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2024 BUDGET REVIEW
**CONSOLIDATED
SPENDING PLANS**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- Consolidated government spending will amount to R2.37 trillion in 2024/25, R2.47 trillion in 2025/26 and R2.6 trillion in 2026/27.
- Since the 2023 Budget, government has made a range of adjustments in response to continued fiscal pressures. The net effect of these adjustments is an R80.6 billion reduction in main budget non-interest expenditure over the 2024 medium-term expenditure framework (MTEF) period.
- As part of the overall changes, R251.3 billion has been added to the MTEF to ensure that the salaries of teachers, doctors, nurses, police and many other public servants are funded, and to maintain strong levels of social protection through 2026/27.
- An amount of R7.4 billion is set aside in 2024/25 for the presidential employment initiative.
- The social wage will constitute an average of 60.2 per cent of total non-interest spending over the next three years.

OVERVIEW

Over the medium term, total consolidated spending is expected to increase from R2.37 trillion in 2024/25 to R2.6 trillion in 2026/27. Government's priority is to enhance spending quality and minimise inefficiency while ensuring sustainable public finances – in other words, to increase the value for money from this spending. An amount of R251.3 billion has been added to functions including health, education, peace and security and social development. This is mainly to provide for the carry-through costs of the 2023/24 wage increase, the extension of the *COVID-19 social relief of distress grant* and other social protection spending.



Table 5.1 Social wage

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
R billion	Outcome			Revised	Medium-term estimates		
Community development	161.4	164.2	182.2	181.9	197.5	205.3	214.1
Housing development	23.7	27.0	25.7	10.5	13.2	14.0	14.8
Transport	25.9	29.4	37.5	42.5	44.4	44.8	47.6
Basic services and local government ¹	111.7	107.8	119.0	128.9	139.9	146.5	151.8
Employment programmes	16.7	17.7	19.2	19.3	19.5	20.5	21.4
Health	222.7	228.5	235.3	244.4	251.6	260.6	272.2
Basic education	247.6	262.5	276.2	290.5	299.7	312.8	326.3
Higher education and training	45.6	55.9	63.6	74.0	69.5	72.6	76.4
Social protection	247.0	252.2	260.3	279.5	294.4	312.8	327.3
of which: Social grants	218.9	222.7	233.0	251.0	266.2	248.4	259.8
Social security funds	106.9	76.2	66.6	71.1	73.9	53.3	52.1
Total	1 048.0	1 057.2	1 103.3	1 160.7	1 206.0	1 237.8	1 289.7
Percentage of non-interest spending	60.5%	59.5%	60.2%	60.7%	60.7%	60.2%	59.8%
Percentage of consolidated spending	53.3%	51.7%	51.5%	51.2%	50.9%	50.1%	49.6%

1. Includes local government equitable share

Source: National Treasury

Over the MTEF period, the social wage will account for an average of 60.2 per cent of non-interest spending, covering education, health, social protection, community development and employment programmes.



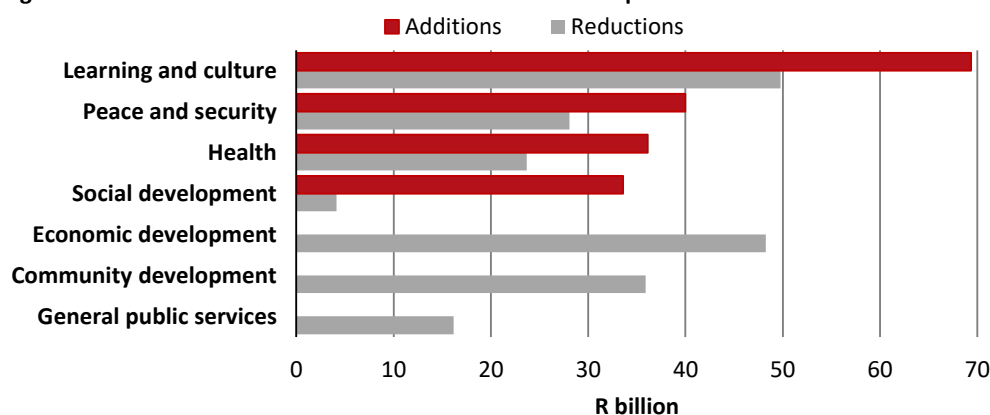
In the context of continued fiscal pressure, departments and institutions need to evaluate spending priorities against policy objectives and review and rationalise programmes. Over the medium term, the National Treasury will continue to support the implementation of recommendations from the 2021 spending reviews, particularly proposals to close certain programmes or institutions, as part of a broader government rationalisation process.

REVISIONS TO SPENDING PLANS

The budget proposes a net reduction to main budget non-interest expenditure of R80.6 billion compared with the 2023 Budget. Resources are reallocated to fund spending pressures in key service delivery departments.

Over the past 12 months, government made two sets of adjustments in the context of lower-than expected revenue performance and new expenditure pressures. It reduced the unallocated reserve by R125.9 billion and removed R206 billion from departmental baselines and provisional allocations. Subsequent improvements in revenue and reduced debt-service costs associated with the expected Gold and Foreign Exchange Contingency Reserve Account distribution have made it possible to reverse some of these reductions. The net effect is shown in Figure 5.1, and full details of the adjustments are shown in Chapter 3.

Figure 5.1 Baseline additions and reductions over the MTEF period*



*Excludes adjustments to provisional allocations and unallocated reserves

Source: National Treasury

As reflected in Table 3.5 in Chapter 3, an amount of R144.8 billion is added to a number of baselines, mainly to address compensation shortfalls in provincial health and education departments, and the national departments of Home Affairs, Justice and Constitutional Development, Police, Defence and Correctional Services. Most other departments are expected to absorb the wage increase within their baselines. In addition, cost pressures

and policy priorities over the MTEF period are addressed by reprioritising and reallocating budgets within departments and across function groups, as indicated in Figure 5.1.

The social protection function receives R33.6 billion to fund the extension of the *COVID-19 social relief of distress grant* until March 2025, with further provisional allocations in 2025/26 and 2026/27.

Funding for the presidential employment initiative

An amount of R7.4 billion is set aside for the presidential employment initiative in 2024/25 through a combination of reprioritisation, provisional allocations and funding from the Unemployment Insurance Fund's Labour Activation Programme.

Government introduced this initiative in 2020 to address unemployment, especially as it affects youth. The initiative has assisted over 1.7 million people through a combination of job creation, job retention and income and skills support interventions.

About R4 billion will be made available for hiring more teacher assistants through the basic education schools employment initiative in the provinces. An amount of R1.1 billion is reprioritised towards the Social Employment Fund administered by the Industrial Development Corporation to promote work in local communities. Additionally, R750 million is reprioritised towards the Food Security and Livelihoods Programme, which provides subsistence farmers with vouchers to purchase agricultural inputs.

The Cities Public Employment Programme will receive R650 million to create employment in local communities and townships to assist with upgrading informal settlements, developing township economies, conducting maintenance, and developing and managing public spaces and assets. The National Youth Service will receive R250 million to support youth employment initiatives. The National Pathway Management Network will receive R250 million to help connect unemployed people to job opportunities.

PROVISIONAL ALLOCATIONS

The 2024 Budget includes provisional allocations not assigned to votes of R570 million in 2024/25, R41.1 billion in 2025/26 and R53.5 billion in 2026/27. These are mainly for social protection, infrastructure funds reserved for the Budget Facility for Infrastructure and employment programmes.

Table 5.2 Provisional allocations not assigned to votes

R million	2024/25	2025/26	2026/27	MTEF total
Provisional allocation for social protection	–	35 169	36 756	71 926
Employment programmes	–	4 592	7 415	12 007
Infrastructure Fund provisional allocation	–	–	7 841	7 841
Western Cape Rapid Schools Build Programme (BFI)	251	1 048	1 250	2 549
Construction of the Tygerberg hospital	203	212	–	414
Public entity: South African Social Security Agency	–	5	183	188
Construction of the Klipfontein hospital	57	60	–	117
Other	60	8	8	75
Total	570	41 093	53 453	95 116

Source: National Treasury

CONSOLIDATED GOVERNMENT EXPENDITURE



Table 5.3 outlines government spending plans by function, debt-service costs and the contingency reserve. Total consolidated government spending is expected to grow at an average annual rate of 4.6 per cent, from R2.27 trillion in 2023/24 to R2.6 trillion in 2026/27.

Payments for capital assets, debt-service costs and compensation of employees are the fastest-growing spending items over the MTEF period, with an average annual growth rate of 10 per cent, 7.3 per cent and 4.5 per cent, respectively. Over the MTEF period, government will spend more on debt-service costs than on health, basic education or social development.

Table 5.3 Consolidated government expenditure by function¹

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Learning and culture	468 364	480 569	499 257	525 819	24.4%	3.9%
Basic education	313 736	324 491	341 399	360 039	16.6%	4.7%
Post-school education and training	142 790	143 976	146 169	153 719	7.2%	2.5%
Arts, culture, sport and recreation	11 838	12 102	11 689	12 061	0.6%	0.6%
Health	267 324	271 885	281 139	295 205	13.7%	3.4%
Social development	368 536	387 329	385 047	398 937	19.0%	2.7%
Social protection	283 377	298 308	316 840	331 497	15.3%	5.4%
Social security funds	85 159	89 022	68 208	67 440	3.6%	-7.5%
Community development	251 461	265 310	274 869	287 099	13.4%	4.5%
Economic development	239 779	255 394	274 877	288 416	13.3%	6.3%
Industrialisation and exports	37 551	39 141	40 064	41 100	1.9%	3.1%
Agriculture and rural development	27 902	27 685	28 605	29 479	1.4%	1.8%
Job creation and labour	22 106	22 224	24 629	25 800	1.2%	5.3%
Economic regulation and infrastructure	131 483	146 140	161 456	171 551	7.8%	9.3%
Innovation, science and technology	20 737	20 203	20 123	20 486	1.0%	-0.4%
Peace and security	236 828	244 040	254 488	266 458	12.4%	4.0%
Defence and state security	53 506	53 507	55 428	57 906	2.7%	2.7%
Police services	117 094	125 007	131 230	137 108	6.4%	5.4%
Law courts and prisons	52 122	54 428	56 798	59 404	2.8%	4.5%
Home affairs	14 106	11 098	11 032	12 041	0.6%	-5.1%
General public services	76 926	74 670	77 489	79 303	3.7%	1.0%
Executive and legislative organs	18 532	17 041	17 379	17 573	0.8%	-1.8%
Public administration and fiscal affairs	49 681	49 146	51 266	52 464	2.5%	1.8%
External affairs	8 713	8 482	8 843	9 266	0.4%	2.1%
Payments for financial assets	3 499	2 616	1 966	1 826		
Allocated by function	1 912 717	1 981 813	2 049 133	2 143 064	100.0%	3.9%
Debt-service costs	356 141	382 183	414 664	440 240		7.3%
Contingency reserve	–	5 000	7 600	14 500		
Consolidated expenditure	2 268 857	2 368 996	2 471 396	2 597 804		4.6%

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

Source: National Treasury

In terms of economic classification, Table 5.4 shows that current payments constitute the largest share of the budget, driven mainly by compensation of employees, which makes up 31.9 per cent of total spending. Transfers and subsidies grow at an annual average rate of 2.5 per cent. Payments for capital assets are the fastest-growing item, growing at 10 per cent annually, mainly because of infrastructure allocations for transport and water projects.

CHAPTER 5
CONSOLIDATED SPENDING PLANS

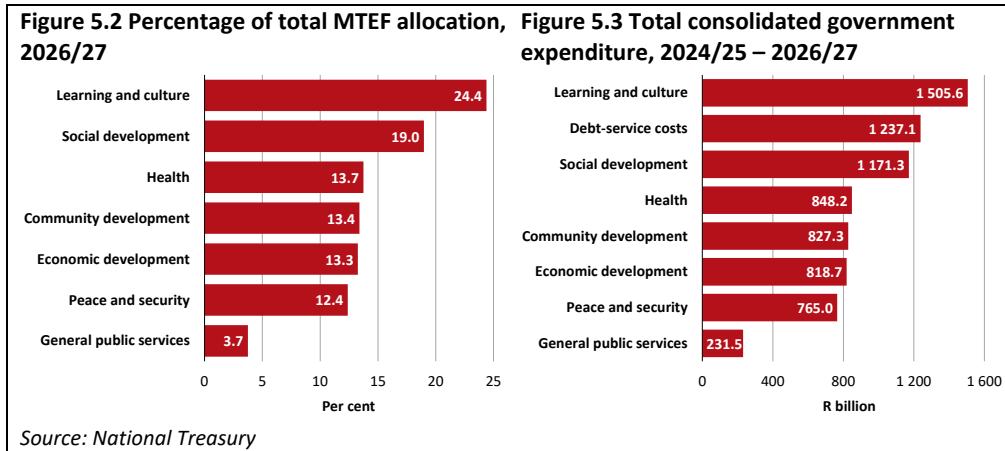
Table 5.4 Consolidated government expenditure by economic classification¹

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Economic classification						
Current payments	1 401 043	1 465 597	1 551 599	1 622 996	62.6%	5.0%
Compensation of employees	721 115	754 235	788 663	822 529	31.9%	4.5%
Goods and services	315 924	320 466	339 616	351 972	13.7%	3.7%
Interest and rent on land	364 004	390 897	423 320	448 495	17.0%	7.2%
<i>of which:</i>						
<i>Debt-service costs</i>	<i>356 141</i>	<i>382 183</i>	<i>414 664</i>	<i>440 240</i>	<i>16.7%</i>	<i>7.3%</i>
Transfers and subsidies	757 216	777 946	784 582	815 810	32.1%	2.5%
Municipalities	173 116	184 733	192 926	200 908	7.8%	5.1%
Departmental agencies and accounts	25 901	24 037	21 966	22 270	0.9%	-4.9%
Higher education institutions	51 641	54 982	55 733	58 256	2.3%	4.1%
Foreign governments and international organisations	3 354	3 152	3 293	3 462	0.1%	1.1%
Public corporations and private enterprises	41 004	39 268	38 323	40 785	1.6%	-0.2%
Non-profit institutions	42 666	40 037	41 102	42 655	1.7%	-0.0%
Households	419 536	431 738	431 239	447 475	17.7%	2.2%
Payments for capital assets	107 099	117 836	125 650	142 671	5.2%	10.0%
Buildings and other fixed structures	71 701	84 792	95 142	111 512	3.9%	15.9%
Machinery and equipment	31 272	28 818	27 396	27 891	1.1%	-3.7%
Other capital assets	4 126	4 227	3 111	3 267	0.1%	-7.5%
Payments for financial assets	3 499	2 616	1 966	1 826		
Total	2 268 857	2 363 996	2 463 796	2 583 304	100.0%	4.4%
Contingency reserve	–	5 000	7 600	14 500		
Consolidated expenditure	2 268 857	2 368 996	2 471 396	2 597 804		4.6%

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. Learning and culture receives 24.4 per cent (R1.51 trillion) of the total function budgets, while general public services receives the smallest share at 3.7 per cent (R231.5 billion).



Learning and culture

This function includes basic and post-school education and training, as well as arts, culture, sport and recreation. Compensation of employees in provincial education departments accounts for 50.3 per cent of total function group spending and 77 per cent of provincial education budgets. While R69.4 billion is added to this function for the carry-through costs of the 2023 public-service wage agreement over the medium term, there are baseline reductions of R49.8 billion in other areas. Improved efficiency in the procurement of learner-teacher support materials and in the management of the placement of educators will continue. Infrastructure projects will mainly focus on the provision of additional classrooms and maintenance. No reductions have been made to the *national school nutrition programme conditional grant*, given its importance in combating child hunger, or the *early childhood development conditional grant*, as not all qualifying learners are currently subsidised. More than 10 million learners receive a meal on each school day through the National School Nutrition Programme, while the early childhood development programme in provinces will subsidise just over 1 million children by 2026/27.

Spending in the post-school education and training sector grows by 2.5 per cent over the medium term. Student enrolment growth may be affected by reductions in subsidies to universities and the National Student Financial Aid Scheme over the MTEF period. Infrastructure spending will be brought in line with the ability to spend across the sector. The sector will focus on raising the quality of services provided by post-school education and training institutions, including improving the throughput rates at tertiary institutions. Spending in the sector education and training authorities and the National Skills Fund grows by 3.9 per cent over the medium term, allowing the institutions to improve the quality of their offerings.

The arts, culture, sport and recreation sector is set to receive R35.9 billion over the medium term to support school sports; preserve and promote cultural, heritage and linguistic diversity; and foster nation-building and social cohesion.



Table 5.5 Learning and culture expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Basic education	313 736	324 491	341 399	360 039	68.1%	4.7%
<i>of which:</i>						
Provincial compensation of employees	235 342	241 074	252 552	264 032	50.3%	3.9%
Workbooks and LTSM ¹	6 147	6 539	6 826	7 130	1.4%	5.1%
National school nutrition programme	9 279	9 798	10 314	10 786	2.1%	5.1%
Subsidies to schools ²	28 571	26 108	27 401	28 553	5.5%	-0.0%
School infrastructure ³	13 794	14 953	15 630	15 846	3.1%	4.7%
Early childhood development	9 638	10 540	11 224	11 735	2.2%	6.8%
<i>of which:</i>						
Early childhood development grant	1 184	1 589	1 946	2 035	0.4%	19.8%
Post-school education and training	142 790	143 976	146 169	153 719	29.5%	2.5%
<i>of which:</i>						
University subsidies	43 959	44 499	47 003	49 017	9.3%	3.7%
<i>of which:</i>						
Higher education institutions infrastructure	673	3 176	1 388	1 646	0.4%	34.8%
National Student Financial Aid Scheme ⁴	58 792	53 555	55 788	58 687	11.2%	-0.1%
Technical and vocational education and training	12 658	13 245	13 678	14 298	2.7%	4.1%
<i>of which:</i>						
Compensation of employees	7 922	8 422	8 848	9 354	1.8%	5.7%
TVET infrastructure	492	388	196	98	0.0%	-41.7%
Subsidies	4 245	4 436	4 634	4 847	0.9%	4.5%
Community education and training	2 678	3 065	3 257	3 243	0.6%	6.6%
<i>of which:</i>						
Compensation of employees	2 627	2 694	2 857	3 024	0.6%	4.8%
CET infrastructure	51	371	400	218	0.1%	62.4%
Skills development levy institutions ⁵	26 157	28 572	27 349	29 325	5.7%	3.9%
Arts culture, sport and recreation	11 838	12 102	11 689	12 061	2.4%	0.6%
Total	468 364	480 569	499 257	525 819		3.9%

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 backlogs 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

Social development



Over the MTEF period, R1.17 trillion is allocated for social grants and welfare services, and to strengthen advocacy for women, youth and people living with disabilities. Social grants constitute 81.8 per cent of spending in this function over the medium term.

Expenditure on social grants (excluding the *COVID-19 social relief of distress grant*) will increase from R217.1 billion in 2023/24 to R259.3 billion in 2026/27 to keep pace with inflation and increase access for the eligible population. The *COVID-19 social relief of distress grant* is allocated R33.6 billion in 2024/25. Provisional allocations for social protection are added to the fiscal framework in 2025/26 and 2026/27, pending a decision

on the continuity and funding sources of the grant beyond March 2025. Grant beneficiaries (excluding *COVID-19 social relief of distress grant* beneficiaries) are projected to increase from 18.8 million in 2023/24 to 19.7 million in 2026/27. The *child support grant* and *old age grant* make up 64.9 per cent of total grant expenditure over the MTEF period.

Table 5.6 Social development expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Social protection expenditure	283 377	298 308	316 840	331 497	100.0%	5.4%
<i>of which:</i>						
<i>Social grants</i>	250 967	266 210	248 408	259 788	81.8%	1.2%
<i>of which:</i>						
<i>Child support</i>	81 017	85 807	90 286	93 442	28.5%	4.9%
<i>Old age</i> ¹	98 600	107 016	115 682	121 424	36.4%	7.2%
<i>Disability</i>	27 155	29 233	31 090	33 038	9.9%	6.8%
<i>Foster care</i>	4 041	3 644	3 424	3 210	1.1%	-7.4%
<i>Care dependency</i>	4 097	4 400	4 735	5 086	1.5%	7.5%
<i>Grant-in-aid</i>	2 164	2 416	2 768	3 145	0.9%	13.3%
<i>Social relief of distress</i>	33 893	33 693	424	443	3.7%	
Provincial social development	21 817	21 961	22 788	23 755	7.2%	2.9%
Women, youth and persons with disabilities	1 007	1 008	785	822	0.3%	-6.6%
Social security funds	85 159	89 022	68 208	67 440	23.7%	-7.5%
Road Accident Fund	48 833	48 561	25 507	21 548	10.1%	-23.9%
Unemployment Insurance Fund	25 909	29 028	30 731	33 369	9.8%	8.8%
Compensation funds	10 417	11 432	11 970	12 522	3.8%	6.3%
Total	368 536	387 329	385 047	398 937	100.0%	2.7%
<i>Social grants as percentage of GDP</i>	3.6%	3.6%	3.1%	3.1%		
Social grant beneficiary numbers by grant type (thousands)						
Child support	13 285	13 450	13 628	13 814	60.7%	1.3%
Old age ¹	4 009	4 141	4 273	4 405	19.0%	3.2%
Disability	1 064	1 088	1 112	1 136	4.9%	2.2%
Foster care	238	218	201	185	0.9%	-8.1%
Care dependency	163	168	173	178	0.8%	2.8%
COVID-19 SRD	9 023	9 242			13.7%	-100.0%
Total	27 782	28 307	19 386	19 717	100.0%	-10.8%

1. Includes war veterans

Source: National Treasury

The *old age grant*, *war veterans grant*, *disability grant* and *care dependency grant* will all increase by R90 in April 2024 and another R10 in October 2024. The *foster care grant* will increase by R50 in April 2024, and the *child support grant* will rise by R20 in April 2024.

Table 5.7 Average monthly social grant values

Rand	2023/24	2024/25	Percentage increase
Old age	2 085	2 185	4.8%
Old age, over 75	2 105	2 205	4.8%
War veterans	2 105	2 205	4.8%
Disability	2 085	2 185	4.8%
Foster care	1 125	1 180	4.9%
Care dependency	2 085	2 185	4.8%
Child support	505	530	5.0%
Grant-in-aid	505	530	5.0%

Source: National Treasury

Over the medium term, the focus for women, youth and people with disabilities will be on raising awareness of programmes advocating for the rights of these groups, empowering them, supporting equal treatment and addressing gender-based violence.

Health



The health function is allocated R271.9 billion in 2024/25, rising to R295.2 billion by 2026/27, for the provision of and equitable access to healthcare services. Primary care will be a significant portion of this, with the largest provincial programme, District Health Services, budgeting about R120 billion in 2024/25, increasing to R129.6 billion in 2026/27. Additional allocations will be channelled through the provincial equitable share and conditional grants to help absorb the implications of the 2023 public-service wage agreement.

Additional allocations to provincial health departments mitigate the impact of baseline reductions on health service provision. However, the health budget is anticipated to grow more slowly than inflation over the MTEF period due to the R23.7 billion baseline reductions over the medium term. The function will prioritise greater efficiency, better management of commuted overtime and intensified promotion of preventative care. Spending reviews in the sector have led to some savings in vaccine and antiretroviral tenders. The health sector continues to recover from service disruptions due to the COVID-19 pandemic, particularly in antiretroviral treatment and tuberculosis screening and treatment.

The Department of Health and its provincial counterparts will prioritise building tertiary services like oncology through earmarked funds in the *national tertiary services grant* in provinces with inadequate services. This grant grows by 8.8 per cent in 2024/25 as funding is shifted into it from the oncology portion of the *national health insurance conditional grant*.

Table 5.8 Health expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Health expenditure	267 324	271 885	281 139	295 205	100.0%	3.4%
<i>of which:</i>						
<i>Central hospital services</i>	51 789	52 760	55 554	57 901	19.6%	3.8%
<i>Provincial hospital services</i>	43 857	47 545	49 220	51 357	17.5%	5.4%
<i>District health services</i>	119 450	120 043	123 900	129 625	44.0%	2.8%
<i>of which:</i>						
<i>HIV and TB</i>	22 935	24 724	24 843	25 983	8.9%	4.2%
<i>Emergency medical services</i>	9 769	10 075	10 411	10 748	3.7%	3.2%
<i>Facilities management and maintenance</i>	10 594	11 305	11 529	12 072	4.1%	4.4%
<i>Health science and training</i>	5 775	6 551	6 633	6 929	2.4%	6.3%
<i>National Health Laboratory Service</i>	13 812	11 287	11 557	12 559	4.2%	-3.1%
<i>National Department of Health¹</i>	5 807	6 127	6 518	6 311	2.2%	2.8%
Total	267 324	271 885	281 139	295 205	100.0%	3.4%
<i>of which:</i>						
<i>Compensation of employees</i>	171 058	174 581	181 442	188 992	64.3%	3.4%
<i>Goods and services</i>	78 071	76 852	78 634	84 435	28.3%	2.6%
<i>Transfers and subsidies</i>	6 336	5 870	6 070	6 324	2.2%	-0.1%
<i>Buildings and other fixed structures</i>	6 168	8 819	9 222	9 288	3.2%	14.6%
<i>Machinery and equipment</i>	5 583	5 737	5 747	6 137	2.1%	3.2%

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

Source: National Treasury

Community development

Over the medium term, spending in this function is expected to increase by an average of 4.5 per cent annually due to growth in the local government equitable share, which makes up about 40 per cent of the total function budget. This will cover the operational and maintenance costs of water, sanitation, electricity and solid waste removal for 11.5 million households. Baseline reductions of R35.9 billion over the medium term are mainly focused on transfers to the Passenger Rail Agency of South Africa, the *human settlements development grant*, the *informal settlements upgrading partnership grant* and the *integrated national electrification programme grant*.

The rail recovery programme of the Passenger Rail Agency of South Africa is continuing, with 27 corridors reopened by December 2023. This will increase the number of passengers on Metrorail from 15.6 million in 2022/23 to an estimated 48.6 million by 2026/27. Reforms are also expected to improve service provision at the municipal level, with the *urban settlements development grant* providing financing for water infrastructure services rehabilitation in 2024/25. The Department of Water and Sanitation is amending legislation to strengthen regulation of the water services sector.



Table 5.9 Community development expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Community development	251 461	265 310	274 869	287 099	100.0%	4.5%
<i>of which:</i>						
Human settlements	36 715	40 103	41 796	43 386	15.1%	5.7%
Public transport, including commuter rail	54 230	57 186	58 477	60 850	21.3%	3.9%
Local government equitable share	92 689	101 178	106 087	110 661	38.4%	6.1%
Municipal infrastructure grant	16 342	17 054	17 927	19 444	6.6%	6.0%
Regional and local water and sanitation services	15 003	15 260	14 945	13 781	5.3%	-2.8%
Electrification programmes	5 792	4 227	4 290	4 366	1.6%	-9.0%
Total	251 461	265 310	274 869	287 099	100.0%	4.5%
<i>of which:</i>						
Compensation of employees	18 106	18 537	18 901	19 668	6.9%	2.8%
Goods and services	18 135	16 782	17 393	18 142	6.3%	0.0%
Transfers and subsidies	192 036	204 483	211 918	220 461	77.0%	4.7%
Buildings and other fixed structures	11 903	12 588	14 464	16 088	5.2%	10.6%
Machinery and equipment	10 668	11 270	10 883	11 431	4.1%	2.3%

Source: National Treasury

Economic development



Spending within this function will grow at an average of 6.3 per cent, from R239.8 billion in 2023/24 to R288.4 billion in 2026/27, despite baseline reductions amounting to R48.2 billion over the medium term. Most of the funding is allocated to economic regulation and infrastructure, particularly water resources and bulk infrastructure.

The Department of Trade, Industry and Competition has reprioritised R964 million for the transition to electric vehicles, in line with the New Energy Vehicles White Paper approved by Cabinet in 2023, and R600 million for the global business services incentive for offshore business processing. Government has also allocated R16.4 billion for business incentives through the Department of Trade, Industry and Competition over the next three years.

The Department of Small Business Development plans to support 120 000 township and rural enterprises, focusing on enterprises owned by women, youth and other disadvantaged groups, with interventions such as grants and training. Government will also support resettled farmers through land redistribution and tenure reform programmes, which have been allocated R6 billion over the MTEF period.



The Department of Tourism will focus on supporting the recovery of the tourism sector and making it more sustainable and resilient. The Department of Forestry, Fisheries and the Environment is enhancing its producer responsibility policy framework and regulations to reduce the costs of recycling and of waste through increased recycling and implementing industry-led waste streams under section 18 of the National Environmental Management: Waste Act (2008). Government is supporting the manufacturing sector, small businesses and public employment programmes to boost economic growth and

employment. In 2024, an independent evaluation will be conducted on public employment programmes to address fragmentation and inform future funding decisions.

Table 5.10 Economic development expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Economic regulation and infrastructure	131 483	146 140	161 456	171 551	58.5%	9.3%
<i>of which:</i>						
<i>Water resource and bulk infrastructure</i>	33 700	42 131	47 334	51 730	17.2%	15.4%
<i>Road infrastructure</i>	72 010	77 661	89 990	90 947	31.6%	8.1%
<i>Environmental programmes</i>	10 383	10 290	10 330	10 781	3.8%	1.3%
Job creation and labour affairs	22 106	22 224	24 629	25 800	8.9%	5.3%
<i>of which:</i>						
<i>Employment programmes¹</i>	19 301	19 455	20 492	21 418	7.5%	3.5%
Industrialisation and exports	37 551	39 141	40 064	41 100	14.7%	3.1%
<i>of which:</i>						
<i>Economic development and incentive programmes</i>	21 343	20 213	20 492	21 117	7.6%	-0.4%
Innovation, science and technology	20 737	20 203	20 123	20 486	7.4%	-0.4%
Agriculture and rural development	27 902	27 685	28 605	29 479	10.5%	1.8%
<i>of which:</i>						
<i>Land reform</i>	1 154	1 113	1 180	1 230	0.4%	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	1.5%	4.5%
<i>Farmer support and development</i>	3 683	3 687	3 856	4 032	1.4%	3.1%
Total	239 779	255 394	274 877	288 416	100.0%	6.3%
<i>of which:</i>						
<i>Compensation of employees</i>	58 346	62 075	65 550	68 525	24.0%	5.5%
<i>Goods and services</i>	85 475	92 331	103 399	99 853	36.1%	5.3%
<i>Transfers and subsidies</i>	44 794	42 863	42 091	43 460	15.7%	-1.0%
<i>Buildings and other fixed structures</i>	36 290	43 293	49 901	63 365	19.1%	20.4%
<i>Machinery and equipment</i>	6 242	5 514	4 686	4 282	1.8%	-11.8%

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

Source: National Treasury

Peace and security

The peace and security function is allocated R765 billion over the medium term to combat crime and ensure territorial integrity. This total includes additional allocations of R39.4 billion to selected departments to cover the carry-through costs of the 2023/24 public-service wage increase. Of this, R22 billion is allocated to the Department of Police. To improve efficiency, the department will rationalise its organisational structure, align police districts with municipal districts, implement cost containment measures and improve operations. It is also fostering strategic partnerships with local communities to enhance safety.



Table 5.11 Peace and security expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Defence and state security	53 506	53 507	55 428	57 906	21.8%	2.7%
Police services	117 094	125 007	131 230	137 108	51.4%	5.4%
Law courts and prisons	52 122	54 428	56 798	59 404	22.3%	4.5%
Home affairs	14 106	11 098	11 032	12 041	21.6%	-5.1%
Total	236 828	244 040	254 488	266 458	100.0%	4.0%
<i>of which:</i>						
<i>Compensation of employees</i>	162 136	177 525	186 686	195 275	73.1%	6.4%
<i>Goods and services</i>	51 872	48 817	49 860	52 786	19.8%	0.6%
<i>Transfers and subsidies</i>	14 155	11 295	11 430	11 896	4.5%	-5.6%
<i>Buildings and other fixed structures</i>	2 584	2 137	1 990	2 125	0.8%	-6.3%
<i>Machinery and equipment</i>	5 763	4 158	4 384	4 237	1.7%	-9.7%

Source: National Treasury



The Department of Justice and Constitutional Development is allocated R627.8 million over the medium term to implement recommendations from the Financial Action Task Force and the State Capture Commission. For land rights representation, R156 million is shifted from the Department of Agriculture, Land Reform and Rural Development to Legal Aid South Africa. An amount of R16.5 million is reprioritised to the Office of the Legal Services Ombud to fulfil its mandate, which includes protecting public interest, investigating misconduct complaints and promoting the independence and integrity of the legal profession.

The Department of Defence will prioritise acquiring vehicles and technology to safeguard the country's borders. An amount of R1.9 billion is reallocated within the Department of Defence for day-to-day maintenance and emergency repairs. Measures are being implemented to reduce the pressure on employee compensation and sustain critical defence capabilities.

General public services

Spending in this function is expected to increase from R76.9 billion in 2023/24 to R79.3 billion in 2026/27, accounting for 3.7 per cent of total government expenditure, excluding debt-service costs. To partially offset the effect of baseline reductions of R16.2 billion over the medium term, the function group reprioritised R4.6 billion from goods and services. This funding will enhance information and communications technology, fund key policy initiatives such as the operational budget of the Presidency, meet international commitments such as government's membership fees to international organisations, and cover exchange rate fluctuations. The Department of Public Enterprises is focusing on reforming state-owned companies.

Table 5.12 General public services expenditure

R million	2023/24	2024/25	2025/26	2026/27	Percentage of total MTEF allocation	Average annual MTEF growth
	Revised estimate	Medium-term estimates				
Executive and legislative organs	18 532	17 041	17 379	17 573	22.5%	-1.8%
Public administration and fiscal affairs	49 681	49 146	51 266	52 464	66.0%	1.8%
External affairs	8 713	8 482	8 843	9 266	11.5%	2.1%
Total	76 926	74 670	77 489	79 303	100.0%	1.0%
<i>of which:</i>						
<i>Compensation of employees</i>	35 550	37 141	38 369	38 661	0.0%	2.8%
<i>Goods and services</i>	23 927	23 785	25 176	26 502	0.0%	3.5%
<i>Transfers and subsidies</i>	11 647	10 288	10 809	11 151	0.0%	-1.4%
<i>Buildings and other fixed structures</i>	3 459	2 138	2 002	1 693	0.0%	-21.2%
<i>Machinery and equipment</i>	1 278	660	559	638	0.0%	-20.7%

Source: National Treasury

CONCLUSION

Consolidated government spending is projected to grow from R2.37 trillion in 2024/25 to R2.6 trillion in 2026/27. Over the medium term, government aims to improve the way in which policy objectives are achieved by increasing efficiency and effectiveness in spending.

CHAPTER 5
CONSOLIDATED SPENDING PLANS

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