

# 8

## Medium-term expenditure and division of revenue

### In brief

- The 2013 Budget provides for total main budget spending of R1.06 trillion in 2013/14.
- In 2013/14, national government departments are allocated 47.6 per cent of nationally raised revenue, provincial government 43.5 per cent and local government 8.9 per cent.
- The proposed budget framework reflects government's continued commitment to investing in infrastructure, health, education and social welfare.
- Moderate growth in public spending is proposed. Given the constrained fiscal environment, growth in medium-term expenditure is reduced from 8.1 per cent as projected in October 2012 to 7.9 per cent.
- Demographic changes observed in the 2011 Census are reflected in new allocations to provinces and municipalities.
- Government at all levels has contributed to savings and reprioritisation to support policy priorities. To ensure greater value for money, expenditure-control systems and procurement will be strengthened.

### Overview

The spending plans outlined in the 2013 Budget continue to support government's commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. The medium-term expenditure framework (MTEF) takes as a point of departure the National Development Plan (NDP), which establishes a framework to eliminate poverty and reduce inequality by 2030.

*Spending plans take NDP as a point of departure*

Due to lower-than-projected economic growth and revenue underperformance, government has adjusted the spending plans presented in the 2012 *Medium Term Budget Policy Statement*. Savings have been made at every level of government to moderate the fiscal deficit while supporting economic recovery. Expenditure has been trimmed in areas that

will not adversely affect service delivery, or where programmes are not performing as expected.

*Real growth in public spending supports tangible gains in welfare, health, education and employment*

The budget framework provides for average annual real growth in consolidated government spending of 2.3 per cent over the MTEF period. The number of social grant recipients will grow from 16.1 million today to 17.2 million by 2015/16. The number of people receiving antiretroviral treatment will grow by 500 000 per year and public employment programmes will continue to expand. Large-scale investment in schools and hospitals will continue, and access to free basic services will broaden.

Government is already funding many of the programmes highlighted in the NDP. Road and rail infrastructure, for example, receive significant support over the three-year spending period, and there will be major investments in public transport and human settlements. The economic competitiveness and support package will receive R14.9 billion over the spending period to give effect to various growth policies, including the New Growth Path and the Industrial Policy Action Plan.

*Rules for infrastructure projects will be tightened to ensure greater value for money*

Expenditure-control systems across government will be revised over the period ahead. There will be tighter rules for intergovernmental transfers, especially for infrastructure projects. Measures will be taken in supply chain management to make it harder for tender processes to be manipulated and to avoid situations where government pays above-market prices for goods and services.

The results of the 2011 Census, which capture important shifts in the size and distribution of the population, inform the future distribution of funds. Demographic changes will be reflected in new allocations to provinces and municipalities, which will be phased in to avoid disruption of services.

## **Division of national revenue**

National, provincial and local government are responsible for delivering public services. Some of these services are the exclusive responsibility of one level of government, while others – known as concurrent functions – are shared. The division of nationally raised revenue provides for the appropriate funding of each level of government, taking into account their service-delivery responsibilities and other sources of revenue available to them.

*Local government allocations focus on provision of basic services to low-income households*

In 2013/14, national government departments are allocated 47.6 per cent of available funds after debt costs and the contingency reserve have been provided for. Provincial government is allocated 43.5 per cent of available funds, mainly for education, health and social welfare. Local government receives 8.9 per cent of the available funds, primarily for providing basic services to low-income households. Most municipalities fund the majority of their spending through charges and taxes.

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

Table 8.1 summarises the division of revenue for the 2013 Budget.

**Table 8.1 Division of nationally raised revenue, 2009/10 – 2015/16**

R million	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Outcome			Revised estimate	Medium-term estimates		
Debt-service cost	57 129	66 227	76 460	88 325	99 741	108 718	118 163
Non-interest expenditure	690 068	738 914	812 063	878 642	955 333	1 029 262	1 107 564
<i>Percentage increase</i>	18.7%	7.1%	9.9%	8.2%	8.7%	7.7%	7.6%
<b>Total expenditure</b>	<b>747 197</b>	<b>805 141</b>	<b>888 523</b>	<b>966 967</b>	<b>1 055 075</b>	<b>1 137 981</b>	<b>1 225 727</b>
<i>Percentage increase</i>	17.5%	7.8%	10.4%	8.8%	9.1%	7.9%	7.7%
Contingency reserve	–	–	–	–	4 000	6 500	10 000
<b>Division of available funds</b>							
<b>National departments</b>	<b>345 366</b>	<b>355 188</b>	<b>381 324</b>	<b>413 098</b>	<b>452 530</b>	<b>489 456</b>	<b>521 706</b>
<b>Provinces</b>	<b>293 164</b>	<b>322 822</b>	<b>362 488</b>	<b>388 516</b>	<b>414 152</b>	<b>441 727</b>	<b>474 389</b>
Equitable share	236 891	265 139	291 736	313 016	337 572	359 924	383 697
Conditional grants	56 273	57 682	70 753	75 500	76 580	81 803	90 692
<b>Local government</b>	<b>51 537</b>	<b>60 904</b>	<b>68 251</b>	<b>77 028</b>	<b>84 651</b>	<b>91 579</b>	<b>101 469</b>
Equitable share <sup>1</sup>	23 845	30 541	33 173	37 373	40 582	44 490	50 208
General fuel levy sharing with metropolitan municipalities	6 800	7 542	8 573	9 040	9 613	10 190	10 659
Conditional grants	20 892	22 821	26 505	30 615	34 456	36 899	40 603
<b>Total</b>	<b>690 068</b>	<b>738 914</b>	<b>812 063</b>	<b>878 642</b>	<b>951 333</b>	<b>1 022 762</b>	<b>1 097 564</b>
<i>Percentage shares</i>							
National departments	50.0%	48.1%	47.0%	47.0%	47.6%	47.9%	47.5%
Provinces	42.5%	43.7%	44.6%	44.2%	43.5%	43.2%	43.2%
Local government	7.5%	8.2%	8.4%	8.8%	8.9%	9.0%	9.2%

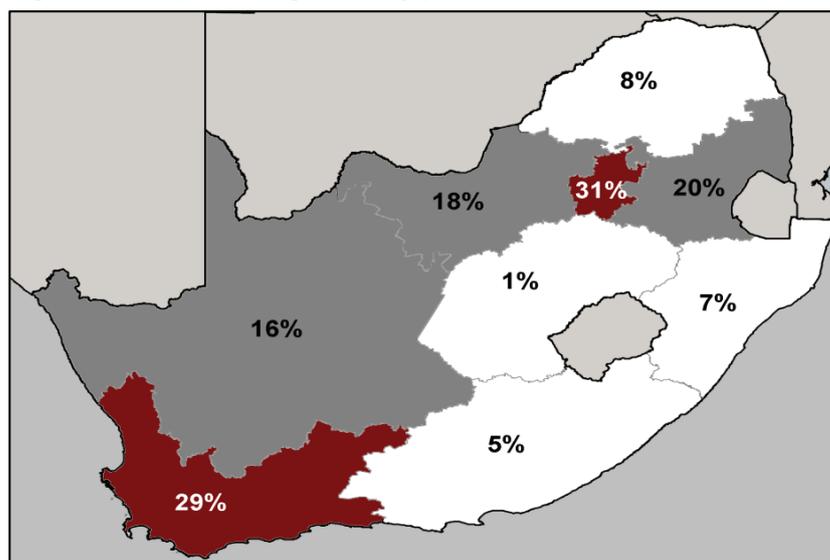
1. With effect from 2006/07, the local government equitable share includes compensation for the termination of Regional Services Council (RSC) and Joint Services Board levies for metros and district municipalities. From 2009/10 the RSC levies replacement grant is only allocated to district municipalities.

### Transfers to provinces

The formula for calculating equitable share transfers to provinces has been updated to reflect population changes observed in the 2011 Census. Figure 8.1 shows how population growth varies significantly across the country, with more urbanised provinces growing faster than others.

*2011 Census reveals sharp growth in most urbanised provinces*

**Figure 8.1 Population growth by province, 2001 – 2011**



Source: Census 2011

Overall, the population grew from 44.8 million in 2001 to 51.8 million in 2011. Provinces that have grown more rapidly will receive higher funding to help them meet demand for services. An amount of R4.2 billion over the 2013 MTEF is reserved to help provinces with declining allocations adjust to their lower relative share.

The provincial equitable share accounts for 81.5 per cent of transfers to provinces and is worth R337.6 billion in 2013/14. The provincial equitable share increases by 7.8 per cent between 2012/13 and 2013/14, growing at an average annual rate of 6.6 per cent over the MTEF period.

*Of R36.1 billion added to provincial equitable share, R26.1 billion is applied to costs of wage agreement*

The 2013 MTEF adds R36.1 billion to the provincial equitable share baseline. Of this, R26.1 billion contributes to the three-year public-sector wage settlement; R1.5 billion pays for the absorption of social work graduates and provides additional support to non-governmental organisations (NGOs); and R1.8 billion finances an increase in the number of teachers for the poorest 20 per cent of schools and grade R classes. Under the revised allocation, provinces also receive an additional R338 million for improved tuberculosis diagnostic systems. Over the MTEF baseline, the *devolution of property rate funds grant*, allocated R6.5 billion, will be phased into the equitable share.

**Table 8.2 Total transfers to provinces, 2011/12 – 2015/16**

R million	2011/12	2012/13		2013/14	2014/15	2015/16
	Outcome	Budget	Revised	Medium-term estimates		
Eastern Cape	53 486	57 258	57 258	59 631	60 877	64 061
Free State	22 920	24 487	24 487	26 021	26 828	28 612
Gauteng	65 648	70 858	70 858	76 885	81 926	89 630
KwaZulu-Natal	76 955	83 288	83 288	88 085	91 764	97 762
Limpopo	44 094	46 815	46 738	48 541	49 962	52 820
Mpumalanga	29 189	30 829	30 829	32 998	34 700	36 607
Northern Cape	10 740	11 440	11 298	12 295	12 874	13 886
North West	24 224	25 818	25 818	27 744	29 157	31 607
Western Cape	35 231	37 942	37 942	41 764	43 728	47 660
Unallocated	–	–	–	188	9 910	11 745
<b>Total</b>	<b>362 488</b>	<b>388 735</b>	<b>388 516</b>	<b>414 152</b>	<b>441 727</b>	<b>474 389</b>

Allocations to provinces and municipalities are made up of conditional and unconditional transfers. Equitable share allocations are unconditional, and are spent by provinces and municipalities according to their own budget processes. Conditional grants are transferred from national departments to finance or co-fund specific programmes and activities. These funds can only be used for the purpose prescribed by the transferring department, subject to conditions set out in the grant framework.

*Conditional grants support expanded classroom construction and community libraries*

Conditional grants to provinces will total R76.6 billion in 2013/14, R81.8 billion in 2014/15 and R90.7 billion in 2015/16. Over this period, R5.3 billion is added to the *education infrastructure grant*, including R820 million for the construction of grade R classrooms and facilities for learners with special needs. A total of R1.1 billion has been reprioritised from the *school infrastructure backlog grant* to the *community library services grant*. The *comprehensive HIV and Aids grant* is allocated an additional R1.3 billion to bolster prevention programmes and compensate for a cut in donor funding for Aids relief. A further R1.1 billion is added to the *human settlements development grant* for upgrading informal

settlements in mining towns, and an additional R738 million is earmarked for provincial roads, particularly in the North West.

Infrastructure transfers to provinces have increased sharply in recent years, growing from R4.8 billion in 2005/06 to R39.7 billion in 2012/13. To improve the quality of spending, the application process for health and education infrastructure grants is being revised: provinces will be required to submit building plans two years ahead of implementation and will only receive allocations if plans meet certain benchmarks. Provinces with good records of planning and implementation will be able to apply for additional funds, creating a further incentive to plan well.

*Provinces with good records of planning and implementation will be able to apply for additional funds*

To improve the rollout of health infrastructure, several grants are being merged into the *health facility revitalisation grant* so that funds can be moved easily to where they can be spent. A new indirect grant will enable the Department of Health to improve the management and delivery of health infrastructure projects and will fund a portion of the national health insurance pilot projects on behalf of provinces.

### **Transfers to local government**

Over the 2013 MTEF, R277.7 billion will be transferred directly to local government and a further R21.5 billion has been allocated to indirect grants. An amount of R5.4 billion is added to the local government equitable share to meet the rising costs of providing municipal services and to help rural municipalities, and R9.2 billion is added to direct conditional grants, which include the new *municipal water infrastructure, public transport network operations* and *integrated city development grants*. A further R5 billion is added to indirect transfers, through which national departments and public entities provide infrastructure and services on behalf of municipalities.

*Over medium term, R277.7 billion will be transferred directly to local government*

According to the 2011 Census, the population of some municipalities grew by over 50 per cent between 2001 and 2011, while others experienced a decline in population. The transfers that municipalities receive through the local government equitable share and the *municipal infrastructure grant* will be updated to reflect these changes.

A new formula for the local government equitable share will be introduced in 2013/14, following a review conducted by the National Treasury, the Department of Cooperative Governance and the South African Local Government Association, with assistance from the Financial and Fiscal Commission and Statistics South Africa, as well as extensive consultation with municipalities.

#### **Subsidised services for more households**

The new formula for the local government equitable share provides more households with a subsidy for free basic water, electricity, sanitation and refuse-removal services. The threshold for receiving free basic services rises from R800 per month (in 2001 prices) to R2 300 per month (in 2011 prices). The formula also provides funds for the institutional costs of municipalities and for community services, such as parks and recreation and fire fighting.

**Table 8.3 Conditional grants to provinces, 2012/13 – 2015/16**

R million	2012/13 Revised estimate	2013/14	2014/15	2015/16	MTEF Total
		Medium-term estimates			
<b>Agriculture, Forestry and Fisheries</b>	<b>1 925</b>	<b>2 147</b>	<b>2 194</b>	<b>2 294</b>	<b>6 635</b>
Comprehensive agricultural support programme	1 393	1 600	1 665	1 742	5 007
Ilima/Letsema projects	416	438	461	482	1 381
Land care programme: Poverty relief and infrastructure development	116	109	68	71	248
<b>Arts and Culture</b>	<b>565</b>	<b>598</b>	<b>1 016</b>	<b>1 341</b>	<b>2 955</b>
Community library services	565	598	1 016	1 341	2 955
<b>Basic Education</b>	<b>10 990</b>	<b>12 343</b>	<b>13 188</b>	<b>16 350</b>	<b>41 882</b>
Dinaledi schools	100	105	111	116	333
Education infrastructure	5 587	6 631	7 161	10 059	23 851
HIV and Aids (life skills education)	203	214	221	226	661
National school nutrition programme	4 906	5 173	5 462	5 704	16 339
Technical secondary schools recapitalisation	194	221	233	244	699
<b>Cooperative Governance and Traditional Affairs</b>	<b>180</b>	<b>188</b>	<b>197</b>	<b>204</b>	<b>590</b>
Provincial disaster	180	188	197	204	590
<b>Health</b>	<b>26 073</b>	<b>27 517</b>	<b>29 610</b>	<b>32 083</b>	<b>89 210</b>
Comprehensive HIV and Aids	8 763	10 534	12 311	13 957	36 802
Africa Cup of Nations 2013: medical services	15	–	–	–	–
Health professions training and development	2 076	2 190	2 322	2 429	6 941
Health facility revitalisation	6 191	5 124	4 739	4 988	14 850
National health insurance	150	49	70	74	192
National tertiary services	8 878	9 620	10 168	10 636	30 425
<b>Higher Education and Training</b>	<b>4 845</b>	<b>2 443</b>	<b>2 600</b>	<b>2 759</b>	<b>7 802</b>
Further education and training colleges	4 845	2 443	2 600	2 759	7 802
<b>Human Settlements</b>	<b>15 726</b>	<b>16 984</b>	<b>17 918</b>	<b>19 667</b>	<b>54 569</b>
Human settlements development	15 726	16 984	17 918	19 667	54 569
<b>Public Works</b>	<b>2 429</b>	<b>613</b>	<b>644</b>	<b>667</b>	<b>1 925</b>
Devolution of property rate funds	1 919	–	–	–	–
Expanded public works programme integrated grant for provinces	293	356	371	382	1 108
Social sector expanded public works programme incentive grant for provinces	217	258	273	286	816
<b>Sport and Recreation South Africa</b>	<b>470</b>	<b>498</b>	<b>526</b>	<b>550</b>	<b>1 573</b>
Mass participation and sport development	470	498	526	550	1 573
<b>Transport</b>	<b>12 299</b>	<b>13 249</b>	<b>13 909</b>	<b>14 777</b>	<b>41 934</b>
Provincial roads maintenance	7 982	8 696	9 126	9 774	27 596
Public transport operations	4 317	4 553	4 783	5 003	14 338
<b>Total conditional grants</b>	<b>75 500</b>	<b>76 580</b>	<b>81 803</b>	<b>90 692</b>	<b>249 075</b>
<b>Indirect transfers</b>	<b>1 277</b>	<b>3 060</b>	<b>5 269</b>	<b>5 032</b>	<b>13 361</b>
<b>Basic Education</b>	<b>1 277</b>	<b>1 956</b>	<b>3 170</b>	<b>2 912</b>	<b>8 038</b>
School infrastructure backlogs	1 277	1 956	3 170	2 912	8 038
<b>Health</b>	<b>–</b>	<b>1 104</b>	<b>2 100</b>	<b>2 120</b>	<b>5 324</b>
2014 African Nations Championship health and medical services	–	6	–	–	6
National health	–	1 098	2 100	2 120	5 318

**Table 8.4 National transfers to local government, 2009/10 – 2015/16**

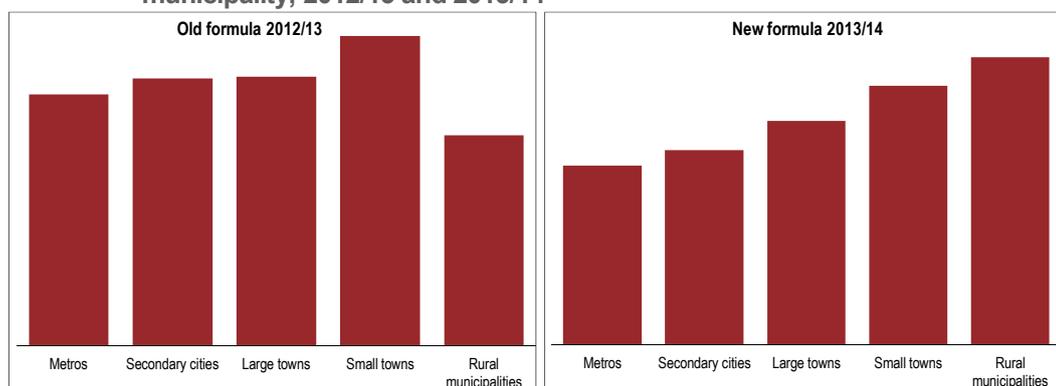
R million	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Outcome			Revised estimate	Medium-term estimates		
<b>Direct transfers</b>							
<b>Equitable share and related</b>	<b>23 845</b>	<b>30 541</b>	<b>33 173</b>	<b>37 373</b>	<b>40 582</b>	<b>44 490</b>	<b>50 208</b>
<b>General fuel levy sharing with metropolitan municipalities</b>	<b>6 800</b>	<b>7 542</b>	<b>8 573</b>	<b>9 040</b>	<b>9 613</b>	<b>10 190</b>	<b>10 659</b>
<b>Infrastructure</b>	<b>18 699</b>	<b>20 871</b>	<b>24 643</b>	<b>28 029</b>	<b>31 132</b>	<b>33 698</b>	<b>37 121</b>
Municipal infrastructure grant	8 728	9 704	11 443	13 882	14 352	14 684	15 448
Urban settlement development grant	4 418	4 968	6 267	7 392	9 077	10 335	10 700
Public transport infrastructure and systems grant	2 421	3 700	4 612	4 988	4 669	5 126	5 279
Integrated national electrification programme grant	900	1 033	1 097	1 151	1 635	1 565	2 056
Neighbourhood development partnership grant	508	832	738	578	598	591	600
2010 FIFA World Cup stadiums development grant	1 661	302	–	–	–	–	–
Rural roads asset management systems grant	10	10	35	37	52	75	98
Integrated city development grant	–	–	–	–	40	150	150
Rural households infrastructure grant	–	–	–	–	107	113	118
Municipal drought relief grant	54	320	450	–	–	–	–
Municipal water infrastructure grant	–	–	–	–	603	1 059	2 672
<b>Capacity building and other</b>	<b>2 194</b>	<b>1 951</b>	<b>1 862</b>	<b>2 586</b>	<b>3 324</b>	<b>3 201</b>	<b>3 482</b>
2010 FIFA World Cup host city operating grant	508	210	–	–	–	–	–
Financial management grant	300	365	385	403	425	449	470
Public transport network operations grant	–	–	–	–	881	745	862
Municipal systems improvements grant	200	212	220	230	240	252	261
2013 African Cup of Nations host city operating grant	–	–	–	123	–	–	–
2014 African Nations Championship host city operating grant	–	–	–	–	120	–	–
Expanded public works programme incentive grant for municipalities	101	280	364	662	611	632	661
Infrastructure skills development grant	–	–	39	75	99	154	179
Water services operating subsidy grant	849	664	542	562	421	450	470
Energy efficiency and demand-side management grant	175	220	280	200	181	155	202
Municipal disaster grant	61	–	32	330	347	364	376
<b>Subtotal direct transfers</b>	<b>51 537</b>	<b>60 904</b>	<b>68 251</b>	<b>77 028</b>	<b>84 651</b>	<b>91 579</b>	<b>101 469</b>

**Table 8.4 National transfers to local government, 2009/10 – 2015/16, (continued)**

R million	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Outcome			Revised estimate	Medium-term estimates		
<b>Indirect transfers</b>							
<b>Infrastructure transfers</b>	<b>2 763</b>	<b>2 682</b>	<b>2 553</b>	<b>4 823</b>	<b>5 399</b>	<b>7 029</b>	<b>8 617</b>
Regional bulk infrastructure grant	577	851	1 260	2 523	3 203	4 483	4 872
Backlogs in the electrification of clinics and schools	149	–	–	–	–	–	–
Backlogs in water and sanitation at clinics and schools	350	–	–	–	–	–	–
Integrated national electrification programme (Eskom) grant	1 616	1 720	1 165	1 879	2 141	2 488	3 680
Urban settlement development grant	–	–	–	–	–	58	65
Neighbourhood development partnership grant	70	50	50	80	55	–	–
Rural households infrastructure grant	–	62	78	341	–	–	–
<b>Capacity building and other</b>	<b>318</b>	<b>257</b>	<b>217</b>	<b>133</b>	<b>139</b>	<b>7 171</b>	<b>8 768</b>
Energy efficiency and demand-side management grant	75	109	119	–	–	142	151
Water services operating subsidy grant	243	148	98	133	139	7 029	8 617
<b>Subtotal indirect transfers</b>	<b>3 081</b>	<b>2 939</b>	<b>2 770</b>	<b>4 956</b>	<b>5 538</b>	<b>14 200</b>	<b>17 385</b>
<b>Total</b>	<b>54 618</b>	<b>63 843</b>	<b>71 021</b>	<b>81 984</b>	<b>90 190</b>	<b>105 780</b>	<b>118 854</b>

The formula applies a revenue-adjustment factor that will direct funding for institutional and community services to municipalities that cannot meet these costs from their own revenues. The new formula and updated population data will result in significant changes in allocations to local governments. More funding will be allocated to municipalities that have higher poverty rates and consequently less ability to raise their own revenue. Figure 8.2 shows how rural municipalities will benefit from the new formula. The new allocations will be phased in over a five-year period to mitigate the impact of these changes. A full description of the new formula is provided in Annexure W1.

**Figure 8.2 Equitable share allocations<sup>1</sup> per qualifying household by type of municipality, 2012/13 and 2013/14**



1. Allocations include funds for both district and local municipalities in the same area and exclude the impact of the five-year phase in process

Source: National Treasury

## ■ Expenditure outcome and revised estimate: 2011/12 and 2012/13

During 2011/12, national and provincial spending amounted to R885.9 billion, including transfers to provinces and municipalities. This represented 99.1 per cent of a total adjusted appropriation of R893.7 billion.

*In 2011/12, national and provincial spending was 99.1 per cent of adjusted appropriation*

Provincial expenditure fell 1.3 per cent short of an adjusted budget of R373 billion in 2011/12, primarily due to underspending on health and basic education in the Eastern Cape, KwaZulu-Natal and the Free State.

Municipalities underspent by R31 billion in 2011/12, representing 11.7 per cent of total budgeted municipal expenditure. Of 278 local municipalities, 212 underspent their transfer receipts by more than 5 per cent, while 30 overspent by more than 5 per cent. These figures do not include expenditure from municipalities' own revenue.

*212 of 278 local municipalities underspent their transfer receipts by more than 5 per cent*

According to the revised expenditure estimate for 2012/13, national departments are projected to underspend on their national allocations by R4 billion, out of a total adjusted budget of R546.4 billion (0.7 per cent).

## ■ Consolidated government expenditure

Consolidated government expenditure information is shown in Table 8.5. The estimates in this section cover spending across government, including provinces, public entities, government institutions and transfers to municipalities, but excluding spending by municipalities from their own revenue. Consolidated government expenditure grows by 8.1 per cent a year, from R1.1 trillion in 2012/13 to R1.3 trillion in 2015/16.

**Table 8.5 Consolidated government expenditure by function, 2012/13 – 2015/16**

	2012/13 Revised estimate	2013/14	2014/15	2015/16	Average annual growth 2012/13 – 2015/16
<b>R million</b>		<b>Medium-term estimates</b>			
<b>General public services</b>	<b>53 787</b>	<b>56 717</b>	<b>61 565</b>	<b>64 910</b>	<b>6.5%</b>
<b>Defence, public order and safety</b>	<b>142 533</b>	<b>153 694</b>	<b>162 889</b>	<b>171 745</b>	<b>6.4%</b>
Defence and state security	41 420	44 776	47 555	50 201	6.6%
Police services	68 284	73 399	77 617	81 780	6.2%
Law courts	15 318	16 770	17 996	18 968	7.4%
Prisons	17 511	18 749	19 722	20 796	5.9%
<b>Economic infrastructure</b>	<b>79 184</b>	<b>88 623</b>	<b>96 972</b>	<b>105 890</b>	<b>10.2%</b>
Communication	2 855	2 974	2 894	2 883	0.3%
Fuel and energy	8 350	11 091	12 163	12 803	15.3%
Transport	67 980	74 558	81 915	90 204	9.9%
<b>Economic services and environmental protection</b>	<b>44 060</b>	<b>47 997</b>	<b>50 238</b>	<b>53 489</b>	<b>6.7%</b>
<b>Local government, housing and community amenities</b>	<b>119 022</b>	<b>132 084</b>	<b>146 976</b>	<b>158 743</b>	<b>10.1%</b>
Housing development	27 757	31 858	33 956	35 848	8.9%
Local government and community development	67 259	71 981	77 289	84 558	7.9%
Water supply	24 006	28 245	35 731	38 336	16.9%
<b>Health and social protection</b>	<b>251 291</b>	<b>268 477</b>	<b>288 598</b>	<b>306 332</b>	<b>6.8%</b>
<b>Education, sport and culture</b>	<b>220 916</b>	<b>232 530</b>	<b>247 250</b>	<b>264 899</b>	<b>6.2%</b>
<b>Employment and social security</b>	<b>41 677</b>	<b>49 232</b>	<b>57 239</b>	<b>61 015</b>	<b>13.5%</b>
<b>Science and technology</b>	<b>15 096</b>	<b>16 294</b>	<b>17 394</b>	<b>18 926</b>	<b>7.8%</b>
<b>Allocated expenditure</b>	<b>967 566</b>	<b>1 045 648</b>	<b>1 129 121</b>	<b>1 205 949</b>	<b>7.6%</b>
Debt-service cost	88 325	99 741	108 718	118 163	10.2%
Contingency reserve	–	4 000	6 500	10 000	
<b>Consolidated expenditure<sup>1</sup></b>	<b>1 055 891</b>	<b>1 149 390</b>	<b>1 244 340</b>	<b>1 334 111</b>	<b>8.1%</b>

1. Consisting of national, provincial, social security funds and selected public entities

Refer to Annexure W2 for a detailed list of entities included

State debt costs will increase by an annual average of 10.2 per cent over the next three years. Total estimated non-interest expenditure for 2012/13 is R967.6 billion, rising to R1.2 trillion in 2015/16, at an average annual growth rate of 7.9 per cent.

The budget framework includes a contingency reserve for the 2013 MTEF period of R4 billion, R6.5 billion and R10 billion for each of the three years to accommodate unforeseen and unavoidable expenditure, and unfunded priorities.

**Table 8.6 Additional allocations to infrastructure projects**

R million	2013/14	2014/15	2015/16	Total
<b>Local government, housing and community amenities</b>	<b>1 321</b>	<b>2 134</b>	<b>5 652</b>	<b>9 108</b>
Interim bulk water supply	311	585	1 400	2 296
Indirect grant: Regional bulk water infrastructure	269	954	1 953	3 176
Pilanesberg (Magalies water)	200	–	–	200
Human settlements development (informal settlements upgrading)	–	110	830	940
Social housing	160	90	435	686
Municipal infrastructure support agency	60	60	60	180
De Hoop dam	171	335	974	1 480
Acid mine drainage	150	–	0	150
<b>Transport, energy and communication</b>	<b>1 193</b>	<b>1 596</b>	<b>3 284</b>	<b>6 073</b>
Sentech	277	–	–	277
SANEDI: <sup>1</sup> Research and development	71	111	35	217
Integrated national electrification programme	320	77	500	897
South African National Roads Agency (SANRAL)	275	–	1 126	1 401
Passenger Rail Agency of South Africa (PRASA)	250	1 408	1 623	3 281
<b>Education and related functions</b>	<b>150</b>	<b>500</b>	<b>1 000</b>	<b>1 650</b>
New universities in Northern Cape and Mpumalanga	150	500	1 000	1 650
<b>Health</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>90</b>
Infrastructure unit systems support programme	30	30	30	90
<b>Transport, energy and communication</b>	<b>191</b>	<b>195</b>	<b>1 922</b>	<b>2 309</b>
Indirect grant: Integrated national electrification programme: Eskom	191	195	1 522	1 909
Provincial roads maintenance	–	–	400	400
<b>Total</b>	<b>2 886</b>	<b>4 455</b>	<b>11 888</b>	<b>19 229</b>

1. South African National Energy Development Institute

Government's commitment to consolidating the deficit by 2015/16 means there is limited space for new policy priorities within the contingency reserve. However, spending reviews will be conducted to identify options to improve value for money.

Additional allocations and upward adjustments to non-interest expenditure plans over the 2013 MTEF are financed through drawdowns on the 2012 Budget contingency reserve and extensive baseline reprioritisation. They include:

- R37.5 billion for improved conditions of service for public-sector employees, with 70.9 per cent (R26.6 billion) allocated to provinces and 29.1 per cent (R10.9 billion) to national government.
- R19.2 billion for key infrastructure projects (see Table 8.6).
- R1.9 billion to meet the costs of new social grant beneficiaries.

The *Estimates of National Expenditure* provides more detail on national government expenditure. The spending plans of provinces are published no more than two weeks after the national budget is tabled, while draft municipal budgets are tabled in municipal councils by 31 March (90 days before the start of the municipal financial year).

*Additional allocations of R19.2 billion for key infrastructure projects*

## Revised medium-term expenditure plans

### Job creation and labour

*Job programme allocations increase by annual average of 13.4 per cent over medium term*

Projected expenditure on employment programmes, labour services and social security grows by an annual average of 13.5 per cent, from R41.7 billion in 2012/13 to R61 billion in 2015/16. Employment programme allocations increase by an annual average of 13.4 per cent over this period, with the bulk of this support focused on the community work programme. The expanded public works programme aims to create 502 174 full-time equivalent jobs<sup>1</sup> in 2012/13 and 684 783 in 2013/14.

**Table 8.7 Employment and social security expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
R million								
National departments	8 490	7 118	8 742	11 332	13 181	15 134	15 497	11.0%
Provinces	1 044	1 348	1 440	1 265	1 671	1 677	1 720	10.8%
Social security funds	22 704	24 306	23 985	28 476	33 633	39 579	42 893	14.6%
Public entities	462	475	516	604	746	849	905	14.4%
<b>Total</b>	<b>32 700</b>	<b>33 247</b>	<b>34 683</b>	<b>41 677</b>	<b>49 232</b>	<b>57 239</b>	<b>61 015</b>	<b>13.5%</b>
<i>Of which:</i>								
<i>Expanded public works programme<sup>1</sup></i>	430	915	1 163	1 729	1 948	2 076	2 156	7.6%
<i>Community work programme</i>	155	449	624	1 348	1 675	2 390	2 505	22.9%
<i>Commission for Conciliation, Mediation and Arbitration</i>	356	402	448	479	594	687	734	15.3%

1. The expanded public works programme is a programme within the national Department of Public Works

A total of R247.5 million was reprioritised over the three-year period from infrastructure and environmental programmes at the municipal level to the non-state sector of the expanded public works programme, which supports employment in the NGO sector. Funds were reprioritised within the environment sector to finance Working for Fisheries. The employment programmes and institutional arrangements of the expanded public works programme will be reviewed in 2013/14. This review will inform the third phase of the programme, which will start in 2014 with higher employment targets.

*Support for greater capacity in Commission for Conciliation, Mediation and Arbitration*

The Department of Labour receives R183 million over the three-year spending period to improve sheltered employment factories, which provide jobs for workers with disabilities. The department also receives R380 million to boost the capacity of the Commission for Conciliation, Mediation and Arbitration in preparation for amendments to labour legislation. The allocation to the Jobs Fund was reduced in response to its slower-than-expected rollout.

<sup>1</sup> The total number of work days created by a programme divided by 230 – the number of working days in a year.

## Health and social protection

Consolidated expenditure on health and social protection will grow at an average annual rate of 6.8 per cent over the MTEF, from R251.3 billion in 2012/13 to R306.3 billion in 2015/16. Public health spending grows at an average rate of 5.7 per cent per year over this period.

*Consolidated spending on health and social protection grows by 6.8 per cent a year over MTEF*

### Health

The 2013 Budget strengthens prevention and treatment programmes for tuberculosis and HIV and Aids. An amount of R338 million has been allocated to provinces over the medium term to roll out a new diagnostic technology for tuberculosis, while R484 million is allocated to offset a 50 per cent decrease in United States donor funding for Aids programmes. The National Institute of Communicable Diseases receives R78 million to strengthen surveillance of rotavirus, pneumococcus, HIV, tuberculosis and other infectious diseases, and R800 million is set aside to expand antiretroviral treatment to cover 500 000 more people per year.

**Table 8.8 Health and social protection expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
R million								
National departments	81 733	89 867	98 816	107 288	117 185	126 677	134 815	7.9%
Provinces	94 635	105 145	119 521	134 488	140 434	149 935	159 067	5.8%
Public entities	8 838	9 348	9 438	9 514	10 858	11 986	12 450	9.4%
<b>Total</b>	<b>185 206</b>	<b>204 361</b>	<b>227 775</b>	<b>251 291</b>	<b>268 477</b>	<b>288 598</b>	<b>306 332</b>	<b>6.8%</b>
<i>Of which:</i>								
<i>Health financing and national health insurance</i>	53	27	40	182	371	517	546	44.2%
<i>Health infrastructure</i>	6 712	6 605	8 252	9 164	10 247	11 478	11 432	7.6%
<i>Transfers to non-profit organisations</i>	4 937	5 568	6 349	7 035	7 768	8 177	8 516	6.6%

The Medical Research Council receives R440 million over the MTEF to improve research programmes and infrastructure, and to support joint projects carried out with development partners. The Department of Health has reprioritised R30 million per year over the MTEF period to pay for technical support from the Development Bank of Southern Africa and the Council of Scientific and Industrial Research to improve the management and delivery of health infrastructure projects.

### Social development

Social grant spending will increase to R129.5 billion in 2015/16, reaching 17.2 million beneficiaries, up from 16.1 million in 2012/13.

*By the outer year, social grants will benefit 17.2 million people*

**Table 8.9 Social grant expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
R million								
Old age <sup>1</sup>	29 843	33 765	37 131	40 529	44 336	47 920	51 470	8.3%
Disability	16 567	16 840	17 375	17 752	18 776	19 754	20 659	5.2%
Foster care	4 434	4 616	5 011	5 409	5 576	6 176	6 719	7.5%
Care dependency	1 434	1 586	1 736	1 887	2 059	2 253	2 444	9.0%
Child support	26 670	30 342	34 319	38 190	41 793	44 855	47 619	7.6%
Grant-in-aid	146	170	204	236	247	274	303	8.8%
Social relief of distress	165	174	185	235	219	249	278	5.7%
<b>Total</b>	<b>79 260</b>	<b>87 493</b>	<b>95 962</b>	<b>104 239</b>	<b>113 007</b>	<b>121 482</b>	<b>129 494</b>	<b>7.5%</b>
<b>Province</b>								
Eastern Cape	13 914	15 281	16 579	17 787	19 526	20 991	22 375	7.9%
Free State	5 055	5 530	6 101	6 491	7 185	7 724	8 233	8.2%
Gauteng	9 390	10 539	11 827	13 319	13 929	14 974	15 961	6.2%
KwaZulu-Natal	19 454	21 308	23 044	24 727	27 140	29 175	31 099	7.9%
Limpopo	10 855	11 986	12 943	13 326	15 243	16 387	17 467	9.4%
Mpumalanga	5 567	6 024	6 872	8 312	8 093	8 700	9 274	3.7%
Northern Cape	2 227	2 497	2 765	2 962	3 256	3 500	3 731	8.0%
North West	6 366	6 869	7 389	7 986	8 690	9 342	9 958	7.6%
Western Cape	6 432	7 460	8 443	9 329	9 944	10 690	11 395	6.9%
<b>Total</b>	<b>79 260</b>	<b>87 493</b>	<b>95 962</b>	<b>104 239</b>	<b>113 007</b>	<b>121 482</b>	<b>129 494</b>	<b>7.5%</b>

1. Includes expenditure on war veterans grant

The *child support grant* was the largest programme by number of beneficiaries (11.4 million) in 2012/13 and the *old age grant* was the largest by expenditure (R40.5 billion). There has been strong growth in expenditure on both grants in recent years due to an expansion of the eligibility criteria.

There has also been strong growth in expenditure on the *foster care* and *care dependency* grants. Spending on the *disability grant*, on the other hand, has moderated in recent years and will continue to do so over the spending period ahead.

#### *Additional support for provincial welfare services*

The Department of Social Development receives R120 million (R30 million in 2013/14, R40 million in 2014/15 and R50 million in 2015/16) to support the Zero Hunger and Food for All campaigns. To strengthen provincial social welfare services, R938 million is allocated over the medium term to employ social workers, and R600 million is allocated to NGOs to offset reductions in donor funding. Funds are made available to absorb social work graduates in response to a nationwide shortage of social workers.

#### **Education, sport and culture**

Expenditure on education, sport and culture will grow at an average annual rate of 6.2 per cent over the MTEF period, from R220.9 billion in 2012/13 to R264.9 billion in 2015/16.

**Table 8.10 Education, sport and culture expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
<b>R million</b>								
National departments	20 757	21 463	24 118	27 428	33 097	36 400	38 616	12.1%
Provinces	129 859	141 796	160 742	171 621	179 010	189 248	203 677	5.9%
Public entities	12 396	14 234	14 242	21 867	20 423	21 602	22 606	1.1%
<b>Total</b>	<b>163 012</b>	<b>177 494</b>	<b>199 101</b>	<b>220 916</b>	<b>232 530</b>	<b>247 250</b>	<b>264 899</b>	<b>6.2%</b>
<i>Of which:</i>								
<i>Provincial compensation of employees</i>	99 257	109 857	122 141	130 871	137 915	146 998	158 336	6.6%
<i>University subsidies</i>	15 258	17 163	19 340	20 419	21 692	23 072	24 634	6.5%
<i>National Student Financial Aid Scheme</i>	1 639	1 875	3 009	5 686	6 125	6 447	6 697	5.6%
<i>School infrastructure backlogs grant</i>	–	–	76	1 277	1 956	3 170	2 912	31.6%
<i>Education infrastructure grant</i>	3 885	3 163	5 311	5 587	6 631	7 161	10 059	21.7%

Over this period, the basic education sector will focus on improving numeracy and literacy, expanding enrolment in grade R and reducing school infrastructure backlogs. The Department of Higher Education and Training will seek to improve throughput rates at universities and further education and training colleges. The arts and sport sector will focus on the Mzansi golden economy job-creation projects and the implementation of the new national sports plan.

*A focus on expanding numeracy and literacy in basic education and expanding grade R*

Due to implementation delays, the *school infrastructure backlogs grant* has been rescheduled (and some funding has been reprioritised) to align spending with the department's capacity to implement school building projects. The school infrastructure backlogs programme will now be completed over a five-year period instead of over three years. The *school infrastructure backlogs grant* is allocated R8 billion over the MTEF period and the *education infrastructure grant* is allocated R23.9 billion.

The R7.2 billion reprioritised from the *school infrastructure backlogs grant* has been allocated as follows: R1.65 billion for new universities in Mpumalanga and the Northern Cape, R1.1 billion for the *community library services grant* and R4.47 billion to the *education infrastructure grant*.

Transfers to higher education institutions increase from R20.4 billion in 2012/13 to R24.6 billion in 2015/16 to accommodate higher university enrolment, renew infrastructure and improve teaching. Supported by the National Student Financial Aid Scheme, which provides bursaries and loans to students from low-income backgrounds, the total number of students enrolled in higher education institutions is expected to increase from 909 716 in 2012/13 to 988 888 in 2015/16. The number of graduates is also projected to increase, from 167 807 to 200 315 over the same period.

*Financial aid will boost student numbers in higher education by nearly 80 000 over next three years*

## Economic services and environmental protection

Expenditure on economic services and environmental protection will grow at an average annual rate of 6.7 per cent over the spending period, from R44.1 billion in 2012/13 to R53.5 billion in 2015/16.

*Economic competitiveness and support package grows by nearly 11 per cent a year*

The Department of Trade and Industry will oversee the economic competitiveness and support package and promote industrial development while broadening economic participation. Over the medium term, expenditure is expected to grow to R11.4 billion, at an average annual rate of 10.9 per cent. This includes R5.5 billion for the manufacturing competitiveness enhancement programme and R2.1 billion for special economic zones.

**Table 8.11 Economic services and environmental protection expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
<b>R million</b>								
National departments	13 437	14 635	15 706	18 897	20 612	21 388	23 636	7.7%
Provinces	14 428	14 539	15 501	16 739	18 463	19 376	20 065	6.2%
Public entities	5 076	6 218	7 844	8 423	8 892	9 474	9 787	5.1%
<b>Total</b>	<b>32 940</b>	<b>35 392</b>	<b>39 052</b>	<b>44 060</b>	<b>47 967</b>	<b>50 238</b>	<b>53 489</b>	<b>6.7%</b>
<i>Of which:</i>								
<i>Land reform</i>	2 570	1 937	3 318	3 284	3 395	3 474	3 530	2.4%
<i>Trade and industry – incentive development</i>	3 338	2 793	3 284	4 451	5 543	5 646	6 704	14.6%
<i>Food security and agrarian reform</i>	901	1 048	1 249	1 411	1 598	1 709	1 787	8.2%

The Economic Development Department promotes economic development and decent work through development finance initiatives and competition policy. The department receives R450 million from the economic competitiveness and support package to capitalise the Small Enterprise Finance Agency. The department also supports the Presidential Infrastructure Coordinating Commission.

*Support for economic competitiveness and support package*

The Department of Environmental Affairs receives R1.2 billion over the spending period from the economic competitiveness and support package. This includes R344 million for the oceans and coasts research programme, R300 million for the Green Fund and R390 million for South African National Parks to improve infrastructure and equipment. The park service also receives R75 million over the medium term to combat rhinoceros poaching. Environmental programmes funded by the department will continue to be an integral part of government's public employment strategy.

*Support to settle land restitution claims and speed up land reform*

Spending by the Department of Rural Development and Land Reform will increase by an annual average of 4.6 per cent over the medium term to settle land restitution claims, speed up the land reform process, assist distressed farms and acquire land. A new animal and veld management programme has been introduced to support farmers.

The allocation to the Department of Science and Technology grows from R15.1 billion in 2012/13 to R18.9 billion in 2015/16 and includes R2 billion to support the Square Kilometre Array project. Allocations to human capital development and research and infrastructure grow by 17.8 per cent and 19.8 per cent respectively.

**Table 8.12 Science and technology expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
R million								
National departments	3 507	3 360	3 691	4 067	4 616	4 716	5 565	11.0%
Public entities	7 712	9 291	10 021	11 030	11 679	12 678	13 361	6.6%
<b>Total</b>	<b>11 220</b>	<b>12 651</b>	<b>13 713</b>	<b>15 096</b>	<b>16 294</b>	<b>17 394</b>	<b>18 926</b>	<b>7.8%</b>
<i>Of which:</i>								
<i>Square Kilometre Array</i>	<i>502</i>	<i>13</i>	<i>11</i>	<i>231</i>	<i>641</i>	<i>661</i>	<i>715</i>	<i>45.8%</i>
<i>Human capital and science platforms</i>	<i>1 119</i>	<i>1 244</i>	<i>1 408</i>	<i>1 434</i>	<i>1 707</i>	<i>1 858</i>	<i>2 346</i>	<i>17.8%</i>
<i>Research and infrastructure</i>	<i>449</i>	<i>485</i>	<i>531</i>	<i>603</i>	<i>738</i>	<i>792</i>	<i>1 036</i>	<i>19.8%</i>

Over the medium term, the Department of Mineral Resources will review the Mining Charter, enhance beneficiation and rehabilitate 32 derelict and ownerless mines. The Department of Agriculture, Forestry and Fisheries will support smallholder farmers through the comprehensive agricultural support, landcare and Ilima/Letsema programmes.

*Review of Mining Charter to be conducted over the medium term*

### Transport, energy and communications

Expenditure on transport, energy and communications will grow at an average annual rate of 10.2 per cent over the MTEF, from R79.2 billion in 2012/13 to R105.9 billion in 2015/16. Transport is the major contributor to expenditure in this function.

The allocation to the Department of Transport increases from R42.3 billion to R53.4 billion over the three-year period, reflecting growth in the allocation to the Passenger Rail Agency and further investment in the national road network by the South African National Roads Agency Limited. Allocations for integrated public transport networks in urban areas increase at an average annual rate of 7.2 per cent over the MTEF period, and there is strong growth in the allocation for provincial road maintenance.

The *integrated national electrification grant* will grow by R2.7 billion to increase the number of new electricity connections by 645 000 over the spending period. In addition, distribution upgrades will be supported by a pilot programme for municipalities where infrastructure is in critical condition. The solar water geyser programme has been rescheduled to run until 2015/16 and Sentech will receive R599.1 million over the medium term for the migration from analogue to digital terrestrial television.

*New electricity connections to grow by 645 000 by 2015/16*

**Table 8.13 Transport, energy and communications expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
<b>R million</b>								
National departments	39 793	31 034	13 077	13 912	16 410	17 738	18 690	10.3%
Provinces	28 438	26 251	27 715	29 631	30 156	32 705	36 156	6.9%
Public entities	33 638	30 276	31 014	35 641	42 057	46 529	51 044	12.7%
<b>Total</b>	<b>101 869</b>	<b>87 561</b>	<b>71 806</b>	<b>79 184</b>	<b>88 623</b>	<b>96 972</b>	<b>105 890</b>	<b>10.2%</b>
<i>Of which:</i>								
<i>Rail transport</i>	10 528	9 260	9 532	10 296	11 241	14 687	18 024	20.5%
<i>Electrification and energy programme management</i>	2 559	2 782	3 286	3 170	3 943	4 224	5 917	23.1%
<i>ICT infrastructure support</i>	303	109	437	235	581	126	58	-37.2%

### Local government, housing and community amenities

*New investment in bulk water, water treatment and distribution at local level*

Consolidated expenditure on local government, housing and community amenities will grow at an average annual rate of 10.1 per cent over the MTEF, from R119 billion in 2012/13 to R158.7 billion in 2015/16. The largest increases in expenditure relate to bulk water, water treatment and distribution, and allocations to the local government equitable share.

Through reprioritisation from the *municipal infrastructure grant* and an additional medium-term allocation, R4.3 billion is allocated to a new *municipal water infrastructure grant* in the Department of Water Affairs, providing for water treatment, distribution, demand management and support for rural municipalities. Over the MTEF period, R12.6 billion is allocated for bulk infrastructure, and the Municipal Infrastructure Support Agency receives R820.3 million to provide technical support to rural and low-capacity municipalities to build basic infrastructure.

*Funding for housing includes support for informal settlement upgrading in mining towns*

Funding for improving human settlements will grow from R26.2 billion to R30.5 billion over the spending period, including R1.1 billion to support the informal settlement upgrading programme in mining towns. Social housing receives an additional allocation of R685 million.

**Table 8.14 Local government, housing and community amenities expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
<b>R million</b>								
National departments	51 740	61 001	68 877	78 284	85 087	93 108	102 403	9.4%
Provinces	16 084	18 511	20 601	21 271	23 407	24 590	25 794	6.6%
Public entities	13 640	15 711	19 401	19 467	23 590	29 279	30 545	16.2%
<b>Total</b>	<b>81 464</b>	<b>95 223</b>	<b>108 879</b>	<b>119 022</b>	<b>132 084</b>	<b>146 976</b>	<b>158 743</b>	<b>10.1%</b>
<i>Of which:</i>								
<i>Water – regional implementation</i>	3 063	3 499	4 376	5 154	5 983	7 685	9 772	23.8%
<i>Housing development finance</i>	16 012	18 461	22 114	24 244	27 377	29 451	31 957	9.6%
<i>Intergovernmental relations</i>	23 937	30 664	33 271	37 609	40 707	44 621	50 343	10.2%

### Paying for water

Government's long-term infrastructure plans require a set of funding mechanisms that do not impose a major burden on the fiscus. The water sector illustrates how financial responsibility for infrastructure can be shared.

Municipalities collect revenues from end-users for the water they consume, while equitable share allocations support the provision of free basic water to low-income households. Revenues from user charges are used to cover operating costs and to expand and maintain infrastructure. Operating costs include the cost of bulk water purchased from water boards, or (if municipalities do the purification themselves) the raw water that they purchase from the Department of Water Affairs and the costs of purification. Other costs relate to operations, maintenance and customer services, such as billing and collections. In addition, municipalities need to invest in expanding distribution infrastructure into new areas; the revenues they receive may be used to pay for the expansions or to service the debt incurred to finance such expansions.

Water boards use the revenues they receive from municipalities for the purchase of bulk water to cover the costs of their raw water purchases, purification and energy costs, and to invest in new infrastructure. Similarly, the Department of Water Affairs transfers some of the funds that it generates from the sale of raw water to the Trans-Caledon Tunnel Authority to repay the costs associated with bulk water transfer schemes. The remaining funds are used to cover operating costs.

The development of most raw water infrastructure, such as dams and pipelines, is initially financed by the fiscus, and then generates revenue for maintenance and further expansion through water charges.

### General public services

The budget for general public services grows from R53.8 billion in 2012/13 to R64.9 billion in 2015/16, while provincial spending will increase from R17 billion in 2013/14 to R20 billion in 2015/16. The South African Revenue Service will receive R9 billion per year over the spending period to expand operations. The allocation to the Department of International Relations and Cooperation will increase from R5.3 billion in 2012/13 to R6.2 billion in 2015/16 to enhance southern African integration.

The Department of Public Works reprioritised R464 million over the medium term to fund its turnaround strategy, which focuses on lease and property management portfolios. The Department of Public Enterprises receives R34.2 million over the spending period to improve monitoring and oversight of state-owned entities, while the Public Service Commission receives R71.4 million to combat corruption and address grievances.

*Turnaround at Public Works focuses on lease and property management portfolios*

**Table 8.15 General public services expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
R million	Outcome			Revised estimate	Medium-term estimates			Average annual growth
National departments	15 453	10 865	12 764	10 509	9 620	10 434	10 037	-1.5%
Provinces	13 652	14 670	15 481	16 838	18 236	19 244	20 473	6.7%
Public entities	19 584	20 968	24 656	26 439	28 861	31 886	34 400	9.2%
<b>Total</b>	<b>48 689</b>	<b>46 504</b>	<b>52 902</b>	<b>53 787</b>	<b>56 717</b>	<b>61 565</b>	<b>64 910</b>	<b>6.5%</b>
<i>Of which:</i>								
<i>Infrastructure</i> <sup>1</sup>	5 501	6 042	6 172	6 152	4 312	4 664	5 043	-6.4%
<i>ICT projects</i> <sup>2</sup>	2 076	2 284	2 428	2 257	2 636	2 868	2 590	4.7%
<i>International relations</i> <sup>3</sup>	3 573	3 138	3 597	4 059	4 486	4 788	5 028	7.4%

1. Spending on infrastructure projects in the Departments of Public Works and International Relations and Cooperation

2. Spending on information, communication and technology projects in the Departments of Home Affairs, National Treasury and Public Service and Administration

3. Spending on international relations in the Departments of International Relations and Cooperation, Public Service and Administration and National Treasury

Over the MTEF period, the Department of Home Affairs will spend R1 billion on its information systems modernisation programme, which has already led to substantial reductions in the time required to produce official documents.

### Defence, public order and safety

Expenditure on defence, public order and safety will grow at an average annual rate of 6.4 per cent over the MTEF, from R142.5 billion in 2012/13 to R171.7 billion in 2015/16.

**Table 8.16 Defence, public order and safety expenditure, 2009/10 – 2015/16**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	MTEF
	Outcome			Revised estimate	Medium-term estimates			Average annual growth
R million								
National departments	104 639	111 754	123 086	135 066	144 725	153 290	161 636	6.2%
Provinces	1 964	3 525	3 653	4 176	4 624	4 856	5 039	6.5%
Public entities	3 227	3 585	3 081	3 291	4 344	4 744	5 070	15.5%
<b>Total</b>	<b>109 830</b>	<b>118 864</b>	<b>129 820</b>	<b>142 533</b>	<b>153 694</b>	<b>162 889</b>	<b>171 745</b>	<b>6.4%</b>
<i>Of which:</i>								
<i>Court services</i>	4 129	4 285	4 620	5 377	5 862	6 224	6 501	6.5%
<i>Detective services</i>	8 449	10 120	11 917	13 543	14 349	15 121	15 923	5.5%
<i>Offender management</i>	1 164	1 338	1 500	1 431	1 550	1 653	1 759	7.1%

The Department of Defence has deployed 400 defence force personnel to the Central African Republic at a total cost of R415 million in 2013/14 and 2014/15. The department has also allocated R1.7 billion over the medium term to fight piracy in the Mozambique Channel and R300 million to improve border security. The Department of Military Veterans receives R1.3 billion for veterans' benefits.

The Department of Police has reprioritised R2.5 billion over the MTEF to improve detective and forensic capability. The Department of Justice and Constitutional Development receives R1.2 billion for the criminal justice sector revamp and modernisation programme. The Public Protector of South Africa receives R24 million to increase its investigative capacity and R45 million goes to Legal Aid South Africa to improve legal representation for the poor. Additional funds are also made available to the South African Human Rights Commission to increase capacity and to the National Prosecuting Authority for the Thuthuzela Care Centres.

## Conclusion

*Over the next three years, government will learn to do more with less*

All levels of government have responded to the fiscal challenges facing South Africa. National departments, provinces and local government have revised their spending plans and reprioritised funds to ensure key objectives are achieved and well-performing programmes are supported. Expenditure plans reflect both the medium-term investment plans and long-term goals identified in the National Development Plan. Over the next three years, government will learn to do more with less. The efficiencies that are established will protect public finances and enable the country to accelerate development when economic conditions improve.