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Public spending priorities and budget policy

Government's spending plans for the period ahead aim to strengthen the quality and effectiveness of public services. The budget gives practical effect to policy commitments focused on growth and employment creation, broad-based development, income security and social cohesion. Improving education and health care, combating crime, investing in infrastructure and speeding up rural development and agrarian reform receive priority in the medium-term expenditure proposals.

Consolidated government expenditure of R839.8 billion is proposed for 2009/10, 14.2 per cent more than the revised estimate of expenditure for 2008/09. In total, about R170.8 billion is added over the medium-term expenditure framework (MTEF), including R58.7 billion for inflation-related adjustments to maintain the purchasing power of existing spending plans. Real increases in medium-term allocations are proposed for schools, hospitals, police, public transport, industrial support, housing, water services and rural development.

■ The budget policy framework

The budget policy framework proposed for the next three years provides for strong growth in public spending on infrastructure and services focused on meeting basic needs and promoting broad-based development. Major budget priorities over the MTEF include:

- Enhancing the quality of education
- Improving the provision of health care, particularly for the poor, to reduce infant, child and maternal mortality rates
- Reducing the levels of crime and enhancing citizen safety
- Expanding the built environment to improve public transportation and meet universal access targets in housing, water, electricity and sanitation

Strong spending growth promotes broad-based development

- Decreasing rural poverty by taking steps to raise rural incomes and improve livelihoods by extending access to land and support for emerging farmers.

Creating jobs and improving the capacity of the state are crucial to progress

In addition to these priorities, several cross-cutting themes will be reflected in the 2009 Budget. These include support for employment creation, initiatives to improve the capacity of the state and, over the longer term, steps to reduce carbon emissions and mitigate the effects of climate change. The budget framework also includes an unallocated contingency reserve that allows for future spending requirements to be accommodated within the agreed resource envelope.

Alongside departmental spending plans, infrastructure investment by Eskom and Transnet will increase strongly over the period ahead, and the lending activities of the Development Bank of Southern Africa and other development finance institutions will help to sustain the pace of investment spending. Funding of R60 billion to support Eskom's capital programme will be provided by the fiscus.

Core challenges for public expenditure

Increases in public expenditure have improved living conditions

Over the past decade increases in public expenditure have contributed to poverty reduction and improving the living conditions of South Africans, both through direct income support (social assistance grants) and investment in housing, electricity, water and social services. While the global financial crisis and resulting disturbance of trade and investment flows will unavoidably affect economic activity, the fiscal stance and public spending programmes are focused on long-term structural transformation and will continue to support both social development and broadening economic participation. Transfers to provinces and municipalities will increase to enable them to deliver better-quality services and to expand the provision of basic amenities. A key determinant of progress is the ability of national departments, provinces and municipalities to make more efficient use of public funds.

Government aims for more rapid progress in job creation, health and education

Progress since 1994 in key social and economic categories is well illustrated in *Development Indicators 2008*, published by the Presidency.¹ While both economic growth and government services have contributed to rising living standards across a broad range of indicators, high unemployment, shortcomings in the quality of health and education, and high rates of violent crime stand out as challenges.

This chapter summarises the broad trends in public expenditure proposed for the MTEF period. It reflects both the direct income support and service delivery responsibilities of government and the long-term objectives of improving education, skills and infrastructure to grow the economy. It sets out an appropriate balance between immediate objectives and investment for the future.

¹ Available at www.thepresidency.gov.za

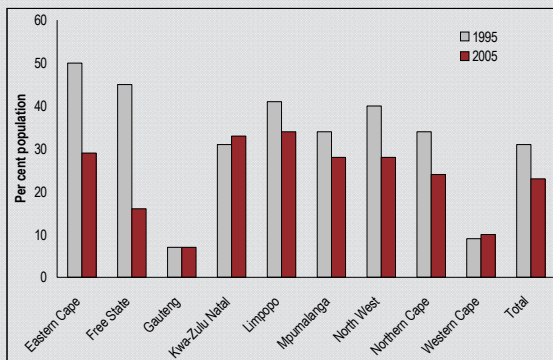
Measuring social and economic progress – South Africa’s *Development Indicators*

The *Development Indicators 2008* provides illustrative data on 76 areas of social and economic performance, including growth and transformation of the economy, household living conditions, health, education, social cohesion, safety and security, international relations and good governance. The publication contributes to monitoring progress in all these areas and in meeting the Millennium Development Goals (MDGs), to which South Africa is committed. The MDGs cover eight global challenges:

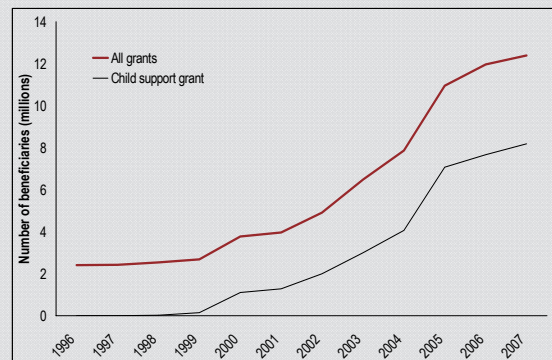
- Eradicating extreme poverty and hunger
- Universal primary education
- Gender equality and empowerment of women
- Reducing child mortality
- Improving maternal health
- Combating HIV and Aids and malaria
- Environmental sustainability
- Global partnership for development.

Trends in poverty reduction, social assistance to households, access to electricity and water, education performance, HIV prevalence and crime reduction are illustrated below.

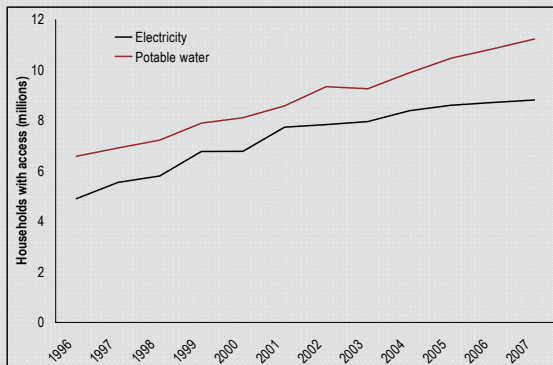
Percentage of households living on less than R250 per person per month (constant 2007 prices) 1996 – 2007



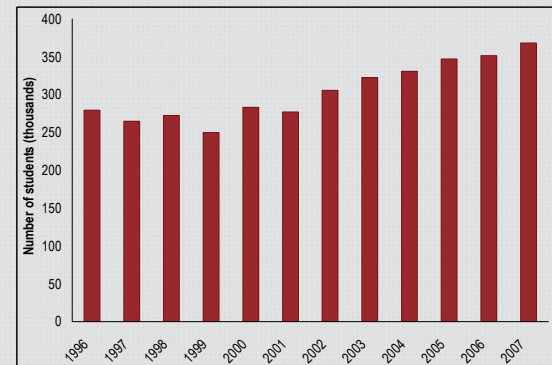
Social assistance grant beneficiaries, 1996 – 2007



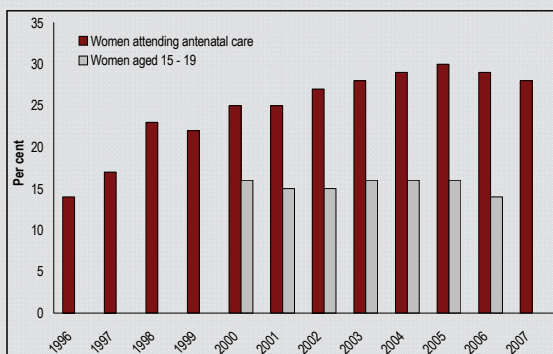
Household access to electricity and potable water, 1996 – 2007



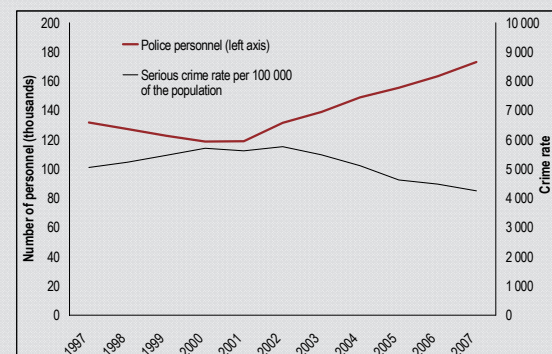
Senior certificate examination passes, 1996 – 2007



HIV prevalence, 1996 – 2007



Police personnel and crime rate, 1997 – 2007



Statistics for women aged 15 – 19 unavailable for 2007.

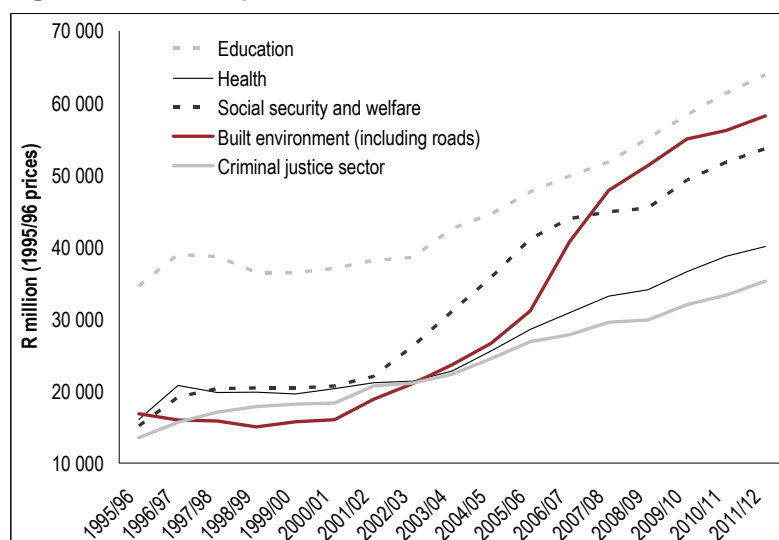
Key spending trends

Social security and welfare spending have increased rapidly

Growth in the main categories of public spending since 1995/96 and for the period ahead is illustrated in Figure 5.1. Following a period of consolidation in the 1990s, real government expenditure increased strongly after 2000/01. Social security and welfare spending has grown rapidly, though education remains the largest category of expenditure. Investment in housing, municipal infrastructure and other built environment programmes has expanded strongly and continues to be a key priority for the period ahead.

The 2009 Budget will maintain the infrastructure focus, targeting spending to alleviate backlogs in delivery of low-cost housing, water, sanitation, roads, public transport, electrification programmes, school buildings and health facilities.

Figure 5.1 Real expenditure trends, 1995/96 – 2011/12



Salary increases targeted to retain key skills in public sector

Government is also steadily improving its investment in human resource capacity. New public service training initiatives are under way, and remuneration scales for several categories of public service employees have been improved, with a view to reward competence and attract skills into government employment. The proposed framework for the 2009 Budget makes provision for further improvements in remuneration of medical doctors and other health professionals, as well as legal professionals, and for the expansion of engineering and technical capacity.

Government seeks ways to cut costs and improve efficiency

Improving the efficiency of government by redirecting spending to priority areas continues to receive emphasis. National departments have been required to identify savings on non-essential expenditure. This year the focus on cost-cutting measures was broadened to include underspending and underperforming areas where spending could be rescheduled or reduced. Total savings of about R1.9 billion were identified over the MTEF period, mainly associated with more cost-efficient administrative support services.

■ Revised expenditure estimates, 2008/09

The adjusted appropriation bill for 2008/09 proposes the following changes:

- Approved rollovers of R2.4 billion arising from unspent balances in 2007/08
- R7.7 billion to cover costs relating to higher-than-expected inflation, including for personnel and capital projects
- R2 billion for unforeseen and unavoidable expenditure associated with disasters such as adverse weather conditions, fires and animal diseases (R401 million is provided for the same purpose in 2009/10)
- R2.5 billion for the Political Office Bearers Pension Fund
- R107 million for the Kha Ri Gude mass literacy campaign
- R265 million for the school nutrition programme
- R1 billion for the occupation-specific dispensation for nurses
- R50 million for the introduction of new vaccines to combat infant and child mortality
- R1.4 billion for the 2010 FIFA World Cup stadium development grant and R600 million for high-speed internet access between the stadiums and Telkom's national network
- R2.5 billion for the Road Accident Fund
- R500 million of self-financed expenditure
- R180 million for electricity demand management and R20 million for retrofitting government buildings to improve energy efficiency.

Government will also contribute to Eskom's capital investment programme. The Eskom Subordinated Loan Special Appropriation Bill provides for a loan of R60 billion in tranches of R10 billion in 2008/09, R30 billion in 2009/10 and R20 billion in 2010/11.

*Government will loan
Eskom R60 billion*

Taking into account projected underspending, declared savings and the adjusted state debt cost estimate, the revised estimate of total expenditure from the National Revenue Fund in 2008/09 is R635.5 billion. In February 2008, expenditure of R611.1 billion was budgeted for 2008/09.

■ 2007/08 outcomes and 2008/09 mid-year estimates

Details of the 2007/08 expenditure outcomes and estimates for the first half of 2008/09 for national votes and provinces are set out in Annexure A. Expenditure on national votes (including transfers to provinces) amounted to R245.5 billion in 2007/08, out of a total adjusted appropriation of R246.9 billion. Provincial expenditure amounted to R205.8 billion, compared with an adjusted budget total of R205.2 billion.

Expenditure on national votes in the first six months of 2008/09 amounted to R301.4 billion, or 47.1 per cent of the adjusted appropriation for the year, and R40.2 billion more than the spending total for the equivalent period of 2007/08. Expenditure by provinces amounted to R127.9 billion in the first half of 2008/09.

*National departments spent
47.1 percent of allocations
in first half of current year*

Spending trends reflect progress in management of capital spending

Expenditure trends are broadly in line with expectations, and indicate steady progress in government's capacity to manage capital spending and procurement programmes, which have lagged behind allocations in several departments in previous years. Partly because of higher-than-anticipated inflation and salary adjustments this year, personnel spending by both national departments and provinces is higher than the main budget estimates, and will contribute to somewhat higher aggregate spending in the second half of the year.

The national adjustments budget is tabled alongside the *Medium Term Budget Policy Statement*, and revised provincial appropriations will be tabled in provincial legislatures before the end of the financial year.

■ Medium-term spending priorities

Improving the quality of education

Education allocations grow strongly over medium term

Education lies at the centre of South Africa's long-term growth and redistribution strategy, and government's commitment is indicated by the strong growth in allocations (provincial and national) as seen in Table 5.1, rising by an average annual growth rate of 10.4 per cent over the next three years.

The initial focus of this expenditure has been to improve access to educational opportunities. In 2007, South Africa had a gross enrolment ratio of 98 per cent for children of school-going age. To ensure that this trend continues, the percentage of children in no-fee schools will be increased from the current 40 per cent of learners to 60 per cent over the medium term.

Spending targets progress in science, engineering and technology

Higher education enrolment grew from 578 134 in 2000 to 741 380 in 2006. Funding for higher education rose from R6.6 billion in 1999 to R13.3 billion in 2007/08 and will receive further support over the medium term. An increasing proportion of higher education funding is channelled to science, engineering and technology. Graduates in these subjects increased from under 24 000 in 1999 to 35 000 in 2006.

In July this year, a new salary structure for teachers was introduced, providing greater career mobility and rewards for both performance and seniority. In addition, more teachers are to be employed to reduce learner:educator ratios in poor schools. To improve learner outcomes and teacher performance and development, government is establishing a unit to evaluate school and teacher performance, and to assess the credibility and reliability of testing and assessment in schools.

School infrastructure receives stepped-up funding

Government will also step up funding for school infrastructure to improve facilities and to enhance safety and security. Construction of libraries, sports fields, laboratories and grade R classrooms, as well as infrastructure for learners with special needs, will be prioritised. A new conditional grant supports the recapitalisation of technical high schools and the purchase of equipment needed to expand the country's skills base.

Mass literacy campaign

Some 4.7 million adults in South Africa cannot read. Government launched the Kha Ri Gude mass literacy campaign on 1 April 2008 to promote increased adult literacy. An allocation of R350 million was made available for the campaign in 2008/09, increasing to R480 million in 2009/10. The campaign set a target of reaching 300 000 illiterate adults with training for the adult basic education and training level 1 qualification for 2008/09. The enrolment target for 2008 has been exceeded by 60 000.

The programme aims to reach more than 1 million illiterate adults over the next three years. A full range of learning materials in the 11 official languages and Braille has been developed. Sign language is also used. Of the 29 000 facilitators who are part of this national initiative, 66 per cent are young people, most of whom were unemployed matriculants prior to joining the campaign. Facilitators are paid a monthly stipend of R1 200.

Transforming the quality of health care

Beginning in the mid-1990s, expanding and improving the primary health care system enjoyed priority in public health policy. Patient visits to clinics and community health centres increased from 80 million in 1998/99 to 104 million in 2007/08. Since 2000/01, revitalisation of hospitals has received increasing attention, and over the past three years the number of staff employed in the public health system has increased by about 30 000.

Public health service staff has increased by about 30 000 in past three years

Recent administrative data indicate that the rate of HIV infection is levelling off. Last year more than 200 000 people began antiretroviral treatment, bringing the total number participating in the Aids treatment programme to more than 500 000. To reduce mother-to-child transmission, the rollout of the improved dual-therapy drug regime will be accelerated.

Government is strengthening measures to tackle communicable diseases, particularly HIV and Aids and tuberculosis (TB). Drug-resistant forms of TB have emerged and require special efforts to identify patients and keep them on appropriate treatment programmes.

To reduce infant and child mortality, over the next three years government will introduce three new child vaccines: pneumococcal to prevent the most common type of pneumonia, rotavirus to prevent the most common type of diarrhoea and pentavalent, which incorporates five existing vaccines.

New vaccines to be rolled out to reduce infant and child mortality

Capacity constraints in the health sector have been exacerbated by a loss of skills. The occupation-specific dispensation for nurses is in place, and dispensations for doctors, pharmacists and other health professionals will be phased in over the next three years. A National Office of Standards Compliance and provincial inspectorates are being introduced to monitor service standards and improve accountability. Research on national health insurance and related reforms is under way.

Strengthening justice, crime prevention and security

The budget baseline for the Department of Safety and Security grows substantially over the medium term. This will enable an increase in the number of police officers to more than 200 000 by 2011, up from 131 730 in 1997/98. Since 2003, general crime levels have been on a downward trend, with the all-crimes rate falling by a total of

By 2011 South Africa will have more than 200 000 police officers

18.2 per cent. Yet reducing crime, particularly violent crime, remains a pressing challenge.

Restructuring for a modern, efficient and integrated criminal justice system

The criminal justice system has experienced coordination failures, poor management and ineffective systems. In partnership with communities and business, government aims to restructure the criminal justice process and establish a more modern, efficient and integrated system. Funding priorities include the rollout of the integrated electronic docket management system, a case management system, upgrading of network and associated infrastructure in all police stations and national fingerprint identification.

New prisons emphasise rehabilitation

The capacity of correctional facilities is being increased. Six new prisons that are more focused on rehabilitating offenders before release are expected to be completed over the next three years. Government will also focus on reducing the number of detainees awaiting trial.

Further increases in the number of policing personnel who specialise in crime prevention, detective work, crime intelligence and forensics will receive priority. Provision for additional expenditure will also be made to cover next year's elections.

Securing South Africa's borders

Government is taking steps to strengthen security at South Africa's borders and ports of entry, increasing patrol capacity and upgrading technology to prevent organised cross-border crime. These efforts are aligned with preparations for the 2010 FIFA World Cup.

The South African Revenue Service will establish a national centre to coordinate all border activities, including emergency response and integrated intelligence. Customs processing will monitor imports, exports, transit, excise and travellers across the region. The Department of Home Affairs will install a passenger information system and establish a port control unit. The passenger system will allow for new pre- and post-departure clearance processes and act as an early warning system.

Investing in the built environment

Public transport infrastructure spending remains a high priority

Investment in modern urban transport systems will gain impetus over the period ahead. The R25.6 billion Gautrain link between Johannesburg's OR Tambo Airport and Tshwane will be completed by the end of 2010. Construction of an improved Gauteng road network has begun. The taxi recapitalisation programme is under way and bus rapid transit networks are being developed for several major metropolitan commuter routes.

The coal haulage road network in Mpumalanga and regional roads in the Lephalale district, the site of one of Eskom's new large coal-fired power stations, will be supported from the national budget. The consolidation of passenger rail service institutions into the South African Rail Commuter Corporation is expected to be completed during 2008/09, and the corporation has increased its upgrading and maintenance programmes, bringing total rolling stock of coaches to 3 500, up from 3 060 in 2006.

Transnet to spend R80 billion, mostly for ports and rail infrastructure

Transnet is undertaking an R80 billion capital investment programme over the next five years, mainly focused on ports, port operations and the freight rail network.

Government has made progress in housing delivery and upgrading informal settlements, though there remain coordination challenges between provinces, which administer the housing grant, and municipalities, which are responsible for planning and bulk services (see Chapter 6). In several areas – notably electricity, water, sanitation and sewage treatment – the bulk infrastructure required to extend services to more households has come under pressure. The 2009 Budget will alleviate some of these shortages, with additional funding for electricity supply and bulk water infrastructure.

Building up South Africa's bulk water infrastructure

The *bulk infrastructure grant* receives R3.1 billion over the next three years. The programme, which began in 2007/08, focuses mainly on regional and district water storage and supply capacity.

Twelve projects valued in aggregate at R113.8 million are under construction across the nine provinces. These include extending existing bulk supply to Cofimvaba to serve new communities in Tsomo (Intsika Yethu) and Amahlathi; augmenting existing bulk supply to Maqassi Hills; a bulk pipeline from Kalkfontein Dam to Lemoenkloof and to Jagersfontein to serve communities in Kopanong; increasing water supply to Lydenburg (Thaba Chweu) to serve 500 stands; and a pipeline from an existing water treatment works to Mbekisburg Ext.2 (Nkomazi) to serve 5 000 stands.

Reservoirs are under construction at Mnafu, Isibanini in Umdoni, Zimele in Uthungulu, Nkadimeng-Sterkfontein and Kareeberg. These range in capacity from 300 kilolitres to 5 million litres. Various pump stations are also being built. Water treatment works and/or wastewater treatment works are scheduled for Jagersfontein (Kopanong) and Mthonjaneni (Uthungulu).

An additional 19 projects valued at R158.8 million are at design stage and 45 at feasibility stage.

Construction update: De Hoop Dam

At 89 metres, the De Hoop Dam wall will be among the five highest in the country. The dam is 20 per cent complete. The rate at which concrete is placed will increase significantly from October 2008. The dam will have a storage capacity of 330 billion litres and serve a population of 800 000 people as well as 23 mines in Limpopo. Funding for the bulk distribution system will partly be met from the fiscus, with the balance financed through 20-year loans to be recovered from mining and commercial users.

Rural development and agrarian reform

Sharp increases in world food prices have underlined the need to ensure food security – particularly the ability of the rural poor to obtain adequate and affordable nutrition. Support for emerging farmers will be stepped up over the years ahead, alongside investment in rural infrastructure and land reform programmes.

Stepped-up support for land redistribution and support for emerging farmers

Accelerated land redistribution over the next three years will be supported by improved alignment and coordination of programmes between responsible departments. Since 1994 the land reform programmes have delivered about 5 million hectares of agricultural land. In anticipation of an increased pace of land redistribution, the *comprehensive agricultural support programme*, which provides emerging farmers with infrastructure, information management, training, and technical and advisory services will receive further support. Increased investment in bulk water infrastructure and irrigation schemes will also strengthen rural development.

Employment creation and social security

The expanded public works programme has created more than 1 million short-term jobs over the past four years in infrastructure construction, environmental services, and social or community

services. Over the MTEF period, an additional R4.1 billion is proposed to support the second phase of this programme.

A new phase of the expanded public works programme

From 2009, the expanded public works programme will concentrate on three broad areas of work:

- Longer-term public sector employment, such as in home-based care and community health services, directly funded by departments and supported by targeted training and skills development.
- Project-based employment, including construction, rehabilitation and environmental programmes, supported through performance-based allocations to cover basic wages and to provide incentive for labour-intensive activities financed through provincial and municipal grant programmes.
- A new component of programmes funded or co-funded by government, but managed by non-state actors such as nonprofit organisations, religious and community-based organisations. The Department of Public Works and the Presidency will pilot community-based work programmes.

Estimated full-time equivalent employment on public works programmes, 2004/05 – 2007/08

	2004/05	2005/06	2006/07	2007/08
Economic	286	222	1 222	1 553
Environment and culture	15 944	23 882	26 658	23 075
Infrastructure	52 891	28 188	34 738	77 816
Social services	1 965	10 838	23 083	43 916
Total	71 086	63 130	85 701	146 360

South Africa's system of social grants has helped to reduce income poverty. Recent research confirms that access to schools and work opportunities also improves in households benefiting from social grants. Grant recipients grew from 2.4 million beneficiaries in 1996 to nearly 12.4 million in 2007, mainly due to the expansion of the child support grant.

October increases in grants help to protect buying power in face of food inflation

In 2008 this safety net was broadened with adjustments to the means test thresholds, the phased reduction of the qualifying age for men to receive the old age grant and raising the age limit for the child support grant to 15 years in January 2009. In October this year, the old age, war veterans, disability and child support grants will be increased by R20 a month to contribute to protecting their buying power in the face of higher food price inflation.

Industrial development

Four industrial sectors are identified for development programme support

Support is provided to targeted industrial development programmes. Government has identified four lead industrial sectors for support: capital/transport equipment and metals; automotive and components; chemicals, plastic fabrication and pharmaceuticals; and forestry, pulp and paper, and furniture. A revised motor industry development programme has been announced, aimed at expanding employment and output of motor vehicle assemblers and component suppliers. In addition to tax incentives for manufacturing (see Chapter 4), government will continue to expand its investment in export promotion and construction of industrial infrastructure.

A boost for enterprise development and small business countryside

Following a review of all major incentive programmes in 2007, government initiated the enterprise development programme to succeed the small and medium enterprise development programme. Employment creation in small business will be further supported through the creation of 15 more small business incubators

countrywide. Steady progress has been made in raising research and development expenditure, which reached 0.9 per cent of GDP in 2005, up from 0.6 per cent in 1997.

Mitigating global climate change

There is a clear need to reduce South Africa's contribution to climate change, not least because the African continent is likely to be worst affected by global warming. South Africa ranks among the 20 largest CO₂-emitting countries and has one of the highest rates of greenhouse gas emissions per unit of GDP.

South Africa needs to reduce its high level of carbon emissions

Efforts to reduce carbon emissions include improving energy efficiency, increasing public transport capacity, supporting renewable energy sources and improving the technologies used in power generation. In the 2008 Budget, an allocation was announced to subsidise the costs of investment in energy efficiency, which includes electricity demand-side management and renewable energy sources. Over the medium term government will scale up these programmes and support expansion of the renewable energy sector. Measures to reduce greenhouse gas emissions in public transport will be explored.

Administrative capacity and the 2010 FIFA World Cup

The turnaround programme in the Department of Home Affairs is beginning to change the way its services are delivered to the public. It now takes about 60 days to receive a first-time identity document, down from 127 days in June 2007. This has been made possible by improving the fingerprint verification system, upgrading the training of frontline staff and using a single courier service to deliver ID books. SMS verification services and the establishment of a new contact centre to handle queries have improved the client interface.

Home Affairs turnaround brings about quicker ID book delivery times

The South African Revenue Service (SARS) continues to make efficiency gains through its modernisation programme. During 2007 3.8 million individual tax returns were automatically assessed. This year taxpayers will receive pre-completed tax returns to make compliance easier. Continued progress of the modernisation programme will allow SARS to provide an integrated service for taxpayer queries, enabling easier compliance and faster processing.

The 2010 FIFA World Cup preparations remain on course, though costs have escalated beyond the initial budget. Government will provide funding to accommodate part of the cost overruns, with municipalities sharing this burden. FIFA and the 2010 Local Organising Committee concluded a 10-day inspection of the stadiums in early October and expressed satisfaction with the pace of construction to date. Support will also be provided for the migration to digital television to meet international broadcasting requirements.

FIFA is satisfied with the pace of 2010 stadium construction

Consolidated government expenditure

An economic and functional breakdown of consolidated government expenditure, including national and provincial government, the social security funds and public entities is provided in Tables 5.1 and 5.2 below.

Table 5.1 Consolidated government expenditure by type of service, 2007/08 – 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12	Average annual growth
	Outcome	Revised	Medium-term estimates			2008/09 – 2011/12
R billion						
Social services	308.5	357.6	403.6	448.0	485.7	10.7%
Education	104.0	123.4	137.6	152.3	165.9	10.4%
Health	68.5	78.6	88.8	98.5	106.7	10.7%
Welfare and social security	90.3	101.4	115.6	127.6	138.5	10.9%
Housing and community development	45.7	54.1	61.6	69.6	74.6	11.3%
Protection services	86.7	96.4	109.7	117.5	128.5	10.0%
Defence and intelligence	27.6	29.9	34.6	35.3	37.4	7.8%
Justice, police and prisons	59.0	66.6	75.1	82.2	91.1	11.0%
Economic services and infrastructure	143.8	179.8	214.9	214.1	212.7	5.8%
Water and related services	16.2	16.9	18.8	20.0	22.1	9.3%
Agriculture, forestry and fishing	14.1	15.1	15.2	16.7	18.1	6.1%
Transport and communication	55.2	73.3	78.8	83.1	89.8	7.0%
Other economic services	58.4	74.4	102.1	94.3	82.7	3.6%
Administration	34.5	43.9	50.6	51.8	57.0	9.1%
Total	573.5	677.6	778.8	831.4	883.9	9.3%
Interest	55.8	57.7	57.0	59.6	61.5	2.2%
Contingency reserve	–	–	4.0	12.0	20.0	
Consolidated expenditure	629.3	735.3	839.8	903.0	965.3	9.5%

Table 5.2 Consolidated government expenditure by economic classification, 2007/08 – 2011/12

	2007/08	2008/09	2009/10	2010/11	2011/12	Average annual growth
	Outcome	Revised	Medium-term estimates			2008/09– 2011/12
R billion						
Current payments	374.1	426.4	467.4	509.7	547.0	8.7%
Compensation of employees	200.7	232.0	255.8	277.9	299.6	8.9%
Goods and services	117.5	136.7	154.6	172.2	185.9	10.8%
Interest and rent on land	55.9	57.7	57.0	59.6	61.5	2.2%
<i>of which: State debt cost</i>	52.9	53.9	52.7	55.1	56.7	1.7%
Transfers and subsidies	212.8	251.0	304.7	312.9	318.5	8.3%
Municipalities	39.8	47.9	52.3	60.7	67.3	12.0%
Departmental agencies and accounts	28.7	31.4	38.6	33.6	34.7	3.4%
Universities and technikons	12.0	13.9	15.6	17.9	19.5	11.9%
Public corporations and private enterprises	22.3	32.2	55.5	43.1	25.8	-7.2%
Foreign governments and international organisations	1.2	1.2	1.4	1.4	1.5	7.6%
Non-profit institutions	12.6	16.1	17.6	19.4	20.7	8.8%
Households	96.3	108.2	123.8	136.8	149.0	11.3%
Payments for capital assets	42.4	58.0	63.7	68.3	79.8	11.3%
Buildings and other capital assets	27.0	44.3	46.5	49.9	58.1	9.5%
Machinery and equipment	15.4	13.7	17.1	18.5	21.7	16.6%
Total	629.3	735.3	835.8	891.0	945.3	8.7%
Contingency reserve	–	–	4.0	12.0	20.0	
Consolidated expenditure	629.3	735.3	839.8	903.0	965.3	9.5%