

# 5

## 2023 BUDGET REVIEW CONSOLIDATED SPENDING PLANS



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



### In brief

- Main budget non-interest spending increases by a net R128.4 billion over the medium-term expenditure framework (MTEF) period compared with the 2022 Budget.
- Additional funding is allocated mainly for the carry-through costs of the 2022/23 public-service wage increase, to improve investment in infrastructure and to support safety and security, education and health services.
- Consolidated government spending will increase from R2.17 trillion in 2022/23 to R2.48 trillion in 2025/26, growing at an average annual rate of 4.5 per cent.
- The social wage, which includes allocations for community development, employment programmes, health, education and social protection, will constitute an average of 60.2 per cent of total non-interest spending over the next three years.

## OVERVIEW

Over the MTEF period, consolidated government expenditure will total R7.08 trillion, of which 51 per cent or R3.60 trillion is allocated for the social wage. The 2023 Budget allocates additional funding totalling R227 billion over the next three years. The additional funds are mainly to extend the *COVID-19 social relief of distress grant* until 31 March 2024, improve investment in local and provincial government infrastructure, and support safety and security, education and health services. As a result, main budget non-interest spending increases by a net total of R128.4 billion over the MTEF period compared to the projections included in the 2022 Budget.



**Table 5.1 Social wage**

R billion	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Outcome			Revised	Medium-term estimates		
<b>Community development</b>	152.5	162.2	165.1	177.9	207.0	222.9	234.5
Housing development	28.8	23.7	27.0	27.0	28.2	29.6	31.2
Transport	25.3	25.9	29.4	31.7	40.5	45.1	48.5
Basic services and local government <sup>1</sup>	98.3	112.5	108.7	119.2	138.3	148.2	154.9
<b>Employment programmes</b>	19.1	16.9	18.1	20.9	21.7	22.8	23.7
<b>Health</b>	205.5	222.7	228.5	238.1	236.0	244.8	256.3
<b>Basic education</b>	239.3	247.6	262.5	276.8	284.1	290.6	304.4
<b>Higher education and training</b>	44.4	44.3	55.1	61.1	64.2	68.9	72.0
<b>Social protection</b>	216.9	247.0	252.1	260.6	282.2	261.8	278.6
<i>of which: Social grants</i>	190.3	218.9	222.7	233.0	253.8	232.9	248.4
<b>Social security funds</b>	51.9	106.9	78.2	81.1	79.1	81.8	58.6
<b>Total</b>	929.7	1 047.7	1 059.7	1 116.6	1 174.2	1 193.7	1 228.3
<i>Percentage of non-interest spending</i>	58.0%	60.5%	59.7%	60.0%	61.7%	59.8%	59.0%
<i>Percentage of consolidated spending</i>	51.4%	53.3%	51.9%	51.5%	52.4%	50.6%	49.6%

1. Includes local government equitable share

Source: National Treasury

Debt-service costs are the fastest-growing spending item over the MTEF period, averaging 8.9 per cent annual growth. These costs continue to crowd out spending on the social wage – for example, spending on social protection, health and community development is lower than on servicing government debt.

Compensation spending will increase from R690.4 billion in 2022/23 to R760.6 billion in 2025/26, growing at an average annual rate of 3.3 per cent, mainly due to the carry-through costs of the public-service wage increase implemented in 2022/23. Some departments and entities, such as in the peace and security function, have also been allocated additional funding to strengthen their capacity to improve service delivery.



No budget reductions are implemented over the MTEF period. Departments, with support from the National Treasury, need to continue to review spending to improve their efficiency. These reviews are particularly important in areas of the budget where there is persistent underspending and for non-performing and large programmes within departments. Departments will also continue to implement the findings from the reviews conducted in consultation with the National Treasury.

### REVISIONS TO MAIN BUDGET SPENDING PLANS



Cost pressures and other policy priorities over the MTEF period are largely funded through reprioritisation and the reallocation of budgets within departments and function groups. In addition, the 2023 Budget allocates additional funding totalling R227 billion over the MTEF period. These funds mostly address shortfalls in compensation budgets for provincial education and health departments resulting from previous budget reductions; enable hiring of new staff in safety and security departments and entities to fight crime and corruption while improving service delivery; and improve infrastructure investment in local and provincial government.

Table 5.2 summarises additional funding allocated for spending pressures over the MTEF period. The single largest allocation in the first year is R36.1 billion to extend the *COVID-19 social relief of distress grant* by another year until 31 March 2024.

An amount of R45.6 billion is allocated for compensation of employees over the next three years to provide for the carry-through costs of the 2022/23 public-service wage increase. A total of R42.8 billion is allocated over the next three years to improve infrastructure.

**Table 5.2 Spending pressures funded over the MTEF period**

R million	2023/24	2024/25	2025/26	MTEF total
<b>Carry-through of 2022/23 public-service wage increase</b>	<b>14 973</b>	<b>15 198</b>	<b>15 426</b>	<b>45 597</b>
National	4 760	4 831	4 903	14 494
Provinces	10 214	10 367	10 523	31 104
<b>Economic growth and employment</b>	<b>624</b>	<b>620</b>	<b>500</b>	<b>1 744</b>
South African Revenue Service	500	500	500	1 500
South African Weather Service: operational funding	124	120	–	244
<b>Infrastructure-related spending</b>	<b>11 046</b>	<b>13 830</b>	<b>17 880</b>	<b>42 757</b>
Refurbishment of Parliament	1 000	500	500	2 000
SANRAL: strengthening and rehabilitation of non-toll network	–	1 500	3 750	5 250
Other infrastructure projects	645	365	300	1 311
Refurbishment backlog for provincial roads	1 500	2 250	3 375	7 125
SANParks infrastructure backlog	700	–	–	700
Budget Facility for Infrastructure project	7 201	9 215	9 955	26 371
<b>Security cluster</b>	<b>4 396</b>	<b>4 503</b>	<b>5 474</b>	<b>14 373</b>
Additional 5 000 police trainees per year	1 199	2 743	3 893	7 835
Border Management Authority	250	300	350	900
Mozambique deployment, prime mission equipment and navy defence systems	2 350	941	680	3 971
State Capture Commission and Financial Action Task Force	597	519	551	1 667
<b>Service delivery</b>	<b>16 095</b>	<b>17 568</b>	<b>20 238</b>	<b>53 902</b>
Local government equitable share	2 460	2 286	3 335	8 080
Health	7 536	7 832	8 103	23 471
Basic education sector	6 100	7 450	8 800	22 350
<b>Department of Home Affairs digitisation project</b>	<b>840</b>	<b>–</b>	<b>–</b>	<b>840</b>
<b>COVID-19 social relief of distress grant</b>	<b>36 081</b>	<b>–</b>	<b>–</b>	<b>36 081</b>
<b>Social grants: increase in grant values</b>	<b>5 890</b>	<b>9 114</b>	<b>14 572</b>	<b>29 575</b>
<b>Other spending pressures</b>	<b>1 075</b>	<b>504</b>	<b>569</b>	<b>2 149</b>
<b>Total</b>	<b>91 022</b>	<b>61 337</b>	<b>74 660</b>	<b>227 019</b>

Source: National Treasury

## PROVISIONAL ALLOCATIONS

Provisional allocations included in the 2023 Budget amount to R1.5 billion in 2023/24, R3.9 billion in 2024/25 and R4 billion in 2025/26. Table 5.3 provides details of these allocations over the MTEF period.

**Table 5.3 Provisional allocations not assigned to votes**

R million	2023/24	2024/25	2025/26	MTEF total
Public entity: South African Social Security Agency	500	522	546	1 567
General buffer funds	5	63	8	76
Construction of the Tygerberg hospital	–	213	223	436
Construction of the Klipfontein hospital	–	60	63	123
South African Revenue Service	1 000	1 000	1 000	3 000
Infrastructure funding	–	2 043	2 138	4 181
<b>Total</b>	<b>1 505</b>	<b>3 901</b>	<b>3 977</b>	<b>9 383</b>

Source: National Treasury

## CONSOLIDATED GOVERNMENT EXPENDITURE

Total consolidated government spending is expected to grow at an average annual rate of 4.5 per cent, from R2.17 trillion in 2022/23 to R2.48 trillion in 2025/26. The social wage

## CHAPTER 5

### CONSOLIDATED SPENDING PLANS

will make up an average of 60.2 per cent of non-interest spending over this period, reflecting government's commitment to strengthening service delivery in areas such as community development, employment programmes, health, education and social protection.

**Table 5.4 Consolidated government expenditure by function<sup>1</sup>**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Learning and culture</b>	<b>446 731</b>	<b>457 085</b>	<b>476 546</b>	<b>497 267</b>	<b>24.3%</b>	<b>3.6%</b>
Basic education	301 970	309 464	316 591	331 279	16.3%	3.1%
Post-school education and training	133 098	135 605	148 321	153 904	7.4%	5.0%
Arts, culture, sport and recreation	11 663	12 015	11 634	12 085	0.6%	1.2%
<b>Health</b>	<b>259 445</b>	<b>259 200</b>	<b>268 907</b>	<b>281 303</b>	<b>13.8%</b>	<b>2.7%</b>
<b>Social development</b>	<b>357 787</b>	<b>378 543</b>	<b>361 338</b>	<b>356 987</b>	<b>18.6%</b>	<b>-0.1%</b>
Social protection	264 363	286 173	266 037	283 014	14.2%	2.3%
Social security funds	93 424	92 370	95 301	73 973	4.4%	-7.5%
<b>Community development</b>	<b>230 002</b>	<b>259 708</b>	<b>276 175</b>	<b>289 878</b>	<b>14.0%</b>	<b>8.0%</b>
<b>Economic development</b>	<b>221 821</b>	<b>237 605</b>	<b>259 324</b>	<b>277 141</b>	<b>13.2%</b>	<b>7.7%</b>
Industrialisation and exports	39 006	40 522	41 347	41 841	2.1%	2.4%
Agriculture and rural development	28 436	27 795	28 633	29 867	1.5%	1.6%
Job creation and labour affairs	23 875	24 583	26 070	27 128	1.3%	4.3%
Economic regulation and infrastructure	112 445	124 863	143 768	159 158	7.3%	12.3%
Innovation, science and technology	18 059	19 843	19 507	19 146	1.0%	2.0%
<b>Peace and security</b>	<b>227 800</b>	<b>227 340</b>	<b>236 267</b>	<b>247 406</b>	<b>12.1%</b>	<b>2.8%</b>
Defence and state security	52 418	52 726	52 812	54 838	2.7%	1.5%
Police services	112 512	112 066	119 244	125 358	6.1%	3.7%
Law courts and prisons	51 472	51 437	53 726	56 081	2.7%	2.9%
Home affairs	11 398	11 110	10 485	11 129	0.6%	-0.8%
<b>General public services</b>	<b>71 745</b>	<b>73 597</b>	<b>74 081</b>	<b>76 914</b>	<b>3.8%</b>	<b>2.3%</b>
Executive and legislative organs	15 406	16 813	16 311	16 830	0.8%	3.0%
Public administration and fiscal affairs	47 811	48 408	48 752	50 664	2.5%	2.0%
External affairs	8 528	8 376	9 018	9 420	0.5%	3.4%
<b>Payments for financial assets</b>	<b>46 313</b>	<b>4 052</b>	<b>3 577</b>	<b>3 895</b>		
<b>Allocated by function</b>	<b>1 861 642</b>	<b>1 897 129</b>	<b>1 956 215</b>	<b>2 030 791</b>	<b>100.0%</b>	<b>2.9%</b>
Debt-service costs	307 157	340 460	362 840	397 074		8.9%
Contingency reserve	–	5 000	5 000	5 000		
Unallocated reserve	–	–	35 693	44 533		
<b>Consolidated expenditure</b>	<b>2 168 799</b>	<b>2 242 589</b>	<b>2 359 749</b>	<b>2 477 398</b>		<b>4.5%</b>

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

Source: National Treasury



Debt-service costs will total R1.10 trillion over the MTEF period. These costs grow faster than spending in any function, at 8.9 per cent per year. Excluding debt-service costs, the community development function is the fastest-growing function, averaging 8 per cent

annually, mainly due to the allocation of additional funds for the local government equitable share and for infrastructure.

In terms of economic classification, Table 5.5 shows that current payments constitute the largest share (61.2 per cent) of the budget, mainly driven by compensation of employees, which constitutes 31.4 per cent of total spending. Transfers and subsidies will increase from R731.2 billion in 2022/23 to R783 billion in 2025/26, growing at an annual average rate of 2.3 per cent. Payments for capital assets are the fastest-growing item by economic classification, growing at 14.4 per cent annually, due to the additional funds allocated to improve investment in infrastructure.

**Table 5.5 Consolidated government expenditure by economic classification<sup>1</sup>**

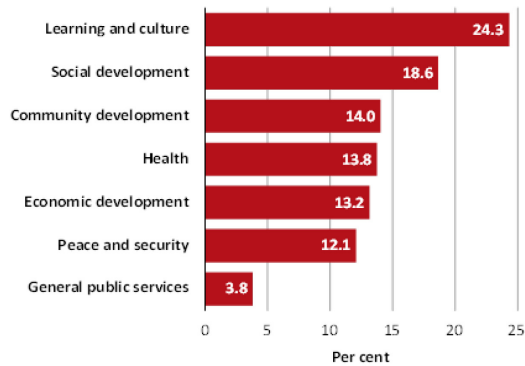
R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Economic classification</b>						
<b>Current payments</b>	<b>1 299 359</b>	<b>1 355 806</b>	<b>1 418 715</b>	<b>1 503 379</b>	<b>61.2%</b>	<b>5.0%</b>
Compensation of employees	690 374	701 165	728 747	760 608	31.4%	3.3%
Goods and services	292 955	305 185	317 591	335 793	13.7%	4.7%
Interest and rent on land	316 030	349 456	372 377	406 979	16.2%	8.8%
<i>of which:</i>						
Debt-service costs	307 157	340 460	362 840	397 074	15.8%	8.9%
<b>Transfers and subsidies</b>	<b>731 230</b>	<b>767 062</b>	<b>771 535</b>	<b>782 975</b>	<b>33.2%</b>	<b>2.3%</b>
Municipalities	162 604	177 626	188 811	198 204	8.1%	6.8%
Departmental agencies and accounts	27 260	27 859	26 227	26 413	1.2%	-1.0%
Higher education institutions	53 866	51 871	58 450	59 189	2.4%	3.2%
Foreign governments and international organisations	3 356	3 147	3 457	3 607	0.1%	2.4%
Public corporations and private enterprises	42 068	40 555	43 237	45 863	1.9%	2.9%
Non-profit institutions	41 825	42 149	40 807	42 540	1.8%	0.6%
Households	400 251	423 853	410 545	407 157	17.8%	0.6%
<b>Payments for capital assets</b>	<b>91 897</b>	<b>110 671</b>	<b>125 228</b>	<b>137 616</b>	<b>5.3%</b>	<b>14.4%</b>
Buildings and other fixed structures	61 956	77 433	94 243	104 235	4.0%	18.9%
Machinery and equipment	24 930	28 871	27 385	30 005	1.2%	6.4%
Other capital assets	5 011	4 367	3 600	3 376	0.2%	-12.3%
<b>Payments for financial assets</b>	<b>46 313</b>	<b>4 052</b>	<b>3 577</b>	<b>3 895</b>		
<b>Total</b>	<b>2 168 799</b>	<b>2 237 589</b>	<b>2 319 055</b>	<b>2 427 865</b>	<b>100.0%</b>	<b>3.8%</b>
Contingency reserve	–	5 000	5 000	5 000		
Unallocated reserve	–	–	35 693	44 533		
<b>Consolidated expenditure</b>	<b>2 168 799</b>	<b>2 242 589</b>	<b>2 359 749</b>	<b>2 477 398</b>		<b>4.5%</b>

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

## SPENDING PRIORITIES BY FUNCTION

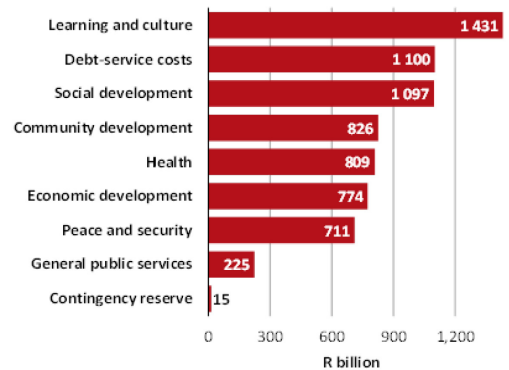
Spending across functions supports the implementation of new and existing policy priorities. The learning and culture function receives more than 24.3 per cent (R1.43 trillion) of the total function budgets, while general public services receives the smallest share at 3.8 per cent (R224.6 billion).

**Figure 5.1 Percentage of total MTEF allocation by function, 2023/24 – 2025/26**



Source: National Treasury

**Figure 5.2 Total consolidated government expenditure, 2023/24 – 2025/26**



## Learning and culture



This function allocates funding to basic and post-school education and training, as well as sport, arts and culture. The basic education sector receives 66.9 per cent of this funding over the MTEF period, of which compensation of employees accounts for just over half.

Additional funding of R20 billion is allocated through the provincial equitable share, mainly to cover shortfalls in basic education compensation budgets. Funding for the *national school nutrition programme grant* is increased by R1.5 billion over the MTEF period to ensure that the meals provided to learners meet nutritional requirements.

The *early childhood development grant* receives an additional R1.6 billion over the medium term to increase the number of children receiving the early childhood development subsidy, provide pre-registration support to early childhood development centres, and pilot a nutrition support programme and a results-based delivery model where the service provider is only paid for the outputs delivered. Additional funding of R198 million is allocated in 2023/24 to enable provision of early childhood development resource packages, which include daily activity plans linked to the National Curriculum Framework. Over the MTEF period, R30 million is allocated to improve the Department of Basic Education’s oversight and capacity for managing the programme.

Departments are building their capacity to improve the planning, management and implementation of infrastructure projects and aligning budgets with their ability to spend. In 2023/24, R283.3 million is added to the *education infrastructure grant* to repair infrastructure damage to schools in the Eastern Cape and KwaZulu-Natal resulting from floods in April 2022, while a further R1.5 billion is allocated over the MTEF period for the Gauteng schools project, which aims to improve infrastructure in schools.



**Table 5.6 Learning and culture expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Basic education</b>	<b>301 970</b>	<b>309 464</b>	<b>316 591</b>	<b>331 279</b>	<b>66.9%</b>	<b>3.1%</b>
<i>of which:</i>						
Compensation of employees	223 656	231 482	239 793	250 254	50.4%	3.8%
<i>of which:</i>						
Provincial compensation of employees	222 925	230 758	239 041	249 471	50.3%	3.8%
Goods and services	35 093	33 986	33 161	34 828	7.1%	-0.3%
<i>of which:</i>						
Property payments	5 792	5 652	5 618	6 005	1.2%	1.2%
Workbooks and LTSM <sup>1</sup>	6 433	5 857	6 588	6 886	1.4%	2.3%
National school nutrition programme	8 508	9 279	9 778	10 293	2.1%	6.6%
Transfers and subsidies	31 212	31 104	29 056	31 145	6.4%	-0.1%
<i>of which:</i>						
Subsidies to schools <sup>2</sup>	27 400	27 553	25 422	27 356	5.6%	-0.1%
School infrastructure <sup>3</sup>	14 439	15 587	15 636	16 309	3.3%	4.1%
Early childhood development	9 133	9 671	10 271	10 969	2.2%	6.3%
<i>of which:</i>						
Early childhood development grant	1 193	1 242	1 885	2 341	0.4%	25.2%
<b>Post-school education and training</b>	<b>133 098</b>	<b>135 605</b>	<b>148 321</b>	<b>153 904</b>	<b>30.6%</b>	<b>5.0%</b>
<i>of which:</i>						
University subsidies	42 846	44 477	46 370	48 448	9.7%	4.2%
<i>of which:</i>						
Higher education institutions infrastructure	3 510	673	4 750	3 239	0.6%	-2.6%
National Student Financial Aid Scheme <sup>4</sup>	47 456	50 099	54 231	56 686	11.3%	6.1%
Technical and vocational education and training	13 023	12 880	13 596	14 055	2.8%	2.6%
<i>of which:</i>						
Compensation of employees	7 532	8 094	8 452	8 829	1.8%	5.4%
TVET infrastructure	931	542	708	592	0.1%	-14.0%
Subsidies	4 560	4 245	4 436	4 634	0.9%	0.5%
Community education and training	2 348	2 728	2 929	3 070	0.6%	9.3%
<i>of which:</i>						
Compensation of employees	2 348	2 447	2 558	2 670	0.5%	4.4%
CET infrastructure	–	281	371	400	0.1%	
Skills development levy institutions <sup>5</sup>	23 397	24 275	25 980	27 950	5.5%	6.1%
<b>Arts and culture, sport and recreation</b>	<b>11 663</b>	<b>12 015</b>	<b>11 634</b>	<b>12 085</b>	<b>2.5%</b>	<b>1.2%</b>
<b>Total</b>	<b>446 731</b>	<b>457 085</b>	<b>476 546</b>	<b>497 267</b>		<b>3.6%</b>

1. Learner and teacher support material

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

3. Education infrastructure grant and the school infrastructure backlog grant

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

5. Spending of the 21 sector education and training authorities and the National Skills Fund

Source: National Treasury

The Department of Higher Education and Training has reprioritised R1.1 billion over the medium term to enable the community education and training (CET) sector to build its own infrastructure for learning and teaching, reducing its current reliance on basic education school infrastructure. Expenditure for the post-school education and training sector increases at an average annual rate of 5 per cent over the medium term, supporting universities, technical and vocational education and training (TVET) colleges, CET colleges

and sector education and training authorities in delivering quality post-school education and training.

The arts, culture, sport and recreation sector is allocated R35.7 billion over the medium term to support sports in schools and preserve, develop and promote cultural, heritage and linguistic diversity, and build social cohesion.

## Social development

This function is allocated R1.10 trillion over the MTEF period for social grants and welfare services, and to strengthen advocacy for the empowerment of women, youth and people living with disabilities. Social grants remain the largest spending area, constituting 88 per cent of spending in this function over the MTEF period.



Expenditure on social grants will increase from R233 billion in 2022/23 to R248.4 billion in 2025/26 due to increases in the number of recipients and the value of the grants. Excluding the *COVID-19 social relief of distress grant*, social grant coverage is expected to increase from about 18.6 million beneficiaries in March 2023 to 19.6 million beneficiaries by March 2026. The *child support grant* and *old age grant* together account for about 70 per cent of total grant expenditure over the MTEF period. These two grants will be provided to a total of 17.5 million beneficiaries in 2023/24. Social grants will increase in line with inflation over the medium term.

**Table 5.7 Average monthly social grant values**

Rand	2022/23	2023/24	Percentage increase
Old age	1 985	2 085	5.0%
Old age, over 75	2 005	2 105	5.0%
War veterans	2 005	2 105	5.0%
Disability	1 985	2 085	5.0%
Foster care	1 070	1 125	5.1%
Care dependency	1 985	2 085	5.0%
Child support	480	505	5.2%
Grant-in-aid	480	505	5.2%

Source: National Treasury



The *COVID-19 social relief of distress grant* will be extended for a year until 31 March 2024 to mitigate the impact of the slow economic recovery and increased poverty due to the COVID-19 pandemic. In 2023/24, R35.7 billion is allocated to the Department of Social Development to fund the grant, while R400 million is allocated to the South African Social Security Agency to administer it. Government is still considering alternative options to provide appropriate social protection for the working-age population that can replace or complement the current grant. Funds spent on the grant are lower than projected in 2022/23 due to improved means testing.

Over the MTEF period, the allocation for provincial departments of social development will increase at an average annual rate of 3.3 per cent, from R21.3 billion in 2022/23 to R23.5 billion in 2025/26.

Work to support the social and economic inclusion of women, youth and people living with disabilities will continue over the medium term. The Department of Women, Youth and Persons with Disabilities is allocated R2.7 billion over the next three years.

**Table 5.8 Social development expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Social protection expenditure</b>	<b>264 363</b>	<b>286 173</b>	<b>266 037</b>	<b>283 014</b>	<b>100.0%</b>	<b>2.3%</b>
<i>of which:</i>						
<i>Social grants</i>	232 985	253 842	232 923	248 408	88.0%	2.2%
<i>of which:</i>						
Child support	77 179	81 878	87 320	93 034	31.4%	6.4%
Old age <sup>1</sup>	92 067	99 104	106 489	114 013	38.3%	7.4%
Disability	24 807	26 801	28 278	30 002	10.2%	6.5%
Foster care	4 062	3 791	3 544	3 362	1.3%	-6.1%
Care dependency	3 870	4 092	4 413	4 751	1.6%	7.1%
Grant-in-aid	1 896	2 107	2 473	2 822	0.9%	14.2%
Social relief of distress	29 104	36 070	406	424	4.4%	
Provincial social development	21 257	21 386	22 437	23 451	8.1%	3.3%
Women, youth and persons with disabilities	992	1 036	821	858	0.3%	-4.7%
<i>of which:</i>						
Women's rights and advocacy	132	125	131	137	0.0%	1.2%
Administration and research	151	147	155	159	0.1%	1.7%
Youth and persons with disabilities	709	764	535	562	0.2%	-7.5%
<b>Social security funds</b>	<b>93 424</b>	<b>92 370</b>	<b>95 301</b>	<b>73 973</b>	<b>31.3%</b>	<b>-7.5%</b>
Road Accident Fund	50 322	51 877	53 726	30 324	16.3%	-15.5%
Unemployment Insurance Fund	32 801	29 764	30 404	32 017	11.0%	-0.8%
Compensation funds	10 301	10 728	11 171	11 632	4.0%	4.1%
<b>Total</b>	<b>357 787</b>	<b>378 543</b>	<b>361 338</b>	<b>356 987</b>	<b>100.0%</b>	<b>-0.1%</b>
<i>Social grants as percentage of GDP</i>	3.5%	3.6%	3.1%	3.1%		
<b>Social grant beneficiary numbers by grant type (thousands)</b>						
Child support	13 283	13 480	13 685	13 897	62.0%	1.5%
Old age <sup>1</sup>	3 872	3 982	4 094	4 212	18.5%	2.8%
Disability	1 051	1 063	1 075	1 088	4.9%	1.1%
Foster care	267	247	229	211	1.0%	-7.5%
Care dependency	159	164	169	174	0.8%	3.0%
COVID-19 SRD grant	7 971	8 496	–	–	12.8%	
<b>Total</b>	<b>26 604</b>	<b>27 432</b>	<b>19 252</b>	<b>19 582</b>	<b>100.0%</b>	<b>-9.7%</b>

1. Includes war veterans

Source: National Treasury

## Health

The health function is allocated R809.4 billion over the MTEF period to support the provision of and equitable access to healthcare services. The sector will focus on addressing the accumulated backlog in core health services such as surgery, oncology, antiretroviral treatment and tuberculosis screening and treatment that resulted from disruptions to routine healthcare services due to the pandemic. COVID-19 services



including vaccinations have now been integrated into general health services. As vaccine stock levels remain high, no separate allocation is made for vaccines in the 2023 Budget.

The 2023 Budget includes additional funding to the health function of R7.5 billion in 2023/24, R7.8 billion in 2024/25 and R8.1 billion in 2025/26. These amounts will be channelled through the provincial equitable share to help address service backlogs and alleviate critical funding pressures in healthcare personnel (potentially also to retain some of the additional staff recruited during the pandemic), medicine, laboratory services, medical supplies and other key goods and services. These arise partly from budget reductions following the pandemic-related economic downturn.

**Table 5.9 Health expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Health expenditure</b>	<b>259 445</b>	<b>259 200</b>	<b>268 907</b>	<b>281 303</b>	<b>100.0%</b>	<b>2.7%</b>
<i>of which:</i>						
<i>Central hospital services</i>	50 482	48 564	50 462	52 073	18.7%	1.0%
<i>Provincial hospital services</i>	40 508	40 213	41 888	43 367	15.5%	2.3%
<i>District health services</i>	117 454	113 070	117 635	121 939	43.6%	1.3%
<i>of which:</i>						
<i>HIV, TB, malaria and community outreach</i>	24 135	23 935	25 009	26 130	9.3%	2.7%
<i>Emergency medical services</i>	9 589	9 656	9 773	10 085	3.6%	1.7%
<i>Facilities management and maintenance</i>	11 160	11 297	11 536	12 039	4.3%	2.6%
<i>Health science and training</i>	5 758	6 351	6 305	6 533	2.4%	4.3%
<i>National Health Laboratory Service</i>	11 607	13 812	14 099	14 911	5.3%	8.7%
<i>National Department of Health<sup>1</sup></i>	5 857	5 928	6 547	6 956	2.4%	5.9%
<b>Total</b>	<b>259 445</b>	<b>259 200</b>	<b>268 907</b>	<b>281 303</b>	<b>100.0%</b>	<b>2.7%</b>
<i>of which:</i>						
<i>Compensation of employees</i>	164 381	163 576	168 824	175 408	62.7%	2.2%
<i>Goods and services</i>	75 391	75 171	78 827	83 299	29.3%	3.4%
<i>Transfers and subsidies</i>	6 556	6 189	6 536	6 739	2.4%	0.9%
<i>Buildings and other fixed structures</i>	6 890	7 610	8 289	8 429	3.0%	7.0%
<i>Machinery and equipment</i>	6 140	5 655	5 407	5 664	2.1%	-2.7%

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

Source: National Treasury

Additional funding is also allocated for the 2022/23 public-service wage increase and its carry-through costs over the MTEF period. Despite these additions, provincial health budgets remain under pressure and government will have to make difficult trade-offs to ensure that the sector is adequately resourced. Moreover, greater efficiency is needed to manage services within these budgets.

Funds totalling R349.7 million in 2023/24, R432.3 million in 2024/25 and R568.6 million in 2025/26 are allocated to the *national health insurance indirect grant* to enable construction of the Limpopo Central Hospital in Polokwane. With effect from 1 April 2023, the responsibility to provide port health services will be shifted from the Department of Health to the Border Management Authority. Accordingly, R512 million is shifted over the

MTEF period from the Department of Health to the Department of Home Affairs, which will facilitate the transfer of the funds to the authority.

## Community development

Spending in this function will amount to R825.8 billion over the next three years mainly to support the provision of basic services, affordable housing and public transport, as well as promote spatial transformation and urban development. Because municipalities, provinces and public entities are responsible for providing the abovementioned services, transfers and subsidies are the largest spending item in the function, constituting 77.3 per cent of total expenditure.

The local government equitable share is expected to increase at an average annual rate of 9.3 per cent, from R83.7 billion in 2022/23 to R109.4 billion in 2025/26, mainly to provide for above-inflation escalation costs in bulk electricity and water supply. The equitable share includes allocations for the operational and maintenance costs associated with the provision of free basic services.

**Table 5.10 Community development expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Community development</b>	<b>230 002</b>	<b>259 708</b>	<b>276 175</b>	<b>289 878</b>	<b>100.0%</b>	<b>8.0%</b>
<i>of which:</i>						
<i>Human settlements</i>	38 606	41 135	42 929	45 002	15.6%	5.2%
<i>Public transport, including commuter rail</i>	43 547	53 223	59 054	63 224	21.3%	13.2%
<i>Local government equitable share</i>	83 711	96 546	103 772	109 368	37.5%	9.3%
<i>Municipal infrastructure grant</i>	16 842	17 545	18 331	19 150	6.7%	4.4%
<i>Regional and local water and sanitation services</i>	10 844	15 584	16 430	16 025	5.8%	13.9%
<i>Electrification programmes</i>	6 023	6 328	6 619	6 912	2.4%	4.7%
<b>Total</b>	<b>230 002</b>	<b>259 708</b>	<b>276 175</b>	<b>289 878</b>	<b>100.0%</b>	<b>8.0%</b>
<i>of which:</i>						
<i>Compensation of employees</i>	17 456	18 195	18 917	19 576	6.9%	3.9%
<i>Goods and services</i>	16 239	16 180	16 842	17 563	6.1%	2.6%
<i>Transfers and subsidies</i>	183 240	201 830	213 241	223 186	77.3%	6.8%
<i>Buildings and other fixed structures</i>	6 798	11 524	14 545	15 365	5.0%	31.2%
<i>Machinery and equipment</i>	5 384	10 281	11 145	12 730	4.1%	33.2%

Source: National Treasury

Additional allocations are made over the medium term for bulk infrastructure that will improve access to services through conditional grants in human settlements and water and sanitation. These include an additional R2.2 billion for the *urban settlements development grant* for construction of the Lufhereng housing project in the City of Johannesburg metro and the Avoca Node development in the eThekweni metro.

The *regional bulk infrastructure grant* in the Department of Water and Sanitation receives an additional R4.2 billion over the medium term for the implementation of a water security programme in the Nelson Mandela Bay metro and other water and sanitation supply



programmes in other municipalities. More details on changes to conditional grants are provided in Chapter 6.

#### Financing disaster response

Effective disaster finance is increasingly important as part of the transition towards a climate-resilient economy and sustainable infrastructure. The National Treasury is intensifying its strategic role and coordination on climate responsiveness.

Recent events – including COVID-19, flooding and drought, and public violence – have highlighted inefficiencies in disaster response, and an overreliance on post-event allocations.

A recent diagnostic report by the National Treasury and the World Bank estimated the average funding gap for financing disaster response in South Africa at R2.3 billion. Redesigning on- and off-budget financing can reduce fiscal costs by about R100 million on average per shock event and R7.5 billion in the case of large shock events.

The diagnostic recommends several reforms to strengthen risk financing, including:

- Developing a national disaster risk financing policy, including strategic priorities for financing disaster response.
- Reviewing the post-disaster budget mobilisation process and amending grant frameworks to integrate disaster risk management.
- Strengthening municipal capacity to finance disaster risk, including through municipal insurance pools.
- Redesigning the suite of financing instruments to respond to disasters and exploring incentives for the private sector to offer non-life insurance to exposed communities.

These recommendations are being assessed and further developments will be outlined in the 2023 *Medium Term Budget Policy Statement*.

### Economic development

This function allocates funding to departments and entities focused on promoting sustained and inclusive economic growth to address unemployment, poverty and inequality. Its expenditure will increase from R221.8 billion in 2022/23 to R277.1 billion in 2025/26 at an average annual rate of 7.7 per cent. The bulk of the funds are allocated for goods and services and capital expenditure.



Over the medium term, the Department of Small Business Development is allocated R2.8 billion as part of the Township and Rural Entrepreneurship Fund to support 120 000 township and rural enterprises. In addition, the department aims to improve local and international market access for small, medium and micro enterprises.

The Land Restitution Programme is allocated R12.5 billion over the MTEF period. Over the next three years, government will focus on finalising outstanding restitution claims and supporting resettled farmers to sustain productivity, create jobs and reduce poverty. To continue managing bio-security, increase agricultural production and manage natural resources, the Department of Agriculture, Land Reform and Rural Development is allocated R7.8 billion over the medium term.

**Table 5.11 Economic development expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
<b>Economic regulation and infrastructure</b>	<b>112 445</b>	<b>124 863</b>	<b>143 768</b>	<b>159 158</b>	<b>55.3%</b>	<b>12.3%</b>
<i>of which:</i>						
<i>Water resource and bulk infrastructure</i>	27 544	34 092	38 368	48 801	15.7%	21.0%
<i>Road infrastructure</i>	61 758	68 298	79 303	85 484	30.1%	11.4%
<i>Environmental programmes</i>	8 646	9 855	10 245	10 769	4.0%	7.6%
<b>Job creation and labour affairs</b>	<b>23 875</b>	<b>24 583</b>	<b>26 070</b>	<b>27 128</b>	<b>10.0%</b>	<b>4.3%</b>
<i>of which:</i>						
<i>Employment programmes<sup>1</sup></i>	20 927	21 666	22 820	23 712	8.8%	4.3%
<b>Industrialisation and exports</b>	<b>39 006</b>	<b>40 522</b>	<b>41 347</b>	<b>41 841</b>	<b>16.0%</b>	<b>2.4%</b>
<i>of which:</i>						
<i>Economic development and incentive programmes</i>	20 863	20 226	19 860	20 552	7.8%	-0.5%
<b>Innovation, science and technology</b>	<b>18 059</b>	<b>19 843</b>	<b>19 507</b>	<b>19 146</b>	<b>7.6%</b>	<b>2.0%</b>
<b>Agriculture and rural development</b>	<b>28 436</b>	<b>27 795</b>	<b>28 633</b>	<b>29 867</b>	<b>11.1%</b>	<b>1.6%</b>
<i>of which:</i>						
<i>Land reform</i>	1 154	1 113	1 180	1 230	0.5%	2.1%
<i>Agricultural land holding account</i>	1 159	1 203	1 069	1 156	0.4%	-0.1%
<i>Restitution</i>	3 818	3 947	4 174	4 358	1.6%	4.5%
<i>Farmer support and development</i>	3 683	3 687	3 856	4 032	1.5%	3.1%
<b>Total</b>	<b>221 821</b>	<b>237 605</b>	<b>259 324</b>	<b>277 141</b>	<b>100.0%</b>	<b>7.7%</b>
<i>of which:</i>						
<i>Compensation of employees</i>	55 937	58 061	61 115	64 162	23.7%	4.7%
<i>Goods and services</i>	73 160	83 025	88 515	93 520	34.2%	8.5%
<i>Transfers and subsidies</i>	46 035	43 371	45 483	46 636	17.5%	0.4%
<i>Buildings and other fixed structures</i>	30 211	38 082	50 085	58 579	19.0%	24.7%
<i>Machinery and equipment</i>	5 745	5 704	4 230	4 080	1.8%	-10.8%

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

Source: National Treasury

Over the next three years, R18.9 billion is allocated to the Department of Trade, Industry and Competition for incentive programmes to stimulate business investment in machinery and equipment. Within the automotive investment scheme, R728.8 million is allocated for support to new energy vehicle initiatives. Collectively, these incentives are expected to unlock R83 billion in private-sector investment.

The Department of Science and Innovation is allocated R8.7 billion over the medium term for the development of human capital initiatives through postgraduate bursaries and scholarships, internships and support for emerging and established researchers. Over the same period, the Department of Forestry, Fisheries and the Environment is allocated R1.4 billion for the Waste Bureau to implement the national waste management strategy. The Department of Tourism is also allocated R180 million to support the pilot of the Tourism Equity Fund introduced in 2021.

#### *Economic regulation and infrastructure*

Roads account for the largest share of the function's budget at 30.1 per cent of expenditure over the medium term. The additional allocations of R7.1 billion and R5.3 billion for the rehabilitation of provincial roads, and to reduce the road rehabilitation



and strengthening backlog on national roads, will result in spending on roads increasing from R61.8 billion in 2022/23 to R85.5 billion in 2025/26. The South African National Roads Agency Limited will increase the length of the network in active maintenance from 1 200 kilometres in 2022/23 to 2 400 kilometres in 2025/26, and the length of the network in active strengthening to 600 kilometres by 2025/26.

Government will spend R121.3 billion over the medium term on water infrastructure. This includes an additional R4.3 billion for the uMkhomazi water project, which augments water supply to various municipalities in KwaZulu-Natal. An additional R3 billion is allocated for the Department of Communications and Digital Technologies to implement the SA Connect broadband project, which aims to connect 5.8 million sites to high-speed internet by 2025/26.

### Peace and security



The peace and security function is responsible for safety and security, including the criminal justice system and ports of entry. Its budget will increase from R227.8 billion in 2022/23 to R247.4 billion in 2025/26 at an average annual rate of 2.8 per cent. This is mainly due to the allocation of additional funding for the 2022/23 public-service wage increase and its carry-through costs over the MTEF period. The allocation will also support new hiring and strengthen maritime and ports security.

To strengthen frontline capacity mainly in police stations, the South African Police Service is allocated an additional R7.8 billion over the next three years to appoint 5 000 police trainees per year and absorb them once they successfully complete their training. The Department of Justice and Constitutional Development has reprioritised R27.5 million over the MTEF period to enhance support for victims of gender-based violence by appointing employees in the Thuthuzela care centres including coordinators, victim assistant officers and state advocates.



The National Prosecuting Authority is allocated R1.3 billion over the medium term to support implementation of the recommendation of the State Capture Commission and the outcomes of the Financial Action Task Force evaluation of South Africa's framework for combating money laundering and terrorism financing. The funding will be used to, among other things, appoint 120 new employees in the National Prosecutions Service and the Investigating Directorate, procure specialist prosecution services for complex matters (especially financial crimes), commission contracted forensic auditors and accountants to deal with high-priority asset forfeiture matters, establish a digital forensic data centre, provide close protection services and integrated security systems, and finance increased witness protection operational costs.



**Table 5.12 Peace and security expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Defence and state security	52 418	52 726	52 812	54 838	22.6%	1.5%
Police services	112 512	112 066	119 244	125 358	50.2%	3.7%
Law courts and prisons	51 472	51 437	53 726	56 081	22.7%	2.9%
Home affairs	11 398	11 110	10 485	11 129	15.9%	-0.8%
<b>Total</b>	<b>227 800</b>	<b>227 340</b>	<b>236 267</b>	<b>247 406</b>	<b>100.0%</b>	<b>2.8%</b>
<i>of which:</i>						
<i>Compensation of employees</i>	157 049	155 379	163 820	172 169	69.1%	3.1%
<i>Goods and services</i>	49 938	50 992	52 918	54 634	22.3%	3.0%
<i>Transfers and subsidies</i>	12 806	12 877	11 986	12 120	5.2%	-1.8%
<i>Buildings and other fixed structures</i>	2 774	2 903	2 795	2 884	1.2%	1.3%
<i>Machinery and equipment</i>	4 979	4 925	4 529	5 411	2.1%	2.8%

Source: National Treasury

The Financial Intelligence Centre is allocated an additional R265.3 million over the MTEF period to implement the recommendations of the State Capture Commission and the Financial Action Task Force. The allocation will enable the entity to appoint 107 additional permanent personnel such as forensic accountants, inspectors, strategic analysts and enforcement officers to strengthen its capacity. The Special Investigating Unit is allocated R100 million over the next three years to initiate civil litigation in the special tribunal flowing from proclamations linked to the recommendations of the State Capture Commission.

#### **Establishment of the Border Management Authority**

In line with the Border Management Authority Act (2020), the Border Management Authority will be established as a Schedule 3A public entity with effect from 1 April 2023. Its mandate is to manage the legitimate movement of people and goods at borders and at ports of entry. It will also be responsible for enforcing border law and preventing illegal activities, including cross-border criminality, illegal crossing and undue delays in the movement of goods and services.

In order to successfully set up the Border Management Authority, assets and inventories need to be verified at ports of entry, and border functions and related staff – such as frontline immigration, health, environment and agriculture – need to be shifted from their current departments to the authority. Staff will also be seconded from other organs of state, where necessary, to strengthen capacity in the authority. To fund its operations over the MTEF period, the authority will receive additional funds amounting to R250 million in 2023/24, R300 million in 2024/25 and R350 million in 2025/26. A total of R3.3 billion has been shifted to the authority from the Department of Health; the Department of Forestry, Fisheries and the Environment; the Department of Agriculture, Land Reform and Rural Development; and the Department of Home Affairs.

To enhance security on South Africa's borders and surrounding areas, the Department of Defence is allocated an additional R3.1 billion over the medium term. This allocation will provide for the procurement of equipment and technology to support operations, and repair and maintain defence navy systems. In addition, R850 million is allocated in 2023/24

to support the deployment of the South African National Defence Force in Mozambique as part of the Southern African Development Community Mission in Mozambique.

### General public services



This function helps to build a capable state. It is allocated R224.6 billion over the MTEF period, which is 3.8 per cent of the total budget for functions.

Over the MTEF period, R9 million will be shifted from the Department of Public Works and Infrastructure to the Project Management Office in the Presidency. The office supports other government departments to develop programmes that equip young people with skills and access to opportunities. The South African Revenue Service is allocated additional funding for capital projects to improve its information and communications technology and revenue collection capabilities.

The Department of Public Works and Infrastructure is allocated R200 million per year over the medium term to assist implementing agencies with high-priority project preparation. The project pipeline, which is managed by Infrastructure South Africa, includes over 150 public-sector projects across economic and social sectors. The funding will be used to develop the documents required by funding institutions, and facilitate employment-generating investments in infrastructure.

Over the medium term, R60 million has been reprioritised within the function to establish a permanent baseline for campaigns related to gender-based violence and femicide, anti-corruption and the economic recovery plan.

**Table 5.13 General public services expenditure**

R million	2022/23	2023/24	2024/25	2025/26	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Executive and legislative organs	15 406	16 813	16 311	16 830	22.2%	3.0%
Public administration and fiscal affairs	47 811	48 408	48 752	50 664	65.8%	2.0%
External affairs	8 528	8 376	9 018	9 420	11.9%	3.4%
<b>Total</b>	<b>71 745</b>	<b>73 597</b>	<b>74 081</b>	<b>76 914</b>	<b>100.0%</b>	<b>2.3%</b>
<i>of which:</i>						
<i>Compensation of employees</i>	34 071	35 074	35 237	36 245	0.0%	2.1%
<i>Goods and services</i>	23 114	24 218	25 137	26 610	0.0%	4.8%
<i>Transfers and subsidies</i>	10 769	9 722	9 819	10 182	0.0%	-1.8%
<i>Buildings and other fixed structures</i>	1 673	2 459	2 015	2 029	0.0%	6.6%
<i>Machinery and equipment</i>	1 179	1 128	876	888	0.0%	-9.0%

Source: National Treasury

## CONCLUSION

Over the next three years, consolidated spending will total R7.08 trillion, the majority of which is allocated for the social wage. Additional allocations are focused on funding short-term policy priorities and improving growth-enhancing investment. Government continues to reprioritise and review spending to meet policy priorities and improve efficiency.