

5

Consolidated spending plans

In brief

- Main budget non-interest spending increases by a net R282.3 billion over the medium-term expenditure framework (MTEF) period compared to the 2021 Budget. This increase is supported by higher-than-anticipated revenue collections and does not jeopardise the path to deficit reduction.
- Total consolidated government spending will amount to R6.62 trillion over the next three years.
- Additional allocations of R110.8 billion in 2022/23, R60 billion in 2023/24 and R56.6 billion in 2024/25 are made for several priorities that could not be funded through reprioritisation. These include the *special COVID-19 social relief of distress grant*, the continuation of bursaries for students benefiting from the National Student Financial Aid Scheme, and the presidential employment initiative.
- Debt-service costs will average R333.4 billion per year.

Overview

Over the next three years, government's proposed spending plans include an allocation of R3.33 trillion, or 59.4 per cent of total non-interest spending, for the social wage. An amount of R18.4 billion is allocated to support youth employment and the creation of short-term jobs in 2022/23 and 2023/24 under the presidential employment initiative. Consolidated spending is expected to amount to R6.62 trillion over the MTEF period.

Debt-service costs account for 15.1 per cent of total spending and grow faster than all functions, including learning and culture and health. Reducing the crowding-out effects of debt-service costs is a key fiscal policy goal, and government remains committed to stabilising debt levels, as discussed in Chapters 3 and 7.

Compensation spending will increase marginally, from R665.1 billion in 2021/22 to R702 billion in 2024/25, at an average annual rate of 1.8 per cent. As outlined in the 2021 *Medium Term Budget Policy*



Statement (MTBPS), government has allocated additional funding of R20.5 billion in 2022/23 to meet the cost implications of the 2021 public-service wage agreement. No provision is made over the medium term for spending increases on compensation above this level. Departments are required to continue adhering to their compensation ceilings and, if needed, reduce personnel numbers to sustainable levels.



Existing cost pressures are partly funded through a combination of reallocations and reprioritisations. The 2022 Budget also includes the allocation of additional funds to address priorities associated with the impact of COVID-19 and to meet urgent service delivery needs over the next three years. These include:

- R44 billion in 2022/23 to extend the *special COVID-19 social relief of distress grant* for 12 months.
- R32.6 billion for financial support to current bursary holders and first-year students under the National Student Financial Aid Scheme.
- R28.9 billion for the local government equitable share.
- R24.6 billion for provincial education departments mainly to address the shortfall in compensation budgets.
- R15.6 billion to provincial health departments to support their continued response to the COVID-19 pandemic, and to bridge shortfalls in essential goods and services.



Over the period ahead, any permanent new spending commitments, such as additional social protection, must be fully financed by tax measures or spending cuts. This approach prevents a deterioration of fiscal balances – the deficit and the debt – as the economy recovers. This is critical to ensure that the public finances are not overextended when the economic cycle turns negative in future.

Revisions to main budget spending plans

Over the MTEF period, higher-than-anticipated revenue collections are divided between reducing debt and financing urgent priorities. As a result, no new spending reductions are implemented in the 2022 Budget.

The fiscal framework does not include permanent increases for new spending priorities such as the *special COVID-19 social relief of distress grant* and the presidential employment initiative, because these require a sustainable financing model. Policy discussions in this regard will continue, and these matters will receive attention in the 2022 MTBPS. Table 5.1 summarises additional funding allocated for spending pressures over the MTEF period.



Main budget non-interest spending will increase from R1.67 trillion in 2022/23 to R1.73 trillion in 2024/25. This represents a net increase of R282.3 billion in spending relative to the 2021 Budget. The largest allocation of additional funds is to extend the *special COVID-19 social relief of distress grant* until March 2023. A further R14.7 billion is allocated to increase social grants in line with inflation in 2023/24 and 2024/25 and for a new *extended child support grant* for double orphans. The National Student Financial Aid Scheme will receive a further R32.6 billion over the medium term, with the Department of Higher Education and Training

expected to fund any shortfall in funding for student bursaries that may arise.

Table 5.1 Spending pressures funded over the MTEF period

R million	2022/23	2023/24	2024/25	MTEF total
Social welfare interventions and free basic services	48 227	16 704	22 634	87 565
Extension of special COVID-19 social relief of distress grant	44 000	–	–	44 000
Social grant CPI shortfall and double orphans provision	–	6 187	8 471	14 658
Local government equitable share	4 227	10 517	14 163	28 907
Health pressures	10 757	4 649	5 682	21 088
Provincial health (provincial equitable share)	7 414	3 415	4 740	15 569
Medical interns and community service doctors	1 093	1 234	942	3 269
COVID-19 vaccination programme ¹	2 250	–	–	2 250
Education pressures	16 763	18 838	21 544	57 145
Provincial education (provincial equitable share)	8 987	7 615	7 957	24 559
Higher education: National Student Financial Aid Scheme	7 776	11 223	13 587	32 586
Infrastructure investments and employment	10 059	13 815	4 000	27 874
Presidential employment initiative	9 000	9 400	–	18 400
Rehabilitation of the national non-toll road network: SANRAL	–	3 000	4 000	7 000
Disaster recovery due to storms and floods	1 059	1 415	–	2 474
Other priorities	25 009	6 020	2 719	33 748
Provision for wage bill adjustments	20 512	–	–	20 512
Capacitation of the security cluster departments	1 489	2 470	3 489	7 448
Other spending pressures	3 008	3 550	-770	5 789
Total spending pressures funded in 2022 Budget	110 815	60 026	56 579	227 420

1. Includes a provisional allocation of R1.3 billion

Source: National Treasury

The health sector will receive an additional medium-term allocation of R21.1 billion, largely to support provinces' ongoing response to the COVID-19 pandemic, and the appointment of medical interns and community service doctors. Other spending adjustments include R28.9 billion for the local government equitable share, R24.6 billion for provincial education departments, R18.4 billion for the presidential employment initiative and R7.4 billion to hire additional personnel in security cluster departments, mainly to intensify the fight against crime and corruption.



Table 5.2 Social wage

R billion	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Outcome			Revised	Medium-term estimates		
Community development	149.3	152.5	162.2	168.8	188.8	204.5	217.9
Housing development	29.0	28.8	23.7	28.4	28.8	30.7	31.6
Transport	25.3	25.3	25.9	30.6	35.4	39.9	43.0
Water services	5.5	4.4	4.0	4.4	4.6	4.8	5.1
Local government ¹	89.4	93.9	108.6	105.3	119.9	129.0	138.2
Employment programmes	19.6	21.6	19.1	21.6	24.8	25.3	25.9
Health	190.3	205.8	222.7	226.2	234.0	226.1	235.2
Basic education	223.9	239.3	247.6	260.7	266.7	265.9	275.0
Higher education and training	35.7	44.4	44.3	60.9	59.9	63.4	68.0
Social protection	186.9	217.0	247.7	255.0	276.1	240.7	253.1
<i>of which: Social grants</i>	<i>162.7</i>	<i>190.3</i>	<i>218.9</i>	<i>224.5</i>	<i>248.3</i>	<i>212.3</i>	<i>223.8</i>
Social security funds	55.0	51.9	105.7	82.3	71.1	59.7	51.6
Social wage	860.7	932.5	1 049.4	1 075.5	1 121.4	1 085.6	1 126.7
<i>Percentage of non-interest spending</i>	<i>58.9%</i>	<i>58.2%</i>	<i>60.6%</i>	<i>59.5%</i>	<i>60.4%</i>	<i>58.9%</i>	<i>58.7%</i>
<i>Percentage of consolidated spending</i>	<i>52.4%</i>	<i>51.6%</i>	<i>53.4%</i>	<i>51.8%</i>	<i>52.0%</i>	<i>49.9%</i>	<i>49.4%</i>

1. Includes local government equitable share

Source: National Treasury

Presidential employment initiative

The presidential employment initiative was launched in October 2020 in response to the impact of the COVID-19 pandemic, with a focus on unemployed youth. To date, this initiative has provided support to more than 840 000 people through a combination of job creation, job retention and income and skills support interventions. A total of R12.6 billion was allocated for the first phase, which started in October 2020, and R10.9 billion was allocated for the second phase, which started in October 2021. Over the next two years, R18.4 billion is allocated for the third phase of the initiative to create over 500 000 targeted short-term jobs in each year.

Presidential employment initiative - 2022 MTEF allocations

Department	Name of initiative	2022/23		2023/24	
		Budget allocation (R thousand)	Targeted short-term jobs	Budget allocation (R thousand)	Targeted short-term jobs
National Treasury: neighbourhood development partnership grant	Metro Presidential Employment Programme Innovation Grant Placemaking in Townships, Informal Settlements and Inner Cities	800 000	33 000	855 600	33 000
Employment and Labour	Pathway management network	304 934	127 500	372 234	127 500
Trade, Industry and Competition	Social employment fund	861 566	33 000	787 941	35 000
National Treasury: provincial equitable share	Basic Education: presidential employment initiative	6 199 000	250 000	6 463 000	250 000
Higher Education and Training	Graduate placement in universities	94 500	3 000	99 225	3 000
Higher Education and Training	National Skills Fund: Pay for performance model	100 000	8 000	110 000	8 000
Sport, Arts and Culture	Creative sector support	440 000	24 405	462 000	24 405
Women, Youth and Persons with Disabilities	National youth service	200 000	35 000	250 000	35 000
Total		9 000 000	513 905	9 400 000	515 905

Source: National Treasury

Provisional allocations

The 2022 Budget includes provisional allocations totalling R65.9 billion over the MTEF period, as shown in Table 5.3. These allocations will only be confirmed once certain requirements have been met, and the 2022/23 allocations will be reviewed in the 2022 MTBPS. The largest allocations are to Eskom for the settlement of its debt and interest and to the Infrastructure Fund.

Table 5.3 Provisional allocations not assigned to votes

R million	2022/23	2023/24	2024/25	MTEF total
2022 Budget including baseline adjustments				
Infrastructure Fund	4 197	5 428	7 869	17 494
Eskom	–	21 015	22 000	43 015
Public entity: South African Social Security Agency	–	500	522	1 022
Broadband (South Africa Connect Phase 2)	–	1 230	1 285	2 515
Construction of the Klipfontein hospital	–	–	60	60
Construction of the Tygerberg hospital	–	–	213	213
COVID-19 vaccination programme	1 250	–	–	1 250
General buffer funds (was originally Township Entrepreneurship Fund)	122	123	128	373
Total	5 569	28 295	32 078	65 942

Source: National Treasury

Consolidated government expenditure

Total consolidated government spending is expected to grow at an average annual rate of 3.2 per cent, from R2.08 trillion in 2021/22 to R2.28 trillion in 2024/25. The social wage will make up 59.4 per cent of total non-interest spending over this period. Economic development and community development grow faster than other functions at 8.5 per cent and 7.9 per cent respectively. This is mainly due to the allocation of additional funding to address the backlog in the rehabilitation of the non-toll road network and to the local government equitable share to cover shortfalls from bulk services that cannot be recovered through charges to poor households. Spending in other functions grows marginally or contracts, mainly due to downward revisions to spending implemented in the 2021 Budget, or once-off allocations made in 2021/22 and 2022/23.

Debt-service costs will average R333.4 billion annually over the MTEF period. At 10.7 per cent, they grow faster than any function.

In terms of economic classification, Table 5.5 shows that current payments form the largest share (60.4 per cent) of the budget. Compensation of employees is the biggest cost driver in this category, and the second-largest spending item after transfers and subsidies. It will increase at an average annual rate of 1.8 per cent, from R665.1 billion in 2021/22 to R702 billion in 2024/25. Departments remain responsible for budgeting within their compensation ceilings.

Transfers and subsidies constitute 33.4 per cent of the budget, with the bulk of these transfers funding social grants. The three-year allocation of



R76.9 billion for payments for financial assets is mainly for the recapitalisation of Eskom and the Land Bank.

Table 5.4 Consolidated government expenditure by function¹

R million	2021/22 Revised estimate	2022/23 2023/24 2024/25 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth		
Learning and culture	421 379	441 494	445 969	457 988	24.3%	2.8%
Basic education	284 297	298 102	297 301	301 262	16.2%	2.0%
Post-school education and training	125 921	131 551	137 001	145 050	7.5%	4.8%
Arts, culture, sport and recreation	11 161	11 841	11 667	11 675	0.6%	1.5%
Health	256 198	259 017	247 625	257 496	13.8%	0.2%
Social development	352 689	364 412	317 557	322 228	18.1%	-3.0%
Social protection	258 894	280 208	244 664	257 180	14.1%	-0.2%
Social security funds	93 795	84 204	72 893	65 048	4.0%	-11.5%
Community development	212 543	236 348	252 223	266 717	13.6%	7.9%
Economic development	201 044	227 112	237 378	256 784	13.0%	8.5%
Industrialisation and exports	38 638	39 190	37 624	38 852	2.1%	0.2%
Agriculture and rural development	27 134	27 453	27 439	28 404	1.5%	1.5%
Job creation and labour affairs	21 637	24 829	25 866	26 531	1.4%	7.0%
Economic regulation and infrastructure	96 314	117 517	128 628	144 629	7.1%	14.5%
Innovation, science and technology	17 320	18 123	17 820	18 368	1.0%	2.0%
Peace and security	218 415	220 673	217 028	226 628	12.0%	1.2%
Defence and state security	49 042	49 983	48 871	50 289	2.7%	0.8%
Police services	108 453	110 220	108 577	114 222	6.0%	1.7%
Law courts and prisons	49 713	50 800	50 015	52 296	2.8%	1.7%
Home affairs	11 208	9 670	9 564	9 822	0.5%	-4.3%
General public services	71 895	69 224	69 294	70 464	3.8%	-0.7%
Executive and legislative organs	15 002	14 844	15 212	15 293	0.8%	0.6%
Public administration and fiscal affairs	48 416	46 084	45 791	46 251	2.5%	-1.5%
External affairs	8 477	8 296	8 292	8 920	0.5%	1.7%
Payments for financial assets	74 580	27 181	24 750	24 966		
Allocated by function	1 808 743	1 845 461	1 811 823	1 883 271	100%	1.4%
Debt-service costs	268 306	301 806	334 979	363 515		10.7%
Contingency reserve	–	10 000	5 000	5 000		
Unallocated reserve	–	–	25 000	30 000		
Consolidated expenditure	2 077 049	2 157 267	2 176 802	2 281 785		3.2%

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

Source: National Treasury

Table 5.5 Consolidated government expenditure by economic classification¹

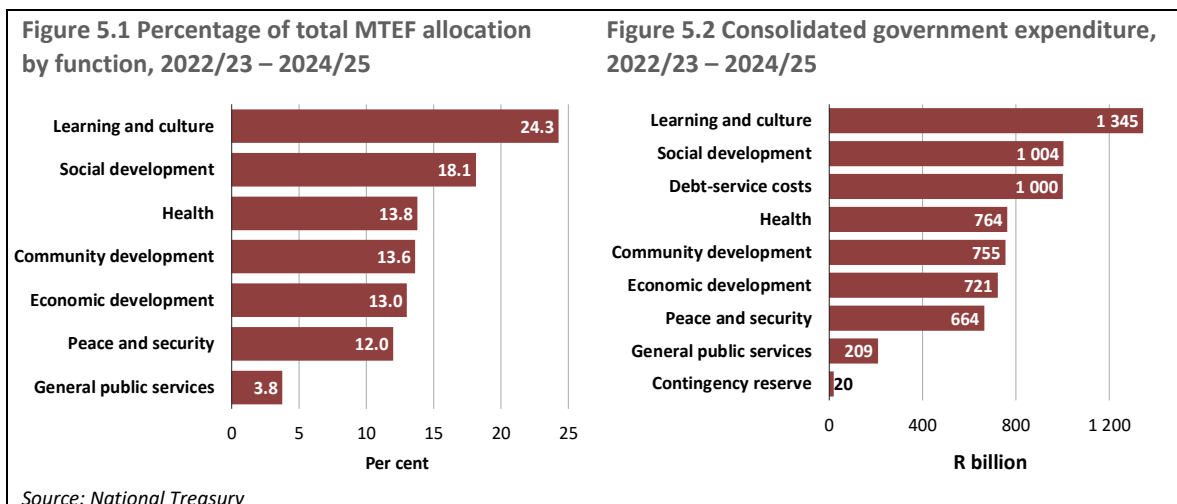
R million	2021/22 Revised estimate	2022/23 Medium-term estimates	2023/24 Medium-term estimates	2024/25 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth
Economic classification						
Current payments	1 219 835	1 278 073	1 300 305	1 373 897	60.4%	4.0%
Compensation of employees	665 064	682 495	675 021	701 967	31.5%	1.8%
Goods and services	277 904	284 750	281 579	299 917	13.2%	2.6%
Interest and rent on land	276 867	310 828	343 705	372 013	15.7%	10.3%
<i>of which:</i>						
<i>Debt-service costs</i>	268 306	301 806	334 979	363 515	15.3%	10.7%
Transfers and subsidies	700 391	739 616	712 642	731 726	33.4%	1.5%
Municipalities	148 746	164 229	173 939	184 367	8.0%	7.4%
Departmental agencies and accounts	25 350	25 448	25 686	25 462	1.2%	0.1%
Higher education institutions	49 991	54 667	54 663	56 738	2.5%	4.3%
Foreign governments and international organisations	3 508	2 983	2 985	3 374	0.1%	-1.3%
Public corporations and private enterprises	38 457	42 752	47 357	50 778	2.2%	9.7%
Non-profit institutions	40 099	44 328	44 816	40 075	2.0%	-0.0%
Households	394 239	405 211	363 197	370 932	17.4%	-2.0%
Payments for capital assets	82 243	102 397	109 106	116 196	5.0%	12.2%
Buildings and other capital assets	59 786	77 425	83 871	88 622	3.8%	14.0%
Machinery and equipment	22 457	24 972	25 235	27 574	1.2%	7.1%
Payments for financial assets	74 580	27 181	24 750	24 966		
Total	2 077 049	2 147 267	2 146 802	2 246 785	100%	2.7%
Contingency reserve	–	10 000	5 000	5 000		
Unallocated reserve	–	–	25 000	30 000		
Consolidated expenditure	2 077 049	2 157 267	2 176 802	2 281 785		3.2%

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

■ Spending priorities by function

The learning and culture function receives the largest share (24.3 per cent) of the total consolidated budget over the next three years. The bulk of this allocation is for basic education. General public services, which mainly supports administrative and policy departments in the centre of government, will receive the smallest share (3.8 per cent) of the total.

Spending across functions supports the implementation of new and existing policy priorities. Reprioritisation and reallocation of funds within departments and functions, as well as across functions, remain the key instruments for financing these priorities.



Learning and culture



This function includes basic and post-school education and training, as well as sport, arts and culture. Compensation of employees in basic education represents the largest proportion of the function's spending at 50 per cent and absorbs on average 77 per cent of provincial education budgets. Despite additions to the provincial equitable share, mainly for shortfalls in compensation budgets in education (which are discussed in Chapter 6), slow growth of 1.9 per cent on this item over the medium term will result in fewer teachers and increased class sizes in some provinces.

From 2022/23, the early childhood development function will be shifted from the social development to the basic education sector, resulting in an increase of R3.7 billion in the basic education baseline over the medium term. The *national school nutrition programme grant* is allocated R26.7 billion over the medium term to deliver meals to 9 million learners on each day of schooling, irrespective of the rotational school schedule.

In post-school education and training, baseline growth of 5.1, 3.8 and 3.6 per cent is projected for subsidies and grants to universities, technical and vocational education and training (TVET) colleges, and the National Student Financial Aid Scheme respectively. Over the medium term, this will allow the sector to remain stable and improve the quality of higher education.

A ministerial task team is developing a new student funding model for higher education and training to be introduced in 2023. In the meantime, an additional R32.6 billion is allocated to the National Student Financial Aid Scheme over the medium term to continue the current bursaries for students from families with annual incomes below R350 000, and to fund the new cohort of entrants to institutions of higher learning. Any shortfalls in funding for these student bursaries will be covered by the Department of Higher Education and Training through reprioritisation. The Student Housing Infrastructure Programme is allocated R900 million over the next two years to help construct student accommodation at Tshwane University of Technology, the University of KwaZulu-Natal, and Gert Sibande and Majuba TVET colleges, with the support of private finance.

Table 5.6 Learning and culture expenditure

R million	2021/22 Revised estimate	2022/23 Medium-term estimates	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
Basic education	284 297	298 102	297 301	301 262	66.6%	2.0%
Compensation of employees	216 479	222 349	221 003	229 095	50.0%	1.9%
<i>of which:</i>						
<i>Provincial compensation of employees</i>	215 776	221 635	220 295	228 359	49.8%	1.9%
Goods and services	28 844	29 975	29 468	30 895	6.7%	2.3%
<i>of which:</i>						
<i>Property payments</i>	4 032	5 472	5 020	5 730	1.2%	12.4%
<i>Workbooks and LTSM¹</i>	5 345	5 613	5 551	5 714	1.3%	2.3%
<i>National school nutrition programme</i>	8 115	8 508	8 879	9 278	2.0%	4.6%
Transfers and subsidies	27 210	33 321	34 147	28 867	7.2%	2.0%
<i>of which:</i>						
<i>Subsidies to schools²</i>	23 457	29 542	30 003	24 354	6.2%	1.3%
Education infrastructure	11 689	12 384	13 094	13 342	2.9%	4.5%
School infrastructure	2 003	2 038	1 714	1 791	0.4%	-3.7%
backlogs grant						
Early childhood development grant	1 235	1 193	1 242	1 298	0.3%	1.7%
Post-school education and training	125 921	131 551	137 001	145 050	30.7%	4.8%
<i>of which:</i>						
<i>University subsidies</i>	43 377	48 674	48 652	50 420	11.0%	5.1%
<i>of which:</i>						
<i>Higher education institutions infrastructure</i>	1 978	4 664	4 179	4 053	1.0%	27.0%
<i>National Student Financial Aid Scheme³</i>	48 114	46 128	49 562	53 555	11.1%	3.6%
<i>Technical and vocational education and training</i>	11 837	12 623	12 665	13 233	2.9%	3.8%
<i>of which:</i>						
<i>Compensation of employees</i>	6 527	7 903	8 003	8 361	1.8%	8.6%
<i>Subsidies</i>	4 970	4 300	4 245	4 436	1.0%	-3.7%
<i>Community education and training</i>	2 308	2 482	2 569	2 684	0.6%	5.2%
<i>of which:</i>						
<i>Compensation of employees</i>	2 091	2 256	2 349	2 455	0.5%	5.5%
<i>Skills development levy institutions⁴</i>	20 433	21 692	23 559	25 150	5.2%	7.2%
Arts and culture, sport and recreation	11 161	11 841	11 667	11 675	2.6%	1.5%
Total	421 379	441 494	445 969	457 988		2.8%

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 Sector Education and Training Authorities and the National Skills Fund

Source: National Treasury

The arts, culture, sport and recreation sector is allocated R35.2 billion over the medium term to support school sports and to preserve, develop and promote the cultural, heritage and linguistic diversity of South Africa and lead nation-building and social cohesion.



Social development

This function is allocated R1 trillion over the MTEF period to facilitate access to social grants and welfare services to reduce poverty and inequality, protect children, and empower women, youth and people with disabilities. Three new allocations are made to social grants, including:

- R44 billion in 2022/23 to continue the *special COVID-19 social relief of distress grant* (R350 per beneficiary) for another 12 months.
- A total of R1.6 billion in the two outer years to initiate a new *extended child support grant* for double orphans, in order to encourage the care of orphans within families rather than foster care.
- A total of R13.1 billion in the two outer years to offset budget reductions made in the 2021 Budget and provide for inflationary increases to permanent grants.

The total number of grant beneficiaries will increase by an average annual rate of 1.5 per cent, from 18.4 million in 2021/22 to 19.2 million in 2024/25. These numbers exclude the 10.5 million beneficiaries of the *special COVID-19 social relief of distress grant* in 2022/23. Following the once-off allocation of that grant in 2022/23, the function's baseline will contract by 3 per cent over the period ahead. Over the medium term, conditions for extending this or a similar grant will include improved targeting to ensure that the people who most need this grant can access it, as well as improved linkages with labour market activation programmes.

The child support and old age grants together account for more than half of total grant expenditure over the MTEF period. These grants will support a total of 17.2 million beneficiaries in 2022/23.

Over the three-year spending period, an annual average of R1.2 billion will be shifted from the Department of Social Development to the Department of Basic Education as responsibility for early childhood development shifts across these departments. The National Youth Development Agency will receive R1.5 billion to support skills development and youth employment.

Table 5.7 Social protection expenditure

R million	2021/22 Revised estimate	2022/23 Medium-term estimates	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
Social protection expenditure	352 689	364 412	317 557	322 228	100.0%	-3.0%
<i>of which:</i>						
<i>Social grants</i>	224 542	248 295	212 270	223 809	68.2%	-0.1%
<i>of which:</i>						
Child support	73 318	77 224	80 706	84 349	24.1%	4.8%
Old age ¹	86 488	92 147	95 101	102 372	28.8%	5.8%
Disability	23 579	24 704	26 801	26 992	7.8%	4.6%
Foster care	4 338	4 057	3 575	3 735	1.1%	-4.9%
Care dependency	3 658	3 875	3 890	4 064	1.2%	3.6%
Grant-in-aid	1 600	1 901	1 810	1 891	0.6%	5.7%
Social relief of distress	31 561	44 387	388	406	4.5%	-76.6%
Provincial social development	22 995	22 008	21 888	22 664	6.6%	-0.5%
Women, youth and persons with disabilities	1 196	780	782	817	0.2%	-11.9%
<i>of which:</i>						
Women	119	127	128	133	0.0%	3.8%
Administration and research	148	141	140	147	0.0%	-0.2%
Persons with disabilities	929	512	514	537	0.2%	-16.7%
Total	352 689	364 412	317 557	322 228	100.0%	-3.0%
<i>Social grants as percentage of GDP</i>	3.6%	3.9%	3.1%	3.1%		
Social grant beneficiary numbers by grant type (thousands)						
Child support	13 160	13 376	13 610	13 861	71.9%	1.7%
Old age ¹	3 745	3 831	3 915	3 999	20.7%	2.2%
Disability	1 038	1 052	1 067	1 080	5.6%	1.3%
Foster care	273	225	186	129	1.0%	-22.1%
Care dependency	154	159	163	168	0.9%	3.0%
Total	18 371	18 643	18 941	19 238	100.0%	1.5%

1. Includes war veterans

Source: National Treasury

Table 5.8 Average monthly social grant values

Rand	2021/22	2022/23	Percentage increase
Old age	1 890	1 985	5.0%
Old age, over 75	1 910	2 005	5.0%
War veterans	1 910	2 005	5.0%
Disability	1 890	1 985	5.0%
Foster care	1 050	1 070	1.9%
Care dependency	1 890	1 985	5.0%
Child support	460	480	4.3%

Source: National Treasury



Health

This function supports the provision of and equitable access to healthcare services. Over the medium term, the health baseline will account for R764.1 billion (or 13.8 per cent) of government's consolidated total expenditure. This decreases marginally from R259 billion in 2022/23 to R257.5 billion in 2024/25, as allocations for COVID-19 wind down.

Compensation of employees makes up the largest share (62.5 per cent) of health expenditure. Compensation will grow at an average annual rate of 1.1 per cent over the next three years, limiting the ability of provincial health departments to employ more frontline staff.

As larger numbers of doctors complete their training, including through the programme in Cuba, provincial health departments need to offer more medical internships and community service posts. Over the MTEF period, R7.8 billion is allocated to the statutory human resources component of the *human resources and training grant*, which supplements provincial funding for these posts. Of this amount, R3.3 billion is additional allocations and R744.7 million was reprioritised from other health spending items. The Department of Health will have to finance any future shortfalls in funding within its baseline.

Table 5.9 Health expenditure

R million	2021/22 Revised estimate	2022/23	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	256 198	259 017	247 625	257 496	100.0%	0.2%
<i>of which:</i>						
Central hospital services	47 139	49 385	47 587	49 350	19.1%	1.5%
Provincial hospital services	38 841	40 424	39 151	40 676	15.7%	1.6%
District health services	111 904	115 656	111 022	115 681	44.8%	1.1%
<i>of which:</i>						
HIV, TB, malaria and community outreach	27 753	24 135	23 935	25 009	9.6%	-3.4%
Emergency medical services	8 707	8 863	8 876	9 216	3.5%	1.9%
Facilities management and maintenance	10 549	11 142	11 034	11 524	4.4%	3.0%
Health science and training	5 683	5 620	5 680	5 788	2.2%	0.6%
National Health Laboratory Service	9 778	11 607	11 917	12 458	4.7%	8.4%
National Department of Health ¹	13 004	9 529	6 437	5 987	2.9%	-22.8%
Total	256 198	259 017	247 625	257 496	100.0%	0.2%
<i>of which:</i>						
Compensation of employees	156 613	159 592	155 609	162 020	62.5%	1.1%
Goods and services	81 243	78 853	71 545	74 228	29.4%	-3.0%
Transfers and subsidies	6 953	7 478	7 715	8 516	3.1%	7.0%
Buildings and other fixed structures	5 425	7 557	7 849	7 723	3.0%	12.5%
Machinery and equipment	5 932	5 517	4 875	4 991	2.0%	-5.6%

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

Source: National Treasury

South Africa has experienced four significant waves of COVID-19 infections, with 3.6 million confirmed cases and 95 000 confirmed deaths by the end of January 2022. The vaccine rollout is critical to containing the spread of the virus and limiting the severity of infections. The bulk of vaccine purchases were made in 2021/22. An additional R2.3 billion – of which, R1.3 billion is provisional – is allocated in 2022/23 mainly to buy more doses and administer the vaccines.



As discussed in Chapter 6, provinces will receive total additional funding of R15.6 billion over the medium term through the provincial equitable share to support the fight against COVID-19 and address shortfalls in essential goods and services.

Over the next three years, R440.5 million is shifted from the Department of Health's main budget to move the forensic chemistry laboratories function to the National Health Laboratory Service. This change is intended to improve processing times for laboratory services that support police investigations and judicial processes.

Community development

This function supports access to housing and basic services, affordable public transport, and spatial transformation and urban development. Medium-term expenditure is expected to grow at an average annual rate of 7.9 per cent, from R212.5 billion in 2021/22 to R266.7 billion in 2024/25.

Provision of shelter, basic services and public transport is a combined responsibility of municipalities, provinces and public entities. As a result, transfers and subsidies account for the largest share of expenditure in this function, constituting 78.7 per cent of total spending. The local government equitable share receives an additional allocation of R28.9 billion over the period and remains the largest expenditure item within transfers and subsidies, increasing at an average annual rate of 10.3 per cent, from R75.7 billion in 2021/22 to R101.5 billion in 2024/25. The equitable share funds the costs of providing free basic services to low-income households and subsidises the operations of poor municipalities.



The Passenger Rail Agency of South Africa is expected to spend R42.1 billion over the MTEF period to implement its commuter rail recovery plan, bringing 10 corridors back to full service. As a result, total passenger trips provided by Metrorail are expected to increase from 69 million in 2021/22 to 358 million by 2024/25.

The Department of Water and Sanitation is expected to publish the Green Drop Report, assessing the state of municipal wastewater management systems, by 31 March 2022. Based on the results of the report, the department will prioritise medium-term projects for implementation in the *water services infrastructure grant*. The budget for municipal water and sanitation is expected to increase from R11.6 billion in 2021/22 to R13.9 billion in 2024/25.



Table 5.10 Community development expenditure

R million	2021/22 Revised estimate	2022/23	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
Community development	212 543	236 348	252 223	266 717	100.0%	7.9%
<i>of which:</i>						
<i>Human settlements</i>	39 181	41 293	42 532	43 955	16.9%	3.9%
<i>Public transport, including commuter rail</i>	41 974	47 429	52 568	56 829	20.8%	10.6%
<i>Local government equitable share</i>	75 724	87 311	94 087	101 486	37.5%	10.3%
<i>Municipal infrastructure grant</i>	15 593	16 842	17 595	18 385	7.0%	5.6%
<i>Regional and local water and sanitation services</i>	11 597	12 744	13 793	13 912	5.4%	6.3%
<i>Electrification programmes</i>	5 206	6 038	6 325	6 615	2.5%	8.3%
Total	212 543	236 348	252 223	266 717	100.0%	7.9%
<i>of which:</i>						
<i>Compensation of employees</i>	17 214	17 910	17 931	18 545	7.2%	2.5%
<i>Goods and services</i>	14 425	14 516	14 432	15 153	5.8%	1.7%
<i>Transfers and subsidies</i>	168 892	186 472	198 664	209 502	78.7%	7.4%
<i>Buildings and other fixed structures</i>	6 040	7 521	8 948	9 267	3.4%	15.3%
<i>Machinery and equipment</i>	5 318	8 100	10 835	12 756	4.2%	33.9%

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 increase at an average annual rate of 8.5 per cent, from R201 billion in 2021/22 to R256.8 billion in 2024/25.



Over the medium term, the Department of Small Business Development will promote youth entrepreneurship by supporting at least 15 000 youth-owned enterprises. It will also reintroduce the Youth Challenge Fund at an estimated cost of R91.3 million, harnessing creative solutions to address youth unemployment. Access to finance, particularly for the early stages of business development, is crucial to sustain small businesses. To this end, the department will continue rolling out the Township and Rural Entrepreneurship Fund, implemented through the Small Enterprise Finance Agency, at an estimated cost of R2.9 billion.



Government has allocated R1.3 billion to the Agricultural Production, Biosecurity and Resources Management Programme in the Department of Agriculture, Land Reform and Rural Development for inspection, quarantine and biosecurity. Among other things, this allocation will be used to strengthen the biosecurity, sanitary and phytosanitary standards required by international markets. To ensure sustainable development and social justice, R14.6 billion is allocated for land reform and restitution, and R6.8 billion is allocated for blended finance programmes, farmer development and post-settlement support initiatives.

Table 5.11 Economic development expenditure

R million	2021/22 Revised estimate	2022/23	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
Economic regulation and infrastructure	96 314	117 517	128 628	144 629	54.2%	14.5%
<i>of which:</i>						
<i>Water resource and bulk infrastructure</i>	27 477	36 391	40 065	47 388	17.2%	19.9%
<i>Road infrastructure</i>	50 379	60 848	66 309	72 723	27.7%	13.0%
<i>Environmental programmes</i>	7 977	7 723	8 051	8 698	3.4%	2.9%
Job creation and labour affairs	21 637	24 829	25 866	26 531	10.7%	7.0%
<i>of which:</i>						
<i>Employment programmes¹</i>	21 637	24 829	25 260	25 898	10.5%	6.2%
Industrialisation and exports	38 638	39 190	37 624	38 852	16.0%	0.2%
<i>of which:</i>						
<i>Economic development and incentive programmes</i>	21 725	20 285	19 924	19 910	8.3%	-2.9%
Innovation, science and technology	17 320	18 123	17 820	18 368	7.5%	2.0%
Agriculture and rural development	27 134	27 453	27 439	28 404	11.5%	1.5%
<i>of which:</i>						
<i>Land reform</i>	1 111	1 126	956	1 022	0.4%	-2.7%
<i>Agricultural land holding account</i>	1 077	1 167	1 200	1 138	0.5%	1.9%
<i>Restitution</i>	3 490	3 664	3 794	3 990	1.6%	4.6%
<i>Farmer support and development</i>	3 481	3 658	3 675	3 817	1.5%	3.1%
Total	201 044	227 112	237 378	256 784	100.0%	8.5%
<i>of which:</i>						
<i>Compensation of employees</i>	53 904	56 704	58 140	60 761	24.3%	4.1%
<i>Goods and services</i>	59 423	70 711	73 426	82 698	31.4%	11.6%
<i>Transfers and subsidies</i>	45 387	45 479	47 151	49 656	19.7%	3.0%
<i>Buildings and other fixed structures</i>	28 699	40 274	46 237	51 209	19.1%	21.3%
<i>Machinery and equipment</i>	4 606	4 331	3 441	3 723	1.6%	-6.8%

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

Source: National Treasury

The Department of Science and Innovation is allocated R28 billion over the MTEF period. Priorities include implementing the 2021–2031 plan on science, technology and innovation – which is expected to support mining, manufacturing and agricultural innovation – and supporting the National Research Foundation.

The Department of Tourism will continue to focus on supporting recovery in the tourism sector while accelerating the move towards a stronger, more equitable and resilient tourism economy. Accordingly, R360 million is allocated over the medium term to support the pilot phase of the Tourism Equity Fund introduced in 2021, R240 million is allocated to enhance tourism assets and infrastructure, and R80 million has been reprioritised to support short-term jobs in tourism.

The Department of Forestry, Fisheries and the Environment has reprioritised R244 million over the MTEF period to improve institutional capacity and modernise meteorological services at the South African Weather Service. A total of R17.8 billion is allocated over the next three years to support business investment in new equipment and infrastructure through incentive programmes such as the automotive investment

scheme, the global business services incentive, the film and television production incentive, special economic zones, the clothing and textile competitiveness programme and the industrial park revitalisation programme.

Economic regulation and infrastructure



Spending on road infrastructure, the largest programme in this function, is expected to grow from R50.4 billion in 2021/22 to R72.7 billion in 2024/25 at an average annual rate of 13 per cent. The medium-term allocation to the South African National Roads Agency Limited will help to maintain 22 000 kilometres of roads countrywide, while provinces plan to reseal 11 217 kilometres of roads through the *provincial roads maintenance grant*.

To fund new bulk water projects and maintain existing raw water infrastructure, spending on national water resource management will grow from R27.5 billion in 2021/22 to R47.4 billion in 2024/25. Planned expenditure includes phase 2 of the Lesotho Highlands Water Project and the Mokolo-Crocodile River water augmentation project. The Independent Communications Authority of South Africa is allocated an additional R300 million in 2022/23 to strengthen regulatory capabilities.

Peace and security



This function is allocated R664.3 billion over the medium term for safety and security, and the criminal justice system. Over the next three years, this function will focus on intensifying the fight against crime and corruption, and implementing personnel reforms to contain departmental compensation within the expenditure ceiling.

A total of R36 million is reprioritised by the function in 2022/23 to invest in information and communication technology in the Office of the Chief Justice, Investigating Directorate, Public Protector of South Africa, South African Human Rights Commission and Financial Intelligence Centre. To support tourism and improve the visa application process, the Department of Home Affairs has reprioritised R10 million over the MTEF period.

Over the medium term, to intensify the fight against corruption and ensure sufficient capacity for the investigation and prosecution of criminal cases emanating from the State Capture Commission, R426 million is allocated to the Investigating Directorate in the National Prosecuting Authority and the Financial Intelligence Centre. This allocation – of which R262.1 million is from reprioritisation within the function – will provide for the permanent appointment of 68 staff in the Financial Intelligence Centre and an estimated 90 staff in the Investigating Directorate. An amount of R34.3 million is reprioritised to Legal Aid South Africa over the MTEF period to capacitate the six newly established Specialised Commercial Crimes Courts in Limpopo, Mpumalanga, North West and the Northern Cape.

Table 5.12 Peace and security expenditure

R million	2021/22 Revised estimate	2022/23	2023/24	2024/25	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Defence and state security	49 042	49 983	48 871	50 289	22.5%	0.8%
Police services	108 453	110 220	108 577	114 222	50.1%	1.7%
Law courts and prisons	49 713	50 800	50 015	52 296	23.0%	1.7%
Home affairs	11 208	9 670	9 564	9 822	14.1%	-4.3%
Total	218 415	220 673	217 028	226 628	100.0%	1.2%
<i>of which:</i>						
<i>Compensation of employees</i>	151 938	152 929	149 240	156 737	69.1%	1.0%
<i>Goods and services</i>	49 319	48 363	49 209	51 476	22.4%	1.4%
<i>Transfers and subsidies</i>	10 038	11 524	11 267	11 036	5.1%	3.2%
<i>Buildings and other fixed structures</i>	2 453	3 086	2 821	2 987	1.3%	6.8%
<i>Machinery and equipment</i>	4 491	4 628	4 369	4 319	2.0%	-1.3%

Source: National Treasury

To rejuvenate the South African National Defence Force and address its longstanding compensation challenges, the Department of Defence will implement reforms to its personnel structure over the medium term. The department is allocated R1 billion in 2022/23 and R800 million in 2023/24 to implement these reforms, which include early retirement without penalisation of pension benefits. The allocation of R800 million in 2023/24 will be subject to satisfactory progress on the implementation of the exit strategy in 2022/23.

The South African Police Service receives an additional R8.7 billion over the MTEF period, of which R2.9 billion is to cover costs arising from the 2021 public-service wage agreement. The remaining allocation will enable the department to appoint 12 000 entry-level constables.

General public services

This function helps to build a state that is capable of playing a developmental and transformative role, as envisioned in the National Development Plan. The function is allocated R209 billion over the MTEF period. General public services will reprioritise a total of R2.4 billion over the next three years to modernise information and communication technology, fund the shortfall in the allocation for the Integrated Financial Management System (IFMS), facilitate the population census in 2022, and support membership contributions to multilateral development banks.

The function has reprioritised R345.3 million to the National Treasury over the medium term to pilot the implementation of the IFMS in the National Treasury, the Department of Public Service and Administration, and the Eastern Cape and Western Cape provincial treasuries. The current phase (phase 2B and 2C) of the IFMS involves implementing the e-recruitment and budgeting modules. Full rollout of the IFMS to all national and provincial departments is planned for 2024/25.

To reduce the public-service wage bill, the Department of Public Service and Administration is reviewing personnel expenditure to inform the development of a remuneration policy framework for the public sector. The spending review for the Department of Public Enterprises is ongoing and the outcome will be communicated in due course.



Spending review findings: The National Treasury

In 2021/22, the National Treasury reviewed the efficiency of its spending on consultants due to its growing proportion in relation to compensation spending, as well as the funding of multilateral banks and the common monetary area due to persistent shortfalls in funding for these priorities. A review of the cost of monitoring and reporting in the administration programme is still under way.

Between 2016/17 and 2020/21, the National Treasury spent an average of R808 million annually on consultancy services – 1.9 per cent higher than spending on compensation of employees. The review recommended that the department develop an internal policy to govern the use of consultants and cap the hours of work supplied by consultants at 1 760 hours per financial year, against the average of 1 920 hours over the review period, to achieve long-term savings.

The review of the funding of multilateral banks and the common monetary area recommends that South Africa should:

- Use common monetary area payments as policy instruments to ensure that the area can serve as a foundation for a future monetary union in Southern Africa.
- Maintain its shareholding in multilateral development banks by again injecting funds into the World Bank and African Development Bank to strengthen its ability to influence policy in these institutions for the benefit of the continent.

In line with the findings of the review, the department has reprioritised R134.5 million and R560.4 million to support recapitalisation of the World Bank and the African Development Bank, respectively, over the MTEF period.

Table 5.13 General public services expenditure

R million	2021/22 Revised estimate	2022/23 2023/24 2024/25 Medium-term estimates	Percentage of total MTEF allocation	Average annual MTEF growth		
Executive and legislative organs	15 002	14 844	15 212	15 293	21.7%	0.6%
Public administration and fiscal affairs	48 416	46 084	45 791	46 251	66.1%	-1.5%
External affairs	8 477	8 296	8 292	8 920	12.2%	1.7%
Total	71 895	69 224	69 294	70 464	100.0%	-0.7%
<i>of which:</i>						
<i>Compensation of employees</i>	33 209	34 550	34 640	34 626	0.0%	1.4%
<i>Goods and services</i>	24 093	22 466	22 751	23 758	0.0%	-0.5%
<i>Transfers and subsidies</i>	11 310	9 799	9 700	9 824	0.0%	-4.6%
<i>Buildings and other fixed structures</i>	1 278	1 187	1 305	1 357	0.0%	2.0%
<i>Machinery and equipment</i>	1 057	896	518	519	0.0%	-21.1%

Source: National Treasury

Conclusion

Over the medium term, consolidated spending will total R6.62 trillion. Part of the higher-than-anticipated revenue is used to fund short-term policy priorities that cannot be funded through reprioritisation, while the balance is used to reduce the deficit. Government continues to reprioritise, reallocate and review spending to meet policy priorities and improve efficiency.