

## Medium term expenditure estimates

*Building a better life for all is a challenge that Government shares with the people.*

*Strong real growth in spending, averaging 4,1 per cent a year over the 2002 MTEF, allows Government to respond creatively to the challenges of social development and work in partnership with communities to build a healthy, vibrant future for all.*

*Looking ahead, the 2002 Budget signals:*

- *Priority given to reducing poverty and vulnerability in preparing the 2002 Budget*
- *Increased spending focused on social grants, municipal infrastructure and housing, improved police and justice services and critical administrative services to citizens*
- *An enhanced programme to address the impact of HIV/Aids*
- *Continued emphasis on infrastructural development to encourage development and job creation in support of urban and rural development*
- *Strengthening the fight against crime*
- *A step up in assistance to communities to improve access to affordable basic services.*

### Introduction

South Africa's strengthened fiscal position enables Government to boost public spending in the 2002 Budget, recognising the contribution that citizens bring to social development.

Over the next three years the fiscus directs substantially more resources towards alleviating poverty and reducing vulnerability, training and developing skills so that women and men can work productively, building and enhancing physical infrastructure and basic municipal services in our communities and improving the safety and security of all our citizens.

*Increased spending provides impetus for growth and social development*

*National and provincial departments are consolidating recent budgetary reforms*

Recent reforms to the budget process and budget documentation have introduced new processes, systems, information and ways of management into the public service. This year, much work has gone into consolidating these reforms at the national and provincial level.

This chapter draws on the work of the National Treasury, provincial treasuries and other departments in integrating strategic planning and prioritisation processes with budgeting and financial management practices. More detail, including departmental outputs, output measures and service delivery targets are set out in the *2002 Estimates of National Expenditure* and in the provincial budget statements.

The chapter outlines Government's broad policy objectives and medium-term priorities that guide resource allocation in the budget process. It sets out total expenditure for the next three years and explains the allocation of the additional funds. It reviews consolidated national and provincial expenditure, focusing on the sectoral (or functional) composition of consolidated expenditure and spending on inputs used to produce public services (economic classification).

## **Policy priorities over the medium term**

Delivering on its promises of 'a better life for all' calls on Government to make tough choices between competing economic and social policy priorities and spending pressures over the medium term.

*The 2002 Budget reflects a balanced response to social and economic challenges*

In balancing these choices and trade-offs, Government needs to ensure that budgeted expenditure is affordable and sustainable and contributes effectively towards achieving its broad social and economic policy objectives over the medium term, including:

- Economic growth
- Job creation
- Equity and social development
- Strengthening the safety and justice sector.

The 2002 Budget builds on these priorities, reflecting a balanced response to social, economic and development challenges.

## **Facing the infrastructure challenge**

The key strategic thrust of the 2001 Budget in support of these objectives was to target significant resources for *investing in new infrastructure and the maintenance and rehabilitation of existing assets*. Appropriately designed, financed and managed, investment in infrastructure stimulates economic development and job creation in communities, improving the quality of life and access to services and opportunities of poor people.

*Continued emphasis on infrastructure to encourage community development and job creation and to enhance growth*

Boosting spending on public infrastructure continues to be a challenge for the 2002 medium term expenditure period. While capital spending has picked up over the past year, there is a lag between the announcement of budgetary allocations for infrastructure and implementation of capital projects at all levels of government.

Building roads and dams, rehabilitating hospitals and schools and other infrastructure investment projects need specialist technical capacity and long lead times to plan, budget and implement.

Continued emphasis on infrastructural development will facilitate urban and rural development and job creation, enhancing economic growth over the medium term.

### **Addressing poverty and vulnerability**

In the short term, however, everyday life presents poverty and hardship to many. Mindful of pressing social needs, Government is committed to building on the progress made in social transformation and working together with communities to reduce poverty and vulnerability through the spending plans set out in the 2002 Budget.

*Government is committed to building partnerships with communities to advance social development*

The social security grant system delivers income support to nearly four million poor South Africans. This is the largest and most effective redistributive programme within Government. Over the next three years, increases in the real value of the grants will place more money in the hands of the poor. This year, Government will help more families and care-givers look after young children. The child support grant for children 7 years or less will go to a further 1,2 million children by the end of next year.

*Increases in social grants place more money in the hands of the poor*

Raising and extending the social security net supports interventions that address the impact of communicable diseases across South Africa, particularly HIV/Aids, tuberculosis and malaria.

The spread of communicable diseases poses significant challenges to all groups of society, irrespective of nationality, region, income, race, gender or age. However, it is those that live in conditions of poverty that are more vulnerable. The challenges include:

*Poor communities more vulnerable to communicable diseases*

- Increased illness and loss of life among the young and economically active, placing an added burden on children, their care-givers and the elderly
- The impact of a rising burden of disease on businesses, economic development and job creation
- Pressures on public service delivery, including education, health care and policing.

Addressing these challenges calls for proactive and appropriate policy response and interventions. The 2002 Budget contains measures to escalate programmes that strengthen the national HIV/Aids programme in particular. The enhanced response programme directs resources towards preventative interventions in schools and communities and towards hospital treatment and community care programmes.

### **Encouraging partnerships in development**

Development is not only about large-scale infrastructure projects, wide-reaching income support or high profile health campaigns. For many, real 'development' happens when people's access to services and opportunities within their own communities improves.

*The 2002 Budget encourages partnerships to improve access to basic services*

The quality of everyday life is affected by access to adequate housing, roads, clean and safe water, sanitation facilities, electricity, refuse removal services, and sporting and recreation facilities. Building a better life for all is a challenge that Government shares with communities.

Spending plans set out in the 2002 Budget encourage partnerships with communities to improve access to affordable basic services. Increased funds are allocated to step up housing and municipal infrastructure programmes, focusing on water, sanitation and electrification.

*Progress through the ISDRP and urban renewal programmes*

Very poor areas have been identified under Government's urban renewal and rural development programmes. In these areas, national and provincial departments will work with councils and local organisations to improve services, create business opportunities and build strong and thriving communities. Progress is under way in a number of these target areas.

### **Strengthening the fight against crime**

*More police personnel to strengthen the fight against crime*

Social progress also rests on effectively combating crime and making communities safer places to live, work and play.

Crime prevention and response are personnel-intensive activities. Over the past few years, police, justice and prisons have experienced a decline in staff numbers relative to workloads, although real resource allocations have increased.

Government is adamant about strengthening the fight against crime. Over the next three years, 16 000 more police men and women will be employed. Under the new sector policing strategy, more police officers will be deployed to:

*Increased visible policing in crime hot spots*

- Reduce crime in areas described as 'crime hot-spots'
- Work in close cooperation with communities to improve their everyday safety and security
- Use equipment and resources more effectively to improve response times and the quality of investigative work.

Increasing visible policing, particularly in high crime areas, improving the administration of justice and the court system and expanding prison capacity are key priorities targeted towards strengthening capacity to combat and reduce crime across the country.

### **Prioritisation process**

Strengthening the link between Government's medium-term policy priorities and spending plans has played a significant role in this year's budget process. Improving the quantity and quality of information placed before decision makers also makes for robust expenditure decisions.

### Streamlined process contributes to better budgeting

In recent years, reforms to the budget process have focused on streamlining the process around key decision stages in the annual budget cycle. These form the building blocks in preparing the Budget each year.

- The *prioritisation stage* between May and September calls for the political executive to focus on the broad medium-term policy and spending priorities associated with Government's social, economic and developmental objectives.
- *Preparation and review of departmental budget submissions* to National Treasury and the nine provincial treasuries take place between April and August.
- *Review of the macroeconomic and fiscal framework and the division of revenue* between the spheres of government are the subject of technical analyses and consultation between July and August, and are considered by an extended Cabinet in September.
- Between September and November, the *medium-term allocation process* facilitates Cabinet decisions on the new medium-term allocations to national votes and those to provincial and local government, taking into account Government's broad policy and spending priorities for the next three years.
- Government's broad medium-term policy and spending plans are considered by Cabinet and tabled before Parliament in the October *Medium Term Budget Policy Statement*.
- *Preparation for the Budget* between November and February sees national departments and provincial treasuries work closely with the National Treasury to prepare the budget documentation that the Minister of Finance tables before Parliament on Budget Day and that provincial MECs for Finance table before provincial legislatures.
- The Budget that the Minister or MEC of Finance has proposed is taken thereafter through a parliamentary process that reviews, analyses and discusses Government's proposed spending plans in relation to its stated policy priorities over the medium term.

The 2002 process differs from that of the previous year in that early political consideration and guidance on Government's medium-term policy priorities began in May with discussions at the Ministers' Committee on the Budget, Cabinet, and the Budget Council Lekgotla, and continued through July and August. These deliberations shaped decisions on the allocation of resources, enhancing political oversight of the budget that the Minister of Finance presents before Parliament on Budget Day.

*Early review of policy priorities strengthens political oversight of the Budget*

Revised budget formats at the national and provincial level have led to considerable changes to the scope, quality and presentation of Government's spending plans over the past few years. The new formats outline policy developments and legislation alongside departmental spending plans. Details of departmental outputs, output performance measures or service delivery indicators and targets are set out for each expenditure programme. This is good practice in terms of transparency and accountability, and enables budget allocations to be assessed alongside policy developments and progress in service delivery.

*New budget formats enhance transparency and accountability*

### Division of revenue

The division of revenue set out here is an outcome of Government's policy priority deliberations. It reflects the executive's balanced approach to meeting Government's policy priorities over the medium term, taking into account the spending responsibilities and the capacity of national, provincial and local government.

*Division of revenue between the three spheres of government follows policy priority deliberations*

### Increased spending in 2000/01 and 2001/02

Division of additional resources between the three spheres of government is better understood when viewed in the context of total expenditure on the main budget, set out in tables 6.1 and 6.2 below.

*Main budget framework covers allocations made from National Revenue Fund, transfers to provinces and local government*

The main budget framework differs from the consolidated national budget framework, referred to in table 3.2 in chapter 3. The main budget framework refers to allocations made from the National Revenue Fund to national departments and transfers to provinces and local government. The consolidated national budget framework, on the other hand, includes revenue from social security funds and the RDP Fund.

Table 6.1 shows the preliminary outcome of main budget expenditure for 2000/01 and the revised expenditure estimate for 2001/02.

The revised estimate of main budget expenditure for 2001/02 is a National Treasury assessment of the likely outcome for the current year. The preliminary outcome for 2000/01 draws on departmental financial statements for the year where audited results are not yet available.

*Preliminary outcome for 2000/01 is R0,4 billion more than the budget estimate for the year*

As shown in the table, the February 2001 revised estimate of main budget expenditure for 2000/01 was R235,0 billion, about R1,6 billion more than the original budget estimate. The preliminary outcome for the year is R233,9 billion, or R0,4 billion more than the 2000/01 budget estimate.

*Supplementary infrastructure amounts and funds for flood and poverty relief are voted in the Adjustments budget*

- The revised estimate of expenditure in 2001/02 is R262,6 billion, 1,7 per cent more than the budget estimate and 12,2 per cent over the preliminary outcome for 2000/01. The main adjustments to the original budget were approved by Parliament in the 2001 Adjustments Budget Estimates and include the following:

*Additional voted allocations for 2001/02 include R2,8 billion to national departments, R1,5 billion to provinces and R328 million to municipalities*

- An amount of R1,7 billion announced in the 2001 main budget for infrastructure, flood damage repairs and poverty relief projects that were included in the aggregate expenditure estimates but not voted.
- Roll-overs of R2,2 billion from the previous year.
- Adjustments of R2,8 billion for national departments to compensate for higher than expected inflation and wage settlements, provision for the South African Post Office and the Unemployment Insurance Fund and other unforeseeable expenditure.
- Additional allocations to provinces of R1,5 billion, including R300 million to Mpumalanga in line with the negotiated section 100 agreement and provision for commitments in respect of social security grants, additional costs of salary increases and meeting backlogs in rank and leg promotions.

Table 6.1 Preliminary 2000/01 expenditure outcome and 2001/02 revised estimate

R million	2000/01			2001/02	
	Budget	Revised estimate	Preliminary outcome	Budget	Revised estimate
<b>Statutory and standing appropriations</b>					
State debt cost	46 490	46 186	46 321	48 138	47 515
Provincial equitable shares <sup>1</sup>	96 620	96 620	98 398	106 261	107 460
Skills development funds	1 400	970	902	2 800	2 750
Other statutory amounts	267	283	301	304	321
Standing appropriations	80	64	39	300	300
<b>Total</b>	<b>144 857</b>	<b>144 123</b>	<b>145 961</b>	<b>157 803</b>	<b>158 346</b>
<b>Appropriated by vote</b>					
Printed estimate <sup>1</sup>	85 973	86 496	87 981	96 710	96 710
Supplementary allocations	622			1 805	1 743
Contingency reserve	2 000			2 000	
<b>Adjustments</b>					
Approved roll-overs from previous year		2 077			2 162
Additional transfers to provinces		1 195			300
Local government allocations		100			328
Supplementary improvements in conditions of service		820			200
Jan-Mar 13th cheques		975			
Other Treasury Committee adjustments		992			2 641
<i>Communications</i>					610
<i>Defence</i>					50
<i>Foreign Affairs</i>					309
<i>Labour</i>					605
<i>Land Affairs</i>					50
<i>Public Enterprises</i>					164
<i>Safety and Security</i>					250
<i>Social Development</i>					50
<i>Statistics South Africa</i>					140
<i>Transport</i>					250
<i>Other votes</i>					163
Extraordinary Appropriations					2 130
<i>Social grants</i>					2 000
<i>Burundi deployment</i>					130
Departmental savings		-1 730			-1 970
<b>Total</b>	<b>88 595</b>	<b>90 925</b>	<b>87 981</b>	<b>100 515</b>	<b>104 244</b>
<b>Estimated total expenditure</b>	<b>233 452</b>	<b>235 048</b>	<b>233 942</b>	<b>258 318</b>	<b>262 590</b>
Percentage increase over budget			0.2%		1.7%
Percentage increase over 2000/01					12.2%

<sup>1</sup> Budget figures and revised estimate for 2000/01 adjusted for the reclassification of the provincial supplementary grant as provincial equitable share.

- Provision of R328 million to local government to help certain municipalities implement free basic services, to fund councillor allowances following the promulgation of new remuneration scales and to offer interim relief to municipalities that lack sufficient tax capacity to perform basic functions.

At this stage, before the end of the financial year, departmental savings of R2 billion are projected for 2001/02 and state debt costs are estimated to be R623 million less than that budgeted.

R2 billion of departmental savings estimated this year

### Main budget expenditure from 2002/03 to 2004/05

Main budget expenditure in 2002/03 estimated to be R287,9 billion

Main budget expenditure for 2002/03 is expected to be R287,9 billion, an increase of 9,6 per cent on the revised expenditure for 2001/02. This includes the contingency reserve of R3,3 billion, standing appropriations of R65 million and amounts still to be allocated to departments of R760 million. These amounts mainly comprise additional supplementary allocations for infrastructure that will be targeted at creating jobs in support of urban and rural development. While the funds are provided for on the national share at present, allocations to provinces and local government are likely.

Table 6.2 sets out the projected main budget trends over the 2002 medium-term expenditure period. It outlines the funds available to national, provincial and local government over the next three years and the division of the baseline adjustments between the spheres.

**Table 6.2 National expenditure – 2000/01 – 2004/05**

R million	2000/01	2001/02		2002/03	2003/04	2004/05
	Outcome	Budget	Revised	Medium-term estimates		
<b>Main budget</b>						
National allocation	73 142	84 286	87 317	96 106	103 307	109 911
Provincial allocation	108 904	117 387	121 206	132 420	142 844	152 363
<i>Equitable share</i>	98 398	106 260	107 460	119 452	128 466	137 089
<i>Conditional grants</i>	10 506	11 127	13 745	12 967	14 378	15 274
Local government allocation	5 576	6 506	6 552	8 580	10 235	10 854
<i>Equitable share</i>	2 315	2 618	2 618	3 852	5 021	5 461
<i>Conditional grants</i>	3 261	3 888	3 934	4 728	5 213	5 393
<b>Total allocations</b>	<b>187 621</b>	<b>208 179</b>	<b>215 075</b>	<b>237 106</b>	<b>256 386</b>	<b>273 128</b>
Interest on debt	46 321	48 138	47 515	47 503	49 845	52 434
Contingency reserve	–	2 000	–	3 300	5 000	9 000
<b>Main budget expenditure</b>	<b>233 942</b>	<b>258 317</b>	<b>262 590</b>	<b>287 909</b>	<b>311 231</b>	<b>334 561</b>
<i>Percentage increase</i>			12,2%	9,6%	8,1%	7,5%
<b>Percentage shares</b>						
<i>National</i>	39,0%	40,5%	40,6%	40,5%	40,3%	40,2%
<i>Provinces</i>	58,0%	56,4%	56,4%	55,8%	55,7%	55,8%
<i>Local government</i>	3,0%	3,1%	3,0%	3,6%	4,0%	4,0%

2002 Budget provides for additional spending of R13,4 billion in 2002/03 and R17,9 billion in 2003/04

The framework provides for additional spending of R13,4 billion in 2002/03 and R17,9 billion in 2003/04 over the forward estimates set out in the 2001 Budget. This represents strong growth in spending averaging 9,5 per cent a year over the next three years.

All spheres experience positive real growth over the medium term. The national share rises by R6,6 billion and R8,5 billion, while provinces receive additional amounts of R5,3 billion in 2002/03 and R7 billion in 2003/04 and a further R1,6 billion in 2002/03 and R2,4 billion in 2003/04 is directed towards local government. While smaller in nominal terms, the additional transfers to local government represent an increase on baseline of 23,1 per cent in 2002/03 and 30,1 per cent in 2003/04.

The result of these baseline adjustments is reflected in the proportions of allocations going to the different spheres. The provincial share stabilises at 55,8 per cent of total main budget expenditure over the medium term, while the national share declines marginally from 40,5 per cent in 2002/03 to 40,2 per cent in 2004/05. Transfers to local government increase from 3,6 to 4,0 per cent of allocated funds and grow by an average of 18,3 per cent a year over the period.

*Provincial share stabilises at 55,8 per cent of total spending; national share declines to 40,2 per cent and local government share rises to 4,0 per cent*

### Additional allocations

Revisions to the macroeconomic and fiscal framework set out in detail in chapters 2 and 3, enhance the overall resource envelope available for expenditure in the 2002 medium-term expenditure period.

The baseline allocations for 2002/03 and 2003/04 are the forward estimates for these years set out in the 2001 Budget. For budget planning purposes, the baseline for 2004/05 allowed for growth of 6 per cent in all budgets relative to the previous year.

As some of the additional resources derive from higher inflation projections in the macroeconomic and fiscal framework, all spheres receive a small inflation adjustment for allocation to departments in order to maintain the real value of their baseline allocations. The rest of the available resources are allocated between the spheres to increase spending on service delivery and to provide for policy changes and new initiatives. The additional allocations to the three spheres of government over the next three years are set out in table 6.3 below.

*Minor inflation adjustment to maintain real value of departmental allocations*

### Allocations to the different spheres

The division of additional funds over the 2002 medium-term period strengthens provincial and local service delivery in line with Government's commitment to reinforce services targeted towards reducing poverty and vulnerability within communities.

*Division of additional resources in line with Government's priority to reduce poverty and vulnerability*

**Table 6.3 Additional allocations available for the 2002 MTEF**

R million	2001/02	2002/03	2003/04	2004/05 <sup>1</sup>
	<b>Revised</b>			
National	3 067	6 558	8 507	9 299
Provincial	3 500	5 268	7 008	8 241
<i>Equitable share</i>	1 200	4 858	6 216	7 504
<i>Conditional grants</i>	2 300	409	791	737
Local government	328	1 608	2 368	2 774
<i>Equitable share</i>	–	750	1 370	1 596
<i>Conditional grants</i>	328	858	998	1 178
<b>Total new allocations</b>	<b>6 895</b>	<b>13 434</b>	<b>17 883</b>	<b>20 315</b>
Unallocated from 2001 budget	1 805	2 833	3 734	3 958
<b>Total</b>	<b>8 700</b>	<b>16 267</b>	<b>21 617</b>	<b>24 273</b>

<sup>1</sup> The assumed baseline for 2004/05 is the 2003/04 baseline plus 6 per cent.

*Provincial priorities include rapid take-up of the child support grant and strengthening the health system*

Provincial priorities and spending pressures are dominated by social security concerns, in particular, rapid take-up of the child support grant and the need to strengthen both human and physical capacity in the health system to address the impact of communicable diseases, such as HIV/Aids, tuberculosis and malaria. Other priorities include extending coverage of early childhood development programmes to improve efficiency in the education system and reinforcing capital and maintenance spending across a range of social and economic functions.

*Strengthening basic service provision dominates local spending concerns*

At the local level, spending pressures arise from the strengthening of basic municipal service provision to poor households, the impact of the municipal demarcation processes and the institutional restructuring of service delivery systems.

*At national level spending pressures include restructuring of the Post Office and the UIF and boosting the capacity to fight crime*

The main spending pressures on national departments arise from restructuring of the South African Post Office and the Unemployment Insurance Fund, increasing human and technical capacity within the Department of Home Affairs, compensating the Departments of Foreign Affairs and Defence for higher than expected depreciation of the rand on foreign contracts, and increased personnel capacity, improved technology and physical infrastructure in the criminal justice system to strengthen the fight against crime.

### *Supplementary infrastructure allocations*

The 2001 Budget included supplementary amounts of R7,8 billion for infrastructure investment and maintenance and rehabilitation of flood-damaged facilities over the 2001 medium-term expenditure period. These funds are now allocated, contributing to substantial increases in both national and provincial capital spending programmes.

Boosting spending on infrastructure remains a key priority in the 2002 Budget. Focused initiatives to reinforce capacity to manage construction and rehabilitation programmes effectively are under way.

*Supplementary allocations target infrastructure in rural areas and disadvantaged communities*

This year's budget includes unallocated amounts of R700 million, R1,5 billion and R2,0 billion over the MTEF period for infrastructure. These funds will be targeted at job creation and urban and rural development. In addition, R1 662 million set aside for poverty relief in 2004/05 remains unallocated, pending a review of this programme.

Provincial infrastructure grants amount to R6,7 billion in total over the 2002 medium term expenditure period. This represents an increase of about 44 per cent over the 2001 Budget allocations. Roads, schools, health facilities and rural development projects will continue to receive priority for these funds.

*National infrastructure projects include Freedom Park, water services, IT systems for Home Affairs, construction of prisons and police stations, emergency call centres, national parks and harbours*

At the national level, projects that have received supplementary allocations include:

- An additional R480 million targeted towards the development of rural water supply and sanitation at the local level by the Department of Water Affairs and Forestry.
- Refurbishment of the rolling stock of South African Rail Commuter Corporation – R470 million.

- Construction of Freedom Park at the Salvokop site in Pretoria at a total of R450 million over the next few years.
- A further R350 million over the next three years to develop critical information technology systems that will enhance service delivery in the Department of Home Affairs.
- Construction, maintenance and rehabilitation of prisons over the medium term.
- Maintenance and upgrading of court infrastructure and police stations.
- Support for development of emergency call centres by the Communications Department – R60 million.
- Maintenance and rehabilitation of national park infrastructure and harbour walls by the Department of Environmental Affairs and Tourism – R130 million.

## Allocations to national departments

Table 6.4 indicates how the revenue available at the national level has been allocated to departments over the next three years. Table 6.5 reflects the additional allocations that were made to various national departments over and above their 2001 Budget baseline allocations in order to effect policy changes, increase expenditure on existing programmes or implement new spending programmes in the 2002 MTEF period.

Extensive detail of policy and legislative developments and service delivery progress and targets is set out in the *2002 Estimates of National Expenditure*.

## Central Government and Administrative Services

*The Presidency* has taken steps to strengthen strategic leadership at the centre of government. Additional amounts of R28,3 million, R32,2 million and R39,1 million support foreign travel and the expanding involvement in the New Partnership for Africa's Development (NEPAD), and phase in additional capacity within the centre of government over the medium term.

*Presidency vote supports NEPAD involvement and increased foreign travel commitments*

Allocations on the *Parliament* vote increase from R469,3 million in 2002/03 to R538,1 million by 2004/05 in support of continued transformation in building a democratic parliament that is transparent and responsive to the electorate.

South Africa's foreign relations engagements have increased significantly following re-integration with the global economy. Moreover, promotion of NEPAD further adds to foreign relations commitments over the next three years.

*Depreciation of the rand raises costs of foreign diplomatic commitments*

**Table 6.4 National budget expenditure, 1998/99–2004/05**

R million	Outcome			Revised estimate 2001/02	Medium-term estimates		
	1998/99	1999/00	2000/01		2002/03	2003/04	2004/05
<b>Central Government Administration</b>							
Presidency	67	79	93	118	127	137	150
Parliament	351	345	416	424	469	502	538
Foreign Affairs	1 307	1 375	1 435	2 077	2 079	2 141	2 259
Home Affairs	1 190	1 316	1 646	1 147	1 251	1 739	1 682
Provincial and Local Government	1 121	1 139	1 341	2 091	2 532	2 796	2 989
<b>Financial and Administrative Services</b>							
Gov. Communication & Information System	49	60	66	114	145	153	162
National Treasury	5 519	6 655	6 737	8 618	10 058	11 245	12 170
Public Enterprises	27	36	34	233	55	59	62
Public Service and Administration	152	156	85	91	137	154	113
Public Service Commission	19	34	43	53	56	58	62
SA Management Development Institute	25	14	19	23	21	22	23
Statistics SA	95	101	205	776	272	246	238
<b>Social Services</b>							
Arts, Culture, Science and Technology	799	858	978	1 137	1 364	1 626	1 741
Education	6 470	7 112	7 558	8 117	8 804	9 344	9 677
Health	5 119	5 859	6 667	6 706	7 185	7 657	8 186
Housing	3 748	3 494	3 329	3 711	4 245	4 664	4 899
Social Development	147	500	472	2 335	409	406	358
Sport and Recreation South Africa	86	128	70	101	160	205	82
<b>Justice and Protection Services</b>							
Correctional Services	5 036	5 145	5 475	6 534	6 885	7 424	8 116
Defence	10 561	10 717	13 932	16 053	18 414	19 339	19 883
Independent Complaints Directorate	21	24	26	27	31	34	37
Justice and Constitutional Development	2 439	2 792	2 887	3 638	4 247	4 236	4 539
Safety and Security	13 935	14 572	15 597	17 620	19 204	20 994	22 934
<b>Economic Services and Infrastructure development</b>							
Agriculture	737	676	723	869	917	1 011	936
Communications	842	767	456	1 114	823	791	819
Environmental Affairs and Tourism	414	506	751	878	1 151	1 287	918
Labour	730	866	1 633	4 183	4 167	4 382	4 588
Land Affairs	723	685	770	973	964	1 059	1 141
Minerals and Energy	672	611	592	1 245	1 826	1 592	1 671
Public Works	2 869	3 159	3 570	3 669	3 731	4 017	3 967
Trade and Industry	1 914	1 827	2 160	2 080	2 469	2 627	2 788
Transport	3 553	4 062	4 099	4 965	5 344	5 624	5 896
Water Affairs and Forestry	2 865	2 676	3 042	3 275	3 559	3 828	3 295
<b>Subtotal: National votes</b>	<b>73 600</b>	<b>78 348</b>	<b>86 908</b>	<b>104 996</b>	<b>113 102</b>	<b>121 399</b>	<b>126 917</b>
<i>Plus: Amounts still to be allocated</i>	–	–	–	–	700	1 500	3 662
<b>Votes &amp; statutory amounts</b>	<b>73 600</b>	<b>78 348</b>	<b>86 908</b>	<b>104 996</b>	<b>113 802</b>	<b>122 899</b>	<b>130 578</b>
<i>Plus:</i>							
Contingency reserve	–	–	–	–	3 300	5 000	9 000
Umsobomvu Fund	–	855	–	–	–	–	–
Interest on debt	42 669	44 290	46 321	47 515	47 503	49 845	52 434
Provincial equitable share	84 342	89 095	98 398	107 460	119 452	128 466	137 089
Local government equitable share	1 963	2 163	2 315	2 618	3 852	5 021	5 461
Recoveries from pension fund	-1 158	–	–	–	–	–	–
<b>National expenditure</b>	<b>201 416</b>	<b>214 750</b>	<b>233 942</b>	<b>262 590</b>	<b>287 909</b>	<b>311 231</b>	<b>334 561</b>

Table 6.5 Additional allocations to national departments

R million	2002/03	2003/04	2004/05 <sup>1</sup>	Total
<b>Central Government Administration</b>	<b>2 303,2</b>	<b>3 245,3</b>	<b>3 567,9</b>	<b>9 116,4</b>
Presidency	28,3	32,2	39,1	99,6
Parliament	23,0	32,5	40,2	95,6
Foreign Affairs	507,1	523,3	544,3	1 574,7
Home Affairs	228,8	366,2	226,5	821,5
Provincial and Local Government	1 516,0	2 291,0	2 718,0	6 525,0
<b>Financial and Administrative Services</b>	<b>2 405,9</b>	<b>3 006,5</b>	<b>3 469,4</b>	<b>8 881,8</b>
Gov. Communication & Information Systems	17,9	20,3	21,7	59,9
National Treasury <sup>2</sup>	2 305,7	2 886,0	3 415,0	8 606,7
Public Enterprises	0,3	0,3	0,4	0,9
Public Service and Administration	65,2	75,9	30,0	171,2
Public Service Commission	0,3	0,4	0,4	1,2
SA Management Development Institute	0,3	0,3	0,4	1,0
Statistics SA	16,3	23,3	1,5	41,0
<b>Social Services</b>	<b>1 173,2</b>	<b>1 858,7</b>	<b>1 994,3</b>	<b>5 026,2</b>
Arts, Culture, Science and Technology	147,3	314,7	419,1	881,1
Education	250,9	304,3	215,7	770,9
Health	293,2	438,7	551,0	1 282,9
Housing	301,1	585,3	575,5	1 462,0
Social Development	175,5	207,9	222,8	606,1
Sport and Recreation South Africa	5,2	7,7	10,3	23,2
<b>Justice and Protection Services</b>	<b>2 733,8</b>	<b>3 603,2</b>	<b>4 179,8</b>	<b>10 516,8</b>
Correctional Services	38,0	146,8	401,8	586,7
Defence	1 579,6	1 440,8	911,5	3 931,9
Independent Complaints Directorate	3,2	4,2	5,2	12,6
Justice and Constitutional Development	220,5	270,0	335,2	825,7
Safety and Security	892,6	1 741,4	2 526,0	5 160,0
<b>Economic Services and Infrastructure Development</b>	<b>2 092,4</b>	<b>2 087,5</b>	<b>1 557,1</b>	<b>5 737,0</b>
Agriculture	98,0	92,8	16,1	207,0
Communications	380,2	326,5	326,7	1 033,4
Environmental Affairs and Tourism	102,0	127,7	6,4	236,1
Labour	298,4	259,2	217,7	775,3
Land Affairs	31,7	42,4	62,7	136,8
Minerals and Energy	363,3	368,3	373,7	1 105,3
Public Works	14,3	17,0	17,8	49,1
Trade and Industry	3,5	1,0	4,0	8,4
Transport	348,6	333,9	395,2	1 077,7
Water Affairs and Forestry	452,3	518,6	136,9	1 107,8
Other changes	700,0	1 500,0	2 000,0	4 200,0
Standing appropriations	–	100,0	–	100,0
<b>Total National<sup>3</sup></b>	<b>11 408,6</b>	<b>15 401,0</b>	<b>16 768,5</b>	<b>43 578,1</b>
<b>Provincial equitable share</b>	<b>4 858,3</b>	<b>6 216,5</b>	<b>7 504,2</b>	<b>18 579,0</b>
<b>Total</b>	<b>16 266,9</b>	<b>21 617,5</b>	<b>24 272,7</b>	<b>62 157,2</b>

<sup>1</sup> The assumed baseline for 2004/05 is the 2003/04 baseline plus 6 per cent.

<sup>2</sup> Includes provincial infrastructure grant, SARS and Intelligence Services.

<sup>3</sup> Local government included.

The revised allocations on the *Foreign Affairs* vote include baseline adjustments of R507,1 million in 2002/03, R523,3 million in 2003/04 and R544,3 million in 2004/05 to compensate for the higher than expected depreciation of the rand, implement a new foreign service dispensation and enable the Department to initiate modernisation of information and financial management systems.

*Home Affairs upgrades its infrastructure and business systems to improve service delivery*

The *Department of Home Affairs* has implemented a variety of programmes that will reshape the infrastructure and business systems and enhance service delivery of services. The 2002 Budget increases the *Home Affairs* vote by R228,8 million in 2002/03, R366,2 million in 2003/04 and R226,5 million in support of critical systems development, including rewriting the population register, upgrading the movement control system and implementing a document management system. Additional amounts of R104 million in 2002/03 and R189,5 million in 2003/04 are included for transfer to the *Independent Electoral Commission* to facilitate by-elections, upgrade systems and prepare for the 2004 national elections.

Service delivery to communities happens mainly at the provincial and local level. The *Department of Provincial and Local Government* assists the provincial and local spheres with development planning, capacity building, infrastructure and service delivery by developing policy and monitoring its implementation, as well as through transferring resources. Significant additional amounts of R1,5 billion in 2002/03, R2,3 billion in 2003/04 and R2,7 billion in 2004/05 raise budgeted expenditure to R6,4 billion, R7,8 billion and R8,5 billion over the next three years.

*Additional amounts on the DPLG support for municipalities*

The additional allocations are largely directed towards increasing the local government equitable share and infrastructure programmes, particularly the Consolidated Municipal Infrastructure Programme (which will grow by 27,8 cent a year over the medium term). These allocations are important sources of funding for the Integrated Sustainable Rural Development Programme and the Urban Renewal Programme over the medium term.

*GCIS raises access to government information through community centres*

The *Government Communication and Information System* (GCIS) is leading an intersectoral process to set up Multi-Purpose Community Centres (MPCCs) through which members of the public can access government and development information, and some government services can be delivered. Additional amounts of R17,9 million, R20,3 million and R21,7 million were added to the GCIS MTEF baseline allocation to provide for existing staffing costs and new personnel and to accommodate an increase in the production and distribution of information products through MPCCs in areas that are difficult to reach.

*Increased allocations to SARS accelerate the Siyakha restructuring programme raising further efficiencies in revenue collection over the medium term*

The *National Treasury* vote increases by R2,3 billion in 2002/03, R2,9 billion in 2003/04 and R3,4 billion in 2004/05, after phasing out the supplementary grant to provinces. Other changes include:

- Increased provision for the *South African Revenue Service* for adapting to a revised tax policy, as well as to accelerate roll-out of the Siyakha business re-engineering programme.

### **The integrated sustainable rural development and urban renewal programmes**

The *Integrated Sustainable Rural Development Programme* and the *Urban Renewal Programme* promote coordinated service delivery across the spheres of government to improve the lives of very poor communities and enhance progress in selected geographical areas. While both programmes are co-ordinated by the Department of Provincial and Local Government, responsibility for their success lies with all the stakeholders.

Implementation will make use of existing capacity and develop new institutional, planning, management and funding mechanisms to focus the expenditure of national, provincial and local government to respond to needs of local areas more effectively and efficiently.

The structures and processes of the MTEF provide the mechanism for reprioritisation of national and provincial departmental budgets while the Integrated Development Plans of local government aid in planning across the three spheres of government. Additional funding may be derived from the delivery relationships that will be established at the local level. Sources will include the private sector, public-private partnerships, public enterprises and the donor community.

Since the announcement of the first set of selected areas (13 rural nodes and 8 urban nodes) at the start of 2001, the Department of Provincial Local Government and other stakeholders have worked to establish a sound foundation for the roll-out of these programmes in 2002. The planning phase included establishing appropriate institutional mechanisms, processes for community mobilisation, methodology for project identification, and local capacity building for the implementation of projects.

- The newly established Financial Intelligence Centre to assist in efforts to counter money laundering
- An increase to the allocation for secret services
- Funding for the South African contribution to the Highly Indebted Poor Countries Initiative
- Additional commitments for government contributions to medical schemes for retired civil servants
- Additions to secret services
- Additional allocations for provincial infrastructure.

The efforts of the *Department of Public Service and Administration* (DPSA) are directed towards improving service delivery and good governance across the three spheres of government. Over the next three years, the DPSA will launch a variety of information technology projects to develop and implement appropriate e-government practices. The 2002 MTEF adds a further R65,2 million in 2002/03, R75,9 million in 2003/04 and R30 million in 2004/05 to the DPSA baseline allocations to upgrade the current Government network and to sustain projects aimed at improving service delivery across Government.

*DPSA to develop and implement e-government policy and practice*

*Statistics South Africa* has initiated an internal restructuring aimed at the delivery of an improved statistical information services. Additional amounts of R16,3 million in 2002/03, R23,3 million in 2003/04 and R1,5 million in 2004/05 will enhance the strategic and professional capacity of the organisation.

*Enhanced statistical service being developed*

### **Social services**

Additional amounts of R145,2 million, R312,5 million, and R348,9 million are allocated to the *Arts, Culture, Science and Technology* vote over the next three years. A total of R350 million is

*Funding for Freedom Park and support for a National Biotechnology Strategy*

set aside for the construction of Freedom Park. Also included are amounts of R30 million, R50 million and R60 million for enhancing the work of science councils on a National Biotechnology Strategy.

*Boost to higher education subsidies*

Over the next three years, budgeted expenditure on the *Education* vote increases by R247,6 million, R300,8 million and R91,1 million above baseline allocations. These allocations boost transfers to higher education, enabling the *Department of Education* to maintain subsidy levels for higher education and direct further support to the National Student Financial Assistance Scheme over the next three years.

The *Education* vote also includes R148 million in 2002/03, R123,4 million in 2003/04 and R130,9 million in 2004/05 for roll-out of the HIV/Aids life-skills programme in schools.

*Health spending on HIV/Aids increased*

*Health* policy and services have a key role to play in social and economic development and in support of programmes that reduce poverty and vulnerability within communities.

Over the next three years, budgeted expenditure on the national *Health* vote increases from R7,2 billion in 2002/03 to R8,2 billion in 2004/05. This includes a redesigned grant to provinces to support tertiary hospitals and grants for professional training, hospital management and nutrition programmes. Additional allocations over the 2001 baseline estimates are largely directed towards the enhanced response to HIV/Aids.

*Step up in housing spending and new focus on medium density housing*

Over the next few years, the focus on the *Housing* vote will shift to medium density housing while improving housing access to the poor through the People's Housing Process programme, aimed at households who wish to enhance their subsidies by building or organising home-building for themselves.

Since 1994, more than a million housing opportunities have been created, providing more than 5 million poor people with secure tenure and safe homes. Expenditure on the *Housing* vote is budgeted to increase from R4,2 billion in 2002/03 to R4,9 billion in 2004/05, contributing to the reduction of the housing backlog and providing room for adjustment to the value of subsidies.

*Responsibility for the NDA shifted to Social Development*

The increases in the baseline allocations to the *Department of Social Development* over the medium term are mainly due to the shift of funds for the National Development Agency to the vote. Additional allocations on the *Social Development* vote also support the social security and welfare services systems and disaster relief.

The *Social Development* vote includes allocations for the integrated HIV/Aids prevention programme of R48 million in 2002/03, R65,8 million in 2003/04 and R69,8 million in 2004/05.

*Focus on broadening access to and participation in sport*

The budget of the *Sports and Recreation Department* increases from R160 million in 2002/03 to R205,2 million in 2003/04. These allocations support initiatives targeted towards broadening access to and participation in sport. The budget declines in 2004/05, as a special poverty relief allocation for community sports facilities falls away.

## Budgeting for HIV/Aids

The 2002 Budget contains significant measures to strengthen the national HIV/Aids programme. An Enhanced Response budgeting strategy has been developed by the Department of Health in collaboration with the Departments of Social Development and Education and the National Treasury to accompany and provide impetus to the national HIV/Aids strategic plan. The most important dedicated funding streams for HIV/Aids intervention are detailed in box table 6.1. Total funding will approach R1 billion in 2002/03.

### Main dedicated funding streams for HIV/Aids and TB

R Thousands	2000/01	2001/02 Revised	2002/03	2003/04	2004/05
Health Conditional grant to provinces	16 819	54 398	157 209	266 576	380 480
<i>Lifeskills education in schools</i>	27 000	63 500	142 000	117 400	124 924
<i>Voluntary counseling &amp; testing programme</i>	8 629	22 000	49 000	54 829	58 219
<i>Provincial management</i>	0	0	6 709	8 386	8 386
<i>Home-based care</i>	8 190	12 100	46 502	64 236	68 185
<i>Step-down care</i>	0	0	30 000	60 000	90 000
Education conditional grant to provinces	27 000	63 500	142 000	117 400	124 924
Department of Social Development – conditional grant	6 000	12 500	46 500	64 235	68 185
National Department of Health	164 329	212 464	250 996	277 457	309 023
<i>NGOs</i>	19 013	34 572	53 000	45 850	73 050
<i>Core DOH (condoms, media, TB)</i>	145 316	142 892	157 996	186 607	215 973
<i>Love Life programme</i>	0	25 000	25 000	25 000	0
<i>SA National AIDS Council</i>	0	10 000	10 000	15 000	15 000
<i>South African AIDS Vaccine initiative</i>	0	0	5 000	5 000	5 000
Targeted increase in provincial. equitable share			400 000	600 000	900 000
<b>Total</b>	<b>214 148</b>	<b>342 862</b>	<b>996 705</b>	<b>1 325 668</b>	<b>1 782 612</b>

Preventive interventions remain critical to protect the uninfected 90 per cent of the population as well as to prevent secondary infections in infected persons. Funding for lifeskills programmes in schools doubles with substantially more teachers, peer educators and students to be trained. Voluntary counselling and testing will become much more accessible while condom logistical distribution systems have been significantly improved and linked to uptake – 358 million male condoms will be distributed in 2002/03, an increase of 16 per cent. The Lovelife programme receives R25 million (with R75 million co-funding from the Kaiser group) for its mass media, youth and clinic initiatives. Targeted prevention campaigns are being implemented in the public service, and by many firms and NGOs. The mother-to-child prevention programme receives funding for progressive roll-out over the period, reaching R155 million annually by the outer year.

Improved management of sexually transmitted infections (an important co-factor in transmission) will be funded partly through increases in the equitable share (see below). Antenatal HIV seroprevalence rates in under-20 year-olds (a useful indicator of new infections) has declined from 21 per cent in 1998 to 16,1 per cent in 2000, a useful sign that prevention programs may be starting to take effect.

Care strategies will be significantly expanded. For the first time R400 million has been allocated to provinces as part of the equitable share increase to deal with additional costs arising from care of HIV/Aids infected persons. This will also cover a range of interventions including improved care of sexually transmitted infections and TB, medication for prevention of TB and pneumonia in infected persons, and costs arising from hospitalisation and treatment of opportunistic infections. The conditional grant increases substantially to make provision for roll-out of home-based care and community-based support and care. A facility based step-down care option is to be developed for patients who do not require acute hospital care but are too ill to be managed at home. Widespread use of triple therapy is considered unaffordable at present but continues to be the subject of various research projects. Diflucan is being made available free of charge to HIV/Aids patients suffering from appropriate infections.

Expenditure will flow through Departments of Health, Education and Social Development in all nine provinces as well as through national Departments. Government is concerned about potential underspending, sub-optimal capacity and the need to ensure proper financial and procurement controls. It will be necessary for departments to address these issues while moving beyond piloting to ensuring a properly functioning national programme with sufficient coverage and effectiveness. Ongoing evaluation and refinement will be essential.

### Protection services

A rapid increase in the prisoner population has contributed to significant overcrowding in prisons across the country. The daily average prisoner population has risen from 139 904 during 1997/98 to 167 694 in 2000/01, and is expected to rise to 225 600 by 2004/05.

*Correctional Services implements initiatives to manage overcrowding in prisons*

The *Department of Correctional Services* has initiated a number of strategies to manage overcrowding in prisons, including:

- Providing additional prison accommodation through public-private partnerships
- Establishing multi-sectoral task teams to identify blockages and devise solutions to the problem of awaiting trial prisoners
- Promoting alternative sentencing options, including electronic monitoring, community service under correctional supervision, and deploying processes of restorative justice.

Budgeted expenditure on the *Correctional Services* vote increases from R6,9 billion in 2002/03 to R8,1 billion in 2004/05 to fund increased operational costs associated with higher prisoner numbers and the construction of additional accommodation over the next three years.

*Depreciation of the rand has affected costs of arms programme*

A significant increase of R1,6 billion in 2002/03, R1,4 billion in 2003/04 and R0,9 billion in 2004/05 on the *Defence* vote will cover the estimated shortfall on the strategic defence package baseline allocation due to revised exchange rate projections. Provision is also made for the protection mission to Burundi.

### Strategic defence procurement programme

After a decade of declining investment in South Africa's defence capability and a Defence Review following the 1996 White Paper on National Defence, the Government has embarked on a 12-year strategic arms procurement programme. It includes the purchase of four naval corvettes, three submarines, 30 light utility helicopters, 24 trainer aircraft and 28 fighter aircraft, at a total cost in 1999 prices of US\$4,8 billion (R30,3 billion). The Defence vote includes the full costs of these purchases, including provision for inflation-related price escalation and projected exchange rate movements.

Currently, total cash outlays are projected to amount to R52,7 billion, with annual payments reaching a peak of R7,7 billion in 2005/06. Projected annual commitments are summarised below:

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
R million	2 639	4 047	6 331	7 199	7 194	7 704	
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
R million	5 960	4 491	3 502	1 314	1 182	1 160	52 723

The strategic procurement programme brings total defence expenditure to 1,7 per cent of GDP in 2002/03, compared with 3,7 per cent in 1990/01 and 1,5 per cent in 1997/98.

The National Treasury has taken up loan facilities associated with the foreign supplies in the procurement programme, as these were available on favourable terms guaranteed by foreign export credit agencies. The costs of these loans are included in the provision for state debt costs.

### **The Changing Face of the Legal Aid Board**

The Legal Aid Board was established by the Legal Aid Act (22 of 1969). It provides legal representation to the poor at state expense, as provided for in the Constitution.

Legal aid has become a significant cost to the state over the past seven years, with expenditure rising from R94,3 million in 1995/96 to R322,1 million in 2001/02. Over the next three years, budgeted expenditure on the Legal Aid Board rises further to R378,3 million in 2004/05.

At present, the Board uses the judicare system of legal representation. It instructs lawyers in private practice to represent, in criminal and in civil matters, persons who qualify in terms of the Board's means test. Because the growth in expenditure on legal aid is unsustainable, the Board has undertaken a comprehensive review of this approach to providing legal assistance to the poor. This has led to measures that cap costs, including reducing the tariffs paid to lawyers. In particular, the briefing of legal professionals has been scaled down and replaced with delivery of services by salaried employees in legal aid clinics, advice offices and public defender offices.

The Legal Aid Board has also undertaken corrective steps to revamp its financial and information technology systems to address the lack of financial controls, late finalisation of financial statements and inadequate IT systems.

The next few years will bring marked changes to legal aid. The judicare system is being replaced by an access-to-justice system, which will see justice centres, judicare, regional court coverage and High Court units established to ensure improved and more cost effective ways of accessing justice.

Justice centres provide legal aid applicants with a one-stop facility in urban and rural areas. There are currently 24 centres that cover criminal matters and legal matters pertaining to women, children and landless people. Each justice centre has a core of candidate attorneys, salaried legal practitioners and paralegals to provide legal assistance to qualifying individuals in regional courts, district courts and the High Courts. Between January and April last year, new justice centres were set up in Benoni, Cape Town, Athlone, Mitchell's Plain, Durban, Phuthaditjaba, Pietersburg and Port Elizabeth. The Legal Aid Board plans to open a further 60 centres around the country by 2004.

The *Independent Complaints Directorate* investigates all cases in which a person dies in police custody or as a result of police action. It also investigates complaints against the police for criminal or disciplinary infractions, and complaints about poor service delivery. Budgeted expenditure on the ICD vote increases from R31,4 million in 2002/03 to R36,7 million by 2004/05.

Significant delivery pressures on the judicial system have contributed to eroded capacity in the sector over the past few years. The *Department of Justice and Constitutional Development*, assisted by members of the business community, has undergone considerable organisational restructuring to streamline and enhance operations.

*Restructuring of the justice system to streamline operations*

Four business units have clear responsibilities and are held accountable for their performance. They include four line-function units: court services, legal services, legislation and constitutional development, and the Master's Office; and four supporting business units dealing with finances, human resources, public relations and information systems.

The 2002 Budget allocates a further R220,5 million in 2002/03, R270 million in 2003/04 and R335,2 million in 2004/05 on the *Justice* vote to support these restructuring activities over the medium term. These resources will be used to increase capacity in the courts, the Directorate of Special Operations, and the Master's Offices; implement legislation; increase coverage of the Legal Services Board; improve the remuneration of judges; enhance physical infrastructure; and build the capacity of independent institutions.

*Increased capacity for the courts and Directorate of Special Operations*

### **Making a difference in the fight against crime**

Crime statistics for the first nine months of 2001 show that since the implementation of the National Crime Combating Strategy in April 2000, positive trends have begun to emerge. With the exception of some forms of theft and robbery – most notably aggravated robbery – per capita levels of all serious crimes either decreased or stabilised during the first 18 months of the implementation of the Strategy.

In particular, stable trends are emerging in the majority of the 145 identified high crime areas that generate more than 50 per cent of South Africa's serious crimes.

National operations to address specific priority crime trends in flashpoint areas resulted in 176 235 arrests for serious crimes, 309 316 arrests for less serious crimes, the seizure of 18 402 firearms, and the recovery of 15 804 stolen vehicles.

Approximately 20 000 SA Police Service members have received training in victim empowerment while a similar number have received training in enforcing the Domestic Violence Act.

*16 000 additional police personnel to be employed over the next three years*

Budgeted spending on the *Safety and Security* vote rises from R19,2 billion in 2002/03 to R22,9 billion in 2004/05 to fund the employment of additional police personnel under the new strategy. This will help to combat and reduce crime by increasing police visibility and improving community involvement in high crime areas.

### **Economic services and Infrastructure**

Agriculture is a key sector in the South African economy and has the potential to play a central role in raising the living standards of the poor.

*Agricultural support for newly settled farmers to be enhanced*

A key participant in the Government's integrated rural development strategy, the *Department of Agriculture* is responsible for the settlement of African farmers, the provision of appropriate support services and the development of black farming entrepreneurs. These responsibilities underscore the growth in the Agriculture vote from R917 million in 2002/03 to R936 million in the outer year. Medium term allocations include additional amounts of R98 million in 2002/03 and R92,8 million in 2003/04 for flood relief to communities in the Northern Province and Mpumalanga over the next few years.

*The 2002 Budget supports restructuring of the South African Post Office over the next few years*

Amounts of R380,2 million, R326,5 million and R326,7 million are added to the *Communications* vote over the next three years mainly to support further restructuring of the South African Post Office. The Postal Services Act of 1998 obliges the Post Office to rollout infrastructure and services to underserved areas. This process has contributed to the further weakening of the financial position of the Post Office, despite the appointment of a strategic management partner to facilitate restructuring. A turnaround strategy for the Post Office will involve a separation of the Post Bank as a free-standing business unit, personnel restructuring, new approaches to rural and small town service provision and a thorough overhaul of management and financial systems.

The *Department of Environmental Affairs and Tourism* seeks to maximise the growth potential and manage the trade-offs between the tourism, environment and fishing sectors over the medium term. While

the country's natural resources are the industry's most valuable asset, tourism also has the potential to promote job creation and protect South Africa's culture.

The 2002 Budget sets aside an additional R80 million in 2002/03 on the *Environmental Affairs and Tourism* vote for the hosting of the World Summit on Sustainable Development this year. Additional amounts of R50 million in 2003/04 and 2004/05 are proposed for promoting tourism in the outer years following the Summit. The allocations also provide R12 million a year for the South African National Parks for road maintenance and R50 million in 2003/04 and R80 million in 2004/05 for further infrastructure investment in national parks and harbours.

*An extra R80 million to Environmental Affairs and Tourism for hosting of the World Summit on Sustainable Development*

Last year, the Minister of Labour tabled legislation to restructure the Unemployment Insurance Fund. A graduated income replacement scale is proposed and extension of coverage to domestic and farm workers will target benefits more effectively at the poor. The 2002 Budget allocates a further R298,4 million, R259,2 million and R217,7 million on the *Labour* vote mainly in support of the restructuring of the Fund over the next three years.

*Restructuring of the UIF targets benefits more effectively and will improve financial viability*

Land reform is at the heart of reducing vulnerability for many communities. The pace of restitution – restoring land or providing financial compensation to victims of forced removals – has increased rapidly. Between 1999 and 2001 approximately 13 000 restitution claims were settled, costing about R565 million.

*Land reform to focus on sustainable economic development in rural areas*

Over the next few years, the focus of land reform will shift from increasing the number of beneficiaries and hectares distributed to land reform practices that are sustainable and economically viable. The new land reform programme aims to:

- Facilitate transfer of about 30 per cent of agricultural land over a 15-year period
- Improve the nutrition and income of the rural poor through a variety of farming methods and levels of production
- Expand opportunities in rural areas for women and young people.

Budgeted expenditure on the *Land Affairs* vote rises from R964,2 million in 2002/03 to R1,1 billion in 2004/05 in support of sustainable land reform that contributes to rural development over the medium term.

Funding for the national electrification programme is located on the *Minerals and Energy* vote following the transfer of the programme from Eskom to the Department of *Minerals and Energy* in 2001. The Department is responsible for the strategic and financial management of the programme and Eskom is mandated with its execution.

Additional amounts of R363,3 million in 2002/03 and R349,3 million in 2003/04 are allocated on the *Minerals and Energy* vote enable expenditure on the national electrification programme to rise to R950 million a year, supporting Eskom's drive towards electrifying rural communities. Part of the funding will go to municipalities.

*Spending on the electrification programme rises to R950 million a year*

*Rehabilitation of roads and rural networks enhances economic activity and provides development*

The *Department of Transport* faces significant challenges over the next few years to ensure that public transport (bus and rail) subsidies remain affordable and are better targeted towards poor communities. In support of the Department's efforts, additional amounts of R150 million for bus subsidies and R140 million for rail subsidies are allocated on the *Transport* vote in 2002/03. In 2003/04 and 2004/05, spending on rail infrastructure is projected to increase by a further R130 million and R200 million and bus subsidies by R160 million and R170 million. These additional amounts will enable the department to maintain the current bus contracts and to cover the escalation costs as prescribed in the contracts.

*Investments in water and sanitation infrastructure support Government's commitment to do deliver affordable basic services*

Improving access to clean, safe water and sanitation facilities is essential for a healthy population. The *Department of Water Affairs and Forestry* undertakes direct investment interventions to support water services authorities in providing potable water and sanitation. It also promotes the transfer of water services schemes to appropriate municipal water services institutions.

Since 1994, more than 7 million people have been provided with a basic supply of water, at an average once-off cost of about R642 per person. Based on the current trend, more than 8 million people will have received water services before April 2003. The outbreak of cholera in recent years has underlined the need for more rapid delivery of basic sanitation services in particular.

Budgeted expenditure on the *Water Affairs and Forestry* vote rises from R3,6 billion in 2002/03 to R3,8 billion in 2003/04. The budget declines in the outer year to R3,3 billion as the poverty relief amounts for that year have not been allocated as yet. Additional amounts above the 2001 baseline estimates are allocated mainly in support of investment in rural water and sanitation infrastructure that will accelerate the supply of potable water and sanitation facilities to rural communities over the medium term.

### **Poverty relief and income generating projects**

Allocations to national departments include R1,5 billion in 2002/03 and in 2003/04 for poverty relief and income generating projects targeted towards the most vulnerable groups in society – the rural poor, women, youth and disabled.

Table 6.6 below sets out the allocations to departments, showing the range of projects that span the delivery of community infrastructure and services, training, protecting the environment and income generating projects.

*Special poverty relief allocation will undergo an evaluation in 2002*

The programme, conceived initially as a short-term intervention in 1998, will be comprehensively reviewed in 2002. Where projects have contributed to the core functions of the department, or have illustrated their usefulness in relieving poverty and are sustainable, allocations will become part of ongoing departmental budgets. Unallocated resources will be reprioritised toward other programmes that are targeted at poverty alleviation or sustainable job creation, focusing particularly on rural and urban development challenges.

### Working for Water

*Working for Water* has a core budget of R418 million for the 2002/3 financial year, of which 79 per cent or R330 million is funded from the special Poverty Allocation, to clear invading alien plants. These plants are considered to be the single biggest threat to South Africa's extraordinary biological diversity. They are also estimated to be using approximately 7 per cent of South Africa's mean annual run-off of water, and pose a significant threat to water security. They further have a very negative impact on the productive use of land, and their associated impact on especially fires, but also flooding, erosion and water quality, are additional problems that will worsen if the invading alien plants are not brought under control.

However, it is not the enormity of the problem of invading alien plants that alone led to *Working for Water* being the largest conservation programme in Africa, and the recipient of 28 national and international awards. What sets the *Working for Water* programme apart from many other conservation programmes is its focus on social development. *Working for Water* has had a strong emphasis on reaching the poor and providing opportunities for disadvantaged people.

The challenge has been to provide a social safety net whilst at the same time structuring the programme as a training opportunity for those living in poverty, and so prepare workers for an exit strategy that will enable them to compete for other work opportunities. The programme works on a "closed contract" basis, whereby workers are paid for completed tasks at levels agreed to, and are given training in entrepreneurial skills, financial planning and management, work-related skills, health and safety issues, quality of life issues, and more. The programme's training capacity has improved considerably over recent years, as has its structuring of future opportunities for its workers. Nevertheless, the programme is still some years short of fulfilling its goal to be an effective training ground for environmental managers and workers in South Africa.

*Working for Water* has worked hard at fostering partnerships - primarily within Government, but also with NGOs, the private sector and civil society. The programme has a long-term average expenditure of over 95 per cent of its budget, and will employ approximately 24 000 people through the course of the year (about 18 000 person years of work).

**Table 6.6 Poverty relief and Job Summit allocations**

R million	2002/03	2003/04
<b>Agriculture:</b> <i>Landcare; Food security programme</i>	35,0	50,0
<b>Arts, Culture, Science and Technology:</b> <i>Agricultural production and processing; Investing in culture</i>	48,0	64,0
<b>Education:</b> <i>Adult basic education and training; Rural school building programme</i>	74,0	114,0
<b>Environmental Affairs and Tourism:</b> <i>Integrated Waste Management Campaign; Local tourism infrastructure; Tourism product development; Coastal development; SDI projects</i>	240,0	300,0
<b>Health:</b> <i>Nutrition and household food security projects</i>	12,0	15,0
<b>Housing:</b> <i>Rental housing project</i>	75,0	–
<b>Provincial and Local Government Affairs:</b> <i>Social plan implementation; Local Economic Development Fund</i>	102,0	120,0
<b>Public Works:</b> <i>Community based public works</i>	274,0	274,0
<b>Social Development</b> <i>projects</i>	100,0	71,0
<b>Sport and Recreation</b> <i>facilities</i>	90,0	129,5
<b>Transport:</b> <i>Road upgrading and maintenance</i>	100,0	100,0
<b>Water Affairs and Forestry:</b> <i>Working for Water; Community water supply and sanitation; SDI projects</i>	350,0	330,0
<b>Total available</b>	<b>1 500,0</b>	<b>1 567,5</b>

## Trends in consolidated national and provincial expenditure

Growth in real consolidated spending averages 4,1 per cent a year

Consolidated national and provincial expenditure comprises national and provincial spending, together with expenditure of the social security funds and the RDP Fund.

Over the next three years, real growth in consolidated non-interest spending is expected to average 4,1 per cent a year.

## Functional distribution of consolidated expenditure

The functional classification is sometimes called a government purpose classification, and is designed to reflect the distribution of spending among the various services provided. It is a useful tool for tracing the implementation and direction of government policies.

**Table 6.7 Consolidated national and provincial spending by function, 1998/99 – 2004/05**

R million	1998/99	2001/02	1998/99– 2001/02	2002/03	2003/04	2004/05	2001/02– 2003/04
	Estimated Outcome	Revised estimate	Ave. growth %	Medium-term estimates			Ave. growth %
<b>Protection Services</b>	<b>34 075</b>	<b>46 893</b>	<b>11,2%</b>	<b>52 360</b>	<b>55 870</b>	<b>59 478</b>	<b>8,2%</b>
Defence and intelligence	11 892	18 053	14,9%	20 590	21 659	22 355	7,4%
Police	14 346	18 370	8,6%	20 011	21 877	23 801	9,0%
Prisons	5 259	6 839	9,2%	7 199	7 763	8 451	7,3%
Justice	2 578	3 631	12,1%	4 560	4 572	4 871	10,3%
<b>Social Services</b>	<b>103 166</b>	<b>129 560</b>	<b>7,9%</b>	<b>144 860</b>	<b>155 593</b>	<b>166 225</b>	<b>8,7%</b>
Education	45 348	55 395	6,9%	59 799	64 540	68 360	7,3%
Health	24 663	31 713	8,7%	34 401	37 524	40 832	8,8%
Welfare (incl. social security)	25 418	34 082	10,3%	40 873	42 717	45 947	10,5%
Housing and community development	6 559	6 646	0,4%	7 864	8 641	9 040	10,8%
Other social services	1 180	1 724	13,5%	1 924	2 171	2 046	5,9%
<b>Economic Services</b>	<b>19 013</b>	<b>26 992</b>	<b>12,4%</b>	<b>31 596</b>	<b>33 312</b>	<b>34 897</b>	<b>8,9%</b>
Water schemes, related services	2 894	3 555	7,1%	4 201	4 679	4 416	7,5%
Fuel and energy	291	859	43,4%	1 512	1 157	1 206	12,0%
Agriculture, fishing and forestry	3 950	5 292	10,2%	6 160	6 237	6 523	7,2%
Mining, manufacturing and construction	1 262	1 358	2,5%	1 464	1 663	1 761	9,0%
Transport, communication	7 789	10 012	8,7%	10 876	11 591	12 528	7,8%
Other economic services	2 827	5 917	27,9%	7 383	7 984	8 462	12,7%
<b>General government services and unallocated expenditure</b>	<b>12 290</b>	<b>20 981</b>	<b>19,5%</b>	<b>23 240</b>	<b>26 175</b>	<b>27 798</b>	<b>9,8%</b>
<b>Allocated expenditure</b>	<b>168 544</b>	<b>224 426</b>	<b>10,0%</b>	<b>252 056</b>	<b>270 950</b>	<b>288 398</b>	<b>8,7%</b>
Interest	42 669	47 515	3,7%	47 503	49 845	52 434	3,3%
Unallocated	–	–		3 595	5 278	9 266	
<b>Consolidated expenditure</b>	<b>211 214</b>	<b>271 941</b>	<b>8,8%</b>	<b>303 154</b>	<b>326 072</b>	<b>350 097</b>	<b>8,8%</b>

Table 6.7 shows that economic services as a share of consolidated spending grow strongly, due to the introduction of the skills levy, the change in responsibility and funding of the national electrification programme and rising allocations for national and provincial roads and other infrastructure.

*Strong economic service spending growth*

Over the next three years, we see broadly balanced growth in all sectors, with spending in protection services rising by an average of 8,2 per cent a year, social services by 8,7 per cent, economic services by 8,9 per cent and general government services by 9,8 per cent a year. Growth in protection services reflects Government's commitment to strengthen the fight against crime, while the rise in general administration reflects strong growth in provision for SARS, support for local government and provincial administration functions.

*Over the next three years, social services grows by 8,7 per cent and economic services by 8,9 per cent a year*

### Economic breakdown of consolidated spending

In the economic classification tables, spending is classified into current or capital outlays, while transfers to other entities, enterprises or households are distinguished from direct expenditure on goods and services or assets.

**Table 6.8 Economic classification of consolidated national and provincial spending, 1998/99–2004/05**

R million	1998/99	2001/02	1998/99– 2001/02	2002/03	2003/04	2004/05	2001/02– 2004/05
	Estimated Outcome	Revised estimate	Avg. growth %	Medium-term estimates			Avg. growth %
<b>Current expenditure</b>							
<b>Goods and services</b>	<b>105 975</b>	<b>136 480</b>	<b>8,8%</b>	<b>146 253</b>	<b>156 793</b>	<b>166 842</b>	<b>6,9%</b>
Remuneration of employees	80 979	99 223	7,0%	106 774	113 779	120 827	6,8%
Other goods and services	24 997	37 258	14,2%	39 479	43 014	46 015	7,3%
<b>Interest</b>	<b>42 669</b>	<b>47 515</b>	<b>3,7%</b>	<b>47 503</b>	<b>49 845</b>	<b>52 434</b>	<b>3,3%</b>
<b>Current transfers</b>	<b>32 017</b>	<b>40 583</b>	<b>8,2%</b>	<b>47 557</b>	<b>49 241</b>	<b>52 008</b>	<b>8,6%</b>
Business enterprises	5 811	7 088	6,8%	6 709	7 337	7 827	3,4%
Households	25 981	33 190	8,5%	40 540	41 585	43 854	9,7%
Foreign countries & international institutions	225	305	10,6%	308	318	327	2,4%
Universities and technikons	5 478	6 847	7,7%	7 295	7 786	8 255	6,4%
Extra-budgetary agencies	9 131	18 024	25,4%	21 457	23 383	23 974	10,0%
Local authorities	2 785	4 516	17,5%	5 966	7 102	7 711	19,5%
<b>Total</b>	<b>198 056</b>	<b>253 965</b>	<b>8,6%</b>	<b>276 032</b>	<b>294 150</b>	<b>311 225</b>	<b>7,0%</b>
<b>Capital expenditure</b>							
Acquisition of fixed assets, stock and land	7 195	10 641	13,9%	13 346	15 075	17 066	17,1%
Capital transfers, loans, advances	5 962	7 335	7,1%	10 182	11 570	12 540	19,6%
<b>Total</b>	<b>13 157</b>	<b>17 976</b>	<b>11,0%</b>	<b>23 527</b>	<b>26 645</b>	<b>29 606</b>	<b>18,1%</b>
Unallocated	–	–		3 595	5 278	9 266	
<b>Total</b>	<b>211 214</b>	<b>271 941</b>	<b>8,8%</b>	<b>303 154</b>	<b>326 072</b>	<b>350 097</b>	<b>8,8%</b>

### *Current expenditure*

*Multi-year salary agreement provides public servants with assurance of moderate real salary increases in the years ahead*

Spending on personnel grew rapidly after 1996, putting pressure on service delivery in key areas, particularly health, education and policing. Personnel expenditure has subsequently declined from 48 per cent of consolidated national and provincial spending in 1999/00 to an estimated 44 per cent in 2001/02. A multi-year salary agreement concluded in 2001 provides for inflation-linked salary adjustments in 2002 and 2003, bringing greater certainty to both real salary levels and overall remuneration expenditure.

### *Capital spending*

*Capital spending grows by 18,1 per cent a year over the next three years*

Accelerating capital and infrastructure spending has been a key objective of Government over the past two years. Strengthening capital spending enables Government to rehabilitate its assets and infrastructure, supporting improved productivity, job creation and a growing economy. Consolidated national and provincial capital expenditure is projected to increase from R18 billion in 2001/02 to R29,6 billion in 2004/05, representing average growth of 18,1 per cent over the next three years.

### **Conclusion**

The 2002 Budget provides for strong real growth in spending across a broad range of functions and programmes.

Building on the consolidation of the public finances of recent years, the Budget provides support for social development and alleviating poverty, investment in infrastructure, fighting crime and strengthening community partnerships. The equitable division of resources between national, provincial and local government reflects the distinct and complementary roles of the three spheres of government in sustainable growth and development.