provisional allocations and use of reserves		-1 620	-1 324	-4 633	-7 577
Consolidated expenditure		-65 349	-90 122	-152 326	-307 797
Total reduction to allocations for compensation of employees	-36 511	-81 236	-113 599	-72 015	-303 360
Announced in 2020 Budget	-37 807	-54 929	-67 460	–	-160 196
Further reduction in 2021 Budget		-26 197	-46 021	-72 015	-144 233
Other adjustments	1 296	-109	-118	–	1 068

¹ Provincial compensation of employees reduction moved from transfers to compensation of employees

² Excludes compensation of employees, with the balance to be allocated to spending items at the provincial level

³ Excludes compensation of employees, balance to be allocated to spending items at the public entity level

Source: National Treasury

Provisional allocations

Provisional allocations are only confirmed once certain requirements have been met. The 2021 Budget includes provisional allocations of R82 billion over the MTEF period as shown in Table 5.4.

Table 5.4 Provisional allocations not assigned to votes

R million	2021/22	2022/23	2023/24	MTEF total
2020 Budget including baseline adjustments	5 645	31 093	32 219	68 958
Infrastructure Fund	4 000	6 000	8 000	18 000
Eskom	–	21 857	21 015	42 872
Public entity: South African Social Security Agency	480	498	500	1 478
Broadband (South Africa Connect Phase 2)	–	1 225	1 230	2 455
Roads asset management for the secondary and strategic road network	768	996	999	2 763
Construction of the Tygerberg hospital	169	218	204	591
Construction of the Klipfontein hospital	115	160	131	406
Other ¹	113	140	140	393
2021 Budget	11 000	1 000	1 000	13 000
Public employment initiative	11 000	–	–	11 000
South African Revenue Service	–	1 000	1 000	2 000
Total	16 645	32 093	33 219	81 958

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 0.7 per cent, from R2.05 trillion in 2020/21 to R2.1 trillion in 2023/24. Current payments, driven by compensation of employees, account for R3.74 trillion or 60.8 per cent of consolidated spending over the MTEF period. Compensation spending amounts to R1.97 trillion or 32 per cent over the medium term, growing at an annual average rate of 1.2 per cent.



Debt-service costs, estimated at R916 billion over the MTEF period, exceed all individual consolidated spending items by function, except social development, and learning and culture. They are also the fastest-growing item of spending by function.

The COVID-19 fiscal response added significant resources in 2020/21 to various government functions and spending items. To present a more coherent view of government spending trends, Tables 5.5 and 5.6 show growth rates that exclude the COVID-19 response. Both reductions and additional allocations announced in the 2020 special adjustments budget and the 2020 MTBPS have been reversed to provide a more comparable base for calculating these growth rates.

Table 5.5 Consolidated government expenditure by economic classification¹

	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth	Average annual MTEF growth excluding COVID-19
R million							
Economic classification							
Current payments	1 148 546	1 208 223	1 245 844	1 281 571	60.8%	3.7%	4.7%
Compensation of employees	636 958	650 404	656 021	659 269	32.0%	1.2%	1.5%
Goods and services	269 944	279 474	273 394	274 975	13.5%	0.6%	3.7%
Interest and rent on land	241 644	278 345	316 429	347 327	15.3%	12.9%	12.9%
<i>of which:</i>							
<i>Debt-service costs</i>	232 852	269 741	308 013	338 591	14.9%	13.3%	13.3%
Transfers and subsidies	741 494	668 910	678 769	686 282	33.1%	-2.5%	2.9%
Municipalities	151 431	150 662	159 590	161 865	7.7%	2.2%	4.3%
Departmental agencies and accounts	28 006	23 699	23 702	23 892	1.2%	-5.2%	-6.0%
Higher education institutions	46 619	49 116	50 186	50 811	2.4%	2.9%	2.3%
Foreign governments and international organisations	2 279	2 802	2 947	2 977	0.1%	9.3%	7.6%
Public corporations and private	28 804	38 864	43 671	47 416	2.1%	18.1%	12.6%
Non-profit institutions	44 231	40 667	42 064	43 462	2.1%	-0.6%	-0.3%
Households	440 124	363 100	356 610	355 860	17.5%	-6.8%	2.5%
Payments for capital assets	74 817	82 987	92 653	97 393	4.4%	9.2%	12.5%
Buildings and other capital assets	54 083	63 087	68 861	71 703	3.3%	9.9%	0.0%
Machinery and equipment	20 734	19 900	23 792	25 690	1.1%	7.4%	12.3%
Payments for financial assets	87 594	48 240	27 221	24 900			
Total	2 052 452	2 008 360	2 044 487	2 090 146	100%	0.6%	
Contingency reserve	–	12 000	5 000	5 000			
Consolidated expenditure	2 052 452	2 020 360	2 049 487	2 095 146		0.7%	3.3%

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

Source: National Treasury

Transfers and subsidies, including transfers to local government and public entities, account for R2.03 trillion or 33.1 per cent of total spending over the medium term.

■ Spending priorities by function

Spending across functions supports the implementation of the National Development Plan and government priorities. New and urgent priorities are funded by reprioritising spending. Efficient and effective spending is central to achieving these priorities. As noted in Chapter 1, government is reviewing spending across sectors to improve its efficiency.

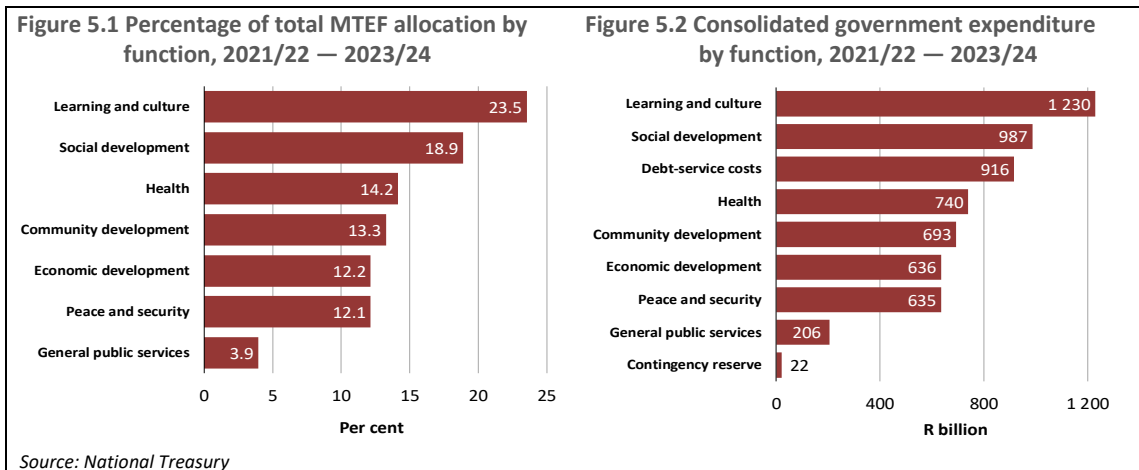
To reduce poverty and inequality, the consolidated budget continues to prioritise social objectives, with 56.6 per cent of allocations going to the learning and culture, health, and social development functions over the medium term. Spending on economic development, community development, and peace and security remain important for socioeconomic transformation and public safety.

Table 5.6 Consolidated government expenditure by function¹

	2020/21 Revised estimate	2021/22 2022/23 2023/24 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth	Average annual MTEF growth excluding COVID-19		
R million							
Learning and culture	387 209	402 929	411 027	415 972	23.5%	2.4%	2.7%
Basic education	266 341	272 340	276 982	279 520	15.9%	1.6%	2.3%
Post-school education and training	111 664	119 587	122 824	124 973	7.0%	3.8%	3.3%
Arts, culture, sport	9 204	11 001	11 221	11 479	0.6%	7.6%	6.5%
Health	247 009	248 839	245 893	245 019	14.2%	-0.3%	2.5%
Social development	413 313	335 290	326 176	325 248	18.9%	-7.7%	2.4%
Social protection	256 813	229 354	239 579	240 845	13.6%	-2.1%	3.1%
Social security funds	156 500	105 936	86 597	84 404	5.3%	-18.6%	0.6%
Community development	211 473	218 795	233 966	240 671	13.3%	4.4%	5.6%
Economic development	191 931	207 529	210 871	217 187	12.2%	4.2%	5.0%
Industrialisation and exports	33 089	36 176	36 780	37 148	2.1%	3.9%	1.3%
Agriculture and rural development	25 326	27 400	28 142	28 432	1.6%	3.9%	1.6%
Job creation and labour affairs	31 585	33 396	23 997	24 229	1.6%	-8.5%	3.5%
Economic regulation and infrastructure	86 499	93 144	103 963	109 513	5.9%	8.2%	8.3%
Innovation, science and technology	15 431	17 412	17 988	17 866	1.0%	5.0%	2.1%
Peace and security	218 615	208 570	212 853	213 417	12.1%	-0.8%	-0.1%
Defence and state security	53 968	46 656	47 811	48 132	2.7%	-3.7%	-2.6%
Police services	106 603	104 570	105 946	105 994	6.1%	-0.2%	1.0%
Law courts and prisons	48 263	48 482	49 632	49 919	2.8%	1.1%	0.8%
Home affairs	9 780	8 862	9 463	9 372	0.5%	-1.4%	-3.2%
General public services	62 458	68 429	68 467	69 141	3.9%	3.4%	3.5%
Executive and legislative organs	14 368	14 476	14 818	14 998	0.8%	1.4%	1.2%
Public administration and fiscal affairs	40 934	46 066	45 417	45 853	2.6%	3.9%	4.4%
External affairs	7 156	7 886	8 233	8 291	0.5%	5.0%	3.0%
Payments for financial assets	87 594	48 240	27 221	24 900			
Allocated by function	1 819 600	1 738 619	1 736 474	1 751 555	100%	-1.3%	1.6%
Debt-service costs	232 852	269 741	308 013	338 591		13.3%	
Contingency reserve	-	12 000	5 000	5 000			
Consolidated expenditure	2 052 452	2 020 360	2 049 487	2 095 146		0.7%	3.3%

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 accounts for R1.23 trillion or 23.5 per cent of consolidated expenditure. The function will continue to receive the largest share of government spending over the period, rising from R387.2 billion in 2020/21 to R416 billion in 2023/24. Expenditure in this function is driven by the basic education sector.

In the basic education sector, compensation of employees in provincial education departments remains the largest spending category, representing 51.2 per cent of total functional expenditure. Low compensation growth of 0.8 per cent over the MTEF period, combined with early retirements, will reduce the number of available teachers. This, coupled with a rising number of learners, implies larger class sizes, especially in no-fee schools, which is expected to negatively affect learning outcomes.

Over the medium term, an allocation of R36.7 billion to the *education infrastructure grant* will be used to roll out new school infrastructure and maintain existing infrastructure. Projects funded by the *school infrastructure backlog grant* will end in 2022/23 and the funds will become part of the *education infrastructure grant* from 2023/24. This will consolidate school infrastructure spending within provincial education departments. To maintain meals for about 9 million learners at 19 950 schools each year, the *national school nutrition programme grant* will cost R25.5 billion over the medium term.

In the post-school education and training sector, slower growth in subsidies and grants for universities, technical and vocational education and training colleges, and the National Student Financial Aid Scheme will require a review of student enrolment growth and bursary allowances. Institutions will need to contain costs, including staff numbers and salaries, and develop ways of using information and communication technology more effectively to enhance blended learning.



Table 5.7 Learning and culture expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Basic education	266 341	272 340	276 982	279 520	67.4%	1.6%
Compensation of employees	206 810	208 199	211 443	212 008	51.4%	0.8%
<i>of which:</i>						
Provincial compensation of employees	206 071	207 453	210 691	211 244	51.2%	0.8%
Goods and services	29 468	27 683	27 416	28 175	6.8%	-1.5%
<i>of which:</i>						
Property payments	3 927	4 494	3 778	4 176	1.0%	2.1%
Workbooks and LTSM ¹	5 928	5 038	5 259	5 402	1.3%	-3.1%
National school nutrition programme	7 666	8 115	8 504	8 879	2.1%	5.0%
Transfers and subsidies	26 444	23 949	24 470	25 828	6.0%	-0.8%
<i>of which:</i>						
Subsidies to schools ²	21 984	19 363	20 448	21 559	5.0%	-0.6%
Education infrastructure grant	8 787	11 689	12 229	12 768	3.0%	13.3%
School infrastructure backlogs grant	1 929	2 037	2 038	1 714	0.5%	-3.9%
Post-school education and training	111 664	119 587	122 824	124 973	29.9%	3.8%
<i>of which:</i>						
University subsidies	43 071	45 562	47 269	47 711	11.4%	3.5%
<i>of which:</i>						
University infrastructure	1 693	2 321	2 245	2 180	0.5%	8.8%
National Student Financial Aid Scheme ³	36 732	37 269	38 354	38 618	9.3%	1.7%
Technical and vocational education and training	12 540	13 045	13 360	13 216	3.2%	1.8%
<i>of which:</i>						
Compensation of employees	7 010	7 509	7 920	8 002	1.9%	4.5%
Subsidies	5 315	5 182	5 011	4 787	1.2%	-3.4%
Community education and training	2 224	2 418	2 482	2 569	0.6%	4.9%
<i>of which:</i>						
Compensation of employees	2 060	2 206	2 260	2 354	0.6%	4.5%
Skills development levy institutions ⁴	17 098	21 293	21 359	22 859	5.3%	10.2%
Arts and culture, sport and recreation	9 204	11 001	11 221	11 479	2.7%	7.6%
Total	387 209	402 929	411 027	415 972	100.0%	2.4%

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

Spending from the skills development levy is projected to increase by 10.2 per cent annually over the medium term. Sector education and training authorities will fund skills programmes, learnerships, internships and apprenticeships, and workplace experience. Over the period,

R65.5 billion will help an estimated 89 000 new artisans to register for training, develop 71 500 qualified artisans and provide more than 320 000 work-based learning opportunities.

The sports, arts and culture sector will continue to focus on social cohesion. An allocation of R33.7 billion over the medium term will support community library services, heritage legacy and job creation projects, school sport and indigenous games, and help drive transformation in sport.

Social development

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

Table 5.8 Social protection expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Social protection expenditure	256 813	229 354	239 579	240 845	100.0%	-2.1%
<i>of which:</i>						
<i>Social grants</i>	220 607	195 516	205 295	206 083	85.5%	-2.2%
<i>of which:</i>						
Child support	84 886	73 318	77 224	77 019	32.1%	-3.2%
Old age ¹	83 107	86 488	93 147	95 101	38.7%	4.6%
Disability	24 390	23 579	24 704	24 301	10.2%	-0.1%
Foster care	5 046	4 338	4 057	3 575	1.7%	-10.9%
Care dependency	3 569	3 658	3 875	3 890	1.6%	2.9%
Grant-in-aid	1 632	1 600	1 901	1 810	0.7%	3.5%
Social relief of distress	17 977	2 536	387	388	0.5%	-72.2%
Provincial social development	22 998	23 644	23 875	24 233	10.1%	1.8%
Women, youth and persons with disabilities	621	764	778	782	0.3%	8.0%
<i>of which:</i>						
Women	231	264	266	268	0.1%	5.1%
Youth	377	483	494	496	0.2%	9.6%
Persons with disabilities	13	17	18	18	0.0%	11.5%
Total	256 813	229 354	239 579	240 845	100.0%	-2.1%
<i>Social grants as percentage of GDP</i>	4.5%	3.7%	3.6%	3.4%		
Social grant beneficiary numbers by grant type (thousands)						
Child support	13 009	13 261	13 515	13 767	71.5%	1.9%
Old age ¹	3 741	3 860	3 978	4 098	21.0%	3.1%
Disability	1 001	999	996	993	5.3%	-0.3%
Foster care	315	284	255	229	1.4%	-10.0%
Care dependency	151	156	162	167	0.9%	3.3%
Total	18 218	18 559	18 905	19 256	100.0%	1.9%

1. Includes war veterans

Source: National Treasury

Over the medium term, social development spending is the second-largest spending priority, accounting for 18.9 per cent of consolidated government expenditure. Over the MTEF period, the budgets for provincial departments of social development include R2.3 billion in allocations earmarked for specific purposes. This includes R1.2 billion to continue to employ social workers and R603.3 million for programmes to

mitigate the social effects of HIV, gender-based violence and substance abuse.

Provinces will also receive R3.5 billion from the Department of Social Development through the *early childhood development grant* to improve access to quality early childhood development services. In addition, R678.3 million is earmarked for provincial departments of social development and basic education to continue rolling out free sanitary products for learners from low-income households.

Social grants



Over the MTEF period, the social grants budget is reduced by 2.2 per cent. In 2021/22, the *special COVID-19 social relief of distress grant* is allocated R2.1 billion to extend it until the end of April 2021. Total social grants are reduced by R5.8 billion in 2021/22, R10.7 billion in 2022/23 and R19.5 billion in 2023/24. All grant values will increase by less than inflation. The number of beneficiaries is expected to increase by about 300 000 people over the period.

Table 5.9 Average monthly social grant values

Rand	2020/21	2021/22	Percentage increase
Old age	1 860	1 890	1.6%
Old age, over 75	1 880	1 910	1.6%
War veterans	1 880	1 910	1.6%
Disability	1 860	1 890	1.6%
Foster care	1 040	1 050	1.0%
Care dependency	1 860	1 890	1.6%
Child support	445	460	3.4%

Source: National Treasury

Women, youth and persons with disabilities

Over the medium term, the Department of Women, Youth and Persons with Disabilities is allocated R15 million to establish and operationalise a national council for gender-based violence and femicide. The council will provide strategic leadership and guidance on planned interventions. The National Youth Development Agency will receive R1.4 billion for its operations and youth employment support programmes.

Health



The health function promotes health and ensures equitable access to caring and high-quality healthcare services. Expenditure on this function over the medium term will make up 14.2 per cent of total government spending, declining from R247 billion in 2020/21 to R245 billion in 2023/24. Provincial health departments receive about 92 per cent (R678.7 billion) of these medium-term allocations.

Reductions to the sector, mostly focused on compensation spending, are estimated at about R50.3 billion over the 2021 MTEF period. The other budget reductions require health departments to increase efficiency, for example, by generating savings through centralised procurement of certain goods, reducing variations in unit costs in HIV programmes and improving management of overtime costs.

The COVID-19 pandemic has had a massive impact on the South African health system. As at 16 February 2021, the country had 1.5 million confirmed cases and over 137 000 excess deaths as reported by the South African Medical Research Council. During 2020/21, government responded by allocating approximately R20 billion to the health sector, enabling it to expand prevention, screening, testing and hospital capacity. To enable the sector to sustain these activities and respond to possible future waves of COVID-19 infection, an additional R8 billion will be allocated to provincial health departments through the provincial equitable share in 2021/22.



Over the MTEF period, R29.4 million is allocated to Tygerberg Regional Hospital and R100 million to Klipfontein Regional Hospital in the Western Cape through the *health facility revitalisation grant*.

Table 5.10 Health expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	247 009	248 839	245 893	245 019	100.0%	-0.3%
<i>of which:</i>						
<i>Central hospital services</i>	44 649	44 084	45 133	46 552	18.4%	1.4%
<i>Provincial hospital services</i>	37 158	38 126	39 108	39 032	15.7%	1.7%
<i>District health services</i>	106 127	105 512	107 880	107 617	43.4%	0.5%
<i>of which:</i>						
<i>HIV, TB, malaria and community outreach</i>	27 410	27 827	28 151	27 331	11.3%	-0.1%
<i>Emergency medical services</i>	7 273	7 831	8 083	8 133	3.3%	3.8%
<i>Facilities management and maintenance</i>	14 414	9 738	10 417	10 616	4.2%	-9.7%
<i>Health science and training</i>	5 160	5 765	5 960	5 721	2.4%	3.5%
<i>National Health Laboratory Service</i>	8 703	9 778	9 628	10 021	4.0%	4.8%
<i>National Department of Health¹</i>	6 646	10 167	8 588	6 769	3.5%	0.6%
Total	247 009	248 839	245 893	245 019	100.0%	-0.3%
<i>of which:</i>						
<i>Compensation of employees</i>	145 098	150 744	149 840	149 179	60.8%	0.9%
<i>Goods and services</i>	72 814	80 105	75 440	74 223	31.1%	0.6%
<i>Transfers and subsidies</i>	6 511	6 518	7 580	8 264	3.0%	8.3%
<i>Buildings and other fixed structures</i>	9 853	6 445	8 249	8 675	3.2%	-4.2%
<i>Machinery and equipment</i>	7 781	5 007	4 767	4 662	2.0%	-15.7%

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas
Source: National Treasury

Community development

This function facilitates access to housing and basic services and affordable public transport. It also supports spatial transformation and urban development. Over the medium term, total expenditure is expected to grow from R211.5 billion in 2020/21 to R240.7 billion in 2023/24.

Water, sanitation, electricity, housing and public transport functions are delivered by municipalities, provinces and public entities. As a result, transfers and subsidies are the largest share of expenditure in this function. Transfers to the local government equitable share remain the largest spending item, in order to fund municipalities to provide free basic



services for low-income households and subsidise poorer municipalities. As a result of once-off allocations to support municipalities in 2020/21 and spending reductions, the equitable share will decline by 0.4 per cent over the medium term.

The Passenger Rail Agency of South Africa faces significant financial imbalances. Persistent capital budget underspending and growing operational deficits as a result of vandalism of rail infrastructure, alongside a significant decline in passenger ridership, mean the agency has large cash balances for infrastructure with insufficient funds to run reliable services. As a result, capital transfers are reduced by R5.4 billion over the medium term to allow the use of existing capital funds.

New conditional grants to provinces and municipalities to upgrade informal settlements are introduced in 2021/22. Communities and community-based organisations will lead the planning and design of upgrades, with R24.8 billion allocated over the medium term to secure tenure and provide basic services in 900 informal settlements by 2024.

Table 5.11 Community development expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Community development	211 473	218 795	233 966	240 671	100.0%	4.4%
<i>of which:</i>						
<i>Human settlements</i>	34 892	36 492	38 035	39 437	16.4%	4.2%
<i>Public transport, including commuter rail</i>	39 258	44 987	50 171	52 938	21.4%	10.5%
<i>Local government equitable share</i>	84 483	77 999	83 085	83 570	35.3%	-0.4%
<i>Municipal infrastructure grant</i>	14 491	15 593	16 852	17 595	7.2%	6.7%
<i>Regional and local water and sanitation services</i>	10 873	11 248	11 756	12 245	5.1%	4.0%
<i>Electrification programmes</i>	3 610	5 147	6 071	6 309	2.5%	20.5%
Total	211 473	218 795	233 966	240 671	100.0%	4.4%
<i>of which:</i>						
<i>Compensation of employees</i>	18 031	18 899	19 529	19 998	8.4%	3.5%
<i>Goods and services</i>	14 851	14 986	15 801	16 029	6.8%	2.6%
<i>Transfers and subsidies</i>	168 894	173 142	182 766	186 803	78.3%	3.4%
<i>Buildings and other fixed structures</i>	5 631	6 814	7 204	7 572	3.1%	10.4%
<i>Machinery and equipment</i>	2 717	4 668	8 382	9 987	3.3%	54.3%

Source: National Treasury

Economic development

This function promotes faster and sustained inclusive economic growth to address unemployment, poverty and inequality. Expenditure in the function will rise from R191.9 billion in 2020/21 to R217.2 billion in 2023/24.

The baseline for this functional group is reduced by R11 billion over the medium term. This mainly affects compensation of employees, transfers and subsidies, and selected goods and services including in the Expanded Public Works Programme. The reductions affected allocations to entities and incentive programmes such as the Comprehensive Agriculture Support Programme, manufacturing development, the Clothing and

Textile Competitiveness Programme, global business processing, film and television, tourism and small business support.

Over the medium term, R14.6 billion is allocated to finalise outstanding land restitution claims and support land reform initiatives, including for subsistence and smallholder farmers. An additional R1.2 billion in the blended finance programme is earmarked for emerging commercial farmers.



An allocation of R81.6 billion over the medium term will support the expansion of public employment programmes. A total of R1 billion is set aside to enhance accountability for waste management. This funding will support the development of a new tyre waste industry plan, the review of producer responsibility regulations and the development of a Waste Economy Master Plan. The Tourism Equity Fund is established with R540 million to support black-owned and commercially viable enterprises to acquire shares in tourism enterprises.

Over the medium term, the Department of Science and Innovation has set aside R5.3 billion to scale up interventions supporting the local production of ventilators, nano satellites, hydrogen fuel cell technologies, and renewable energy research development and pilots such as the KwaZulu-Natal Research Innovation and Sequencing Platforms. The Small Enterprise Finance Agency is allocated R885.3 million over the same period for a blended finance model to support small and medium enterprises, and allocated R2.9 billion under the Township and Rural Entrepreneurship Fund to support small businesses in rural areas and townships.

To support industry, R17.1 billion is allocated to the Department of Trade, Industry and Competition for business incentives including manufacturing, special economic zones, the clothing and textile sector and services sector development. These incentives will support the national industrial strategy.



The Department of Environment, Forestry and Fisheries has set aside R1.2 billion over the MTEF period to support climate resilience initiatives, including a legislative framework, intergovernmental coordination and job resilience plans.

Table 5.12 Economic development expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Economic regulation and infrastructure	86 499	93 144	103 963	109 513	48.2%	8.2%
<i>of which:</i>						
<i>Water resource and bulk infrastructure</i>	28 581	25 730	30 622	30 013	13.6%	1.6%
<i>Road infrastructure</i>	40 134	46 889	49 647	53 249	23.6%	9.9%
<i>Environmental programmes</i>	8 052	6 944	7 007	7 035	3.3%	-4.4%
Job creation and labour affairs	31 585	33 396	23 997	24 229	12.8%	-8.5%
<i>of which:</i>						
<i>Employment programmes¹</i>	21 539	33 396	23 997	24 229	12.8%	4.0%
Industrialisation and exports	33 089	36 176	36 780	37 148	17.3%	3.9%
<i>of which:</i>						
<i>Economic development and incentive programmes</i>	17 773	18 057	18 219	18 474	8.6%	1.3%
Innovation, science and technology	15 431	17 412	17 988	17 866	8.4%	5.0%
Agriculture and rural development	25 326	27 400	28 142	28 432	13.2%	3.9%
<i>of which:</i>						
<i>Land reform</i>	1 005	1 107	1 127	1 132	0.5%	4.0%
<i>Agricultural land holding account</i>	1 579	1 159	1 234	1 138	0.6%	-10.3%
<i>Restitution</i>	2 922	3 487	3 818	3 969	1.8%	10.7%
<i>Farmer support and development</i>	2 168	2 447	2 509	2 583	1.2%	6.0%
Total	191 931	207 529	210 871	217 187	100.0%	4.2%
<i>of which:</i>						
<i>Compensation of employees</i>	55 036	56 427	57 040	58 684	27.1%	2.2%
<i>Goods and services</i>	61 383	66 538	62 439	62 043	30.1%	0.4%
<i>Transfers and subsidies</i>	47 598	42 513	46 357	47 820	21.5%	0.2%
<i>Buildings and other fixed structures</i>	22 001	29 157	32 679	35 344	15.3%	17.1%
<i>Machinery and equipment</i>	3 602	3 709	3 758	4 206	1.8%	5.3%

1. Includes the Expanded Public Works Programme, the Community Works Programme and the Jobs Fund
Source: National Treasury

Economic regulation and infrastructure

Road infrastructure is the largest spending programme in the economic development function. Total expenditure is expected to grow at an average annual growth rate of 8.2 per cent from R86.5 billion in 2020/21 to R109.5 billion in 2023/24. This is largely due to underspending on capital expenditure programmes in 2020/21, which is expected to recover over the medium term. In addition, capital programmes are protected from budget reductions in line with government's commitment to investing in infrastructure.



To fund new bulk water projects and maintain raw water infrastructure, spending on national water resource management is expected to grow from R28.6 billion in 2020/21 to R30 billion in 2023/24. Planned expenditure over the medium term includes phase 2 of the Lesotho Highlands Water Project and the Mokolo Crocodile Water Augmentation Project.

The Independent Communications Authority of South Africa will start auctioning high-demand spectrum in 2021. To unlock spectrum currently taken up by broadcasting for high-speed internet, the Universal Services Access Agency of South Africa will issue vouchers to 2.8 million low-

income households by 31 March 2022, to allow analogue televisions to receive digital signals.

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. The function accounts for 12.1 per cent of consolidated expenditure, declining from R218.6 billion in 2020/21 to R213.4 billion in 2023/24.



Most departments in this function are labour intensive, which means that spending reductions primarily affect personnel. This requires rationalising organisational structures to avoid compromising frontline services and operations. Over the medium term, compensation of employees decreases by R64.7 billion, implying a reduction in personnel.

The Department of Justice and Constitutional Development is allocated R1.8 billion over the medium term to improve business processes. Through the Justice Modernisation Programme, the department aims to develop electronic systems to improve service delivery. Various court administration processes will be provided online. A further R105 million is set aside for the Information Regulator to appoint 54 new personnel to enforce compliance with the Protection of Personal Information Act (2013) and the Promotion of Access to Information Act (2000).



The President recently assented to the Border Management Authority Act (2020), which establishes the Border Management Authority as a schedule 3A public entity. It will cooperate and coordinate border law enforcement functions with other organs of state and border communities, among other functions. A total of R124.9 million is allocated over the medium term to operationalise this entity. Border safeguarding efforts will be bolstered by R3.6 billion in the Department of Defence's baseline over the medium term.

Table 5.13 Peace and security expenditure

R million	2020/21 Revised estimate	2021/22	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Defence and state security	53 968	46 656	47 811	48 132	22.5%	-3.7%
Police services	106 603	104 570	105 946	105 994	49.9%	-0.2%
Law courts and prisons	48 263	48 482	49 632	49 919	23.3%	1.1%
Home affairs	9 780	8 862	9 463	9 372	13.4%	-1.4%
Total	218 615	208 570	212 853	213 417	100.0%	-0.8%
<i>of which:</i>						
<i>Compensation of employees</i>	146 621	146 573	146 811	147 190	69.4%	0.1%
<i>Goods and services</i>	51 637	45 567	47 584	48 591	22.3%	-2.0%
<i>Transfers and subsidies</i>	13 924	9 455	10 438	10 139	4.7%	-10.0%
<i>Buildings and other fixed structures</i>	1 570	2 682	3 204	3 011	1.4%	24.3%
<i>Machinery and equipment</i>	4 549	4 179	4 707	4 431	2.1%	-0.9%

Source: National Treasury

General public services

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



The Department of Public Service and Administration is developing measures to reduce an unsustainable public-service wage bill. The department will reprioritise R19 million to conduct personnel expenditure reviews from 2021/22 to 2022/23. The reviews will encompass national, provincial and state-owned enterprises. The Department of Public Enterprises will reprioritise R40.9 million to operationalise the Presidential State-Owned Enterprises Council, an advisory body that will help government reposition state-owned companies, and develop legislation over the medium term to strengthen governance of these companies.

Over the MTEF period, the Department of Planning, Monitoring and Evaluation has reprioritised R20.6 million to revise the framework for strategic and annual performance plans, and enhance the quarterly performance reporting system.

Table 5.14 General public services expenditure

R million	2020/21 Revised estimate	2021/22 Medium-term estimates	2022/23	2023/24	Percentage of total MTEF allocation	Average annual MTEF growth
Executive and legislative organs	14 368	14 476	14 818	14 998	21.5%	1.4%
Public administration and fiscal affairs	40 934	46 066	45 417	45 853	66.7%	3.9%
External affairs	7 156	7 886	8 233	8 291	11.8%	5.0%
Total	62 458	68 429	68 467	69 141	100.0%	3.4%
<i>of which:</i>						
<i>Compensation of employees</i>	30 432	32 634	33 433	33 667	48.4%	3.4%
<i>Goods and services</i>	20 349	23 484	22 739	23 086	33.6%	4.3%
<i>Transfers and subsidies</i>	1 695	9 548	9 757	9 668	14.1%	78.7%
<i>Buildings and other fixed structures</i>	1 395	1 348	1 242	1 302	1.9%	-2.3%
<i>Machinery and equipment</i>	866	1 051	877	1 120	1.5%	8.9%

Source: National Treasury

Conclusion

While including significant spending reductions to consolidate the public finances, the 2021 Budget continues to allocate a majority of spending to social priorities. Emerging cost pressures, including new and urgent priorities, are funded through additional funding, baseline reallocations and reprioritisations over the medium term. Government is prioritising access to the COVID-19 vaccine to support health and economic activity. Debt-service costs increase at an annual average rate of 13.3 per cent, reaching R338.6 billion in 2023/24.