

# 4

## Medium-term expenditure framework and division of revenue

### ■ Budgeting for outcomes

The medium-term expenditure framework (MTEF) reflects public-service delivery commitments, informed by an agreed set of development and transformation goals. As outlined in Chapter 1, the central goals of government's development strategy are organised around 12 outcomes and elaborated in delivery agreements, with priority given to education, health, infrastructure development and job creation.

*Spending focuses on education, health, infrastructure and job creation*

The proposed framework for the 2011 Budget gives effect to these spending priorities, and reflects government's determination to achieve better value for money and improved performance in public-service delivery. Substantial additions to departmental baseline allocations are proposed, but growth in expenditure remains moderate, in line with the fiscal policy framework set out in Chapter 3. Initiatives to improve spending discipline, and to reorganise public administration to reduce management deficiencies, are central to the transformation challenge.

*Initiatives to improve spending discipline and management*

In making strategic choices over the medium term, government will focus on those outcomes with the greatest potential impact on economic growth and development:

- Enhancing the quality of basic education and skills development
- Improving the quality of health care and health infrastructure
- Investing in new infrastructure and proper maintenance of economic infrastructure networks
- Accelerating the creation of jobs.

*Additional support for agrarian reform, industrial development and the fight against crime*

Significant reforms are also envisaged in supporting the proposed growth path. Government plans to increase support for land and agrarian reform to reduce inequality, boost food production and provide assistance to newly settled farmers. The fight against crime will continue to be prioritised, as will the integration process within the criminal justice system. Support for industrial development gives effect to the revised industrial policy action plan. Housing delivery will be better coordinated and synchronised with the delivery of related community services.

### **Value for money in public expenditure**

Government's outcomes approach provides a framework for enhanced monitoring of service delivery, including guidelines for results-driven performance that form the basis of ministerial performance agreements and the related delivery agreements.

Improving performance is not only about better planning and prioritisation. Increasing capacity to deliver quality services also involves putting existing resources to work with greater efficiency. Progress on the outcomes should reflect, at a minimum, growth in the associated expenditure, with results evident in improved quality of frontline services.

*Wasteful and inefficient patterns of organisation and use of resources must be rooted out*

To achieve greater efficiency in public services over the MTEF, wasteful patterns of organisation and use of resources must be reversed:

- The balance between administrative and service delivery capacity is a specific focus of budgetary planning for the period ahead, especially in health and education departments, and in the protection services. Excessive or inefficient administrative capacity characterises too many departments and agencies.
- Funds set aside for training or skills development remain unspent in many departments. A new initiative is needed to ensure that effective training programmes are in place across the public service.
- During 2009/10, some R12.4 billion budgeted for capital projects was unspent. Government is adopting a new approach to budgeting and planning for major projects, together with dedicated technical support for underspending departments, agencies and municipalities.
- There has been a proliferation of quasi-independent agencies, regulatory bodies and special-purpose service delivery entities over the past decade. Non-departmental agencies and accounts will come under comprehensive scrutiny over the period ahead, with special focus on staff establishments, remuneration, governance and functional mandates.
- Procurement of goods and services and supply chain management, even when compliant with regulations, are frequently neither competitive nor transparent. Under the guidance of an interdepartmental team, strengthened capacity is in place to deal with wrongdoing. Improved rules and procedures to ensure transparency throughout the supply chain process will be phased in.
- Information technology systems and management of consulting services will be subject to additional scrutiny within the supply chain regulatory framework.

South Africa needs a culture of responsible stewardship of public resources geared towards obtaining better-quality frontline services for every rand spent.

### Revised spending baselines

Government's budget process is undergoing reform, shaped in part by the Money Bills Amendment Procedure and Related Matters Act (2009), which creates a procedure through which changes to appropriations may be considered in Parliament. A key step in this is the compilation by portfolio committees of "budget review and recommendation reports", which in turn require effective reporting by departments on their service delivery and expenditure performance. In support of improved planning and reporting, the National Treasury has issued a new *Framework for Strategic Plans and Annual Performance Plans*, applicable to national and provincial departments and public entities.

*Parliamentary budget review reports require effective departmental reporting*

In planning the 2011 MTEF, the National Treasury has extended the scope of expenditure reviews beyond departments to include agencies and accounts in the broader consolidated government category. These reviews have been organised by function across national, provincial and local government, facilitating more effective comparison of allocations with service-delivery trends, and focused assessment of both reprioritisation and spending proposals.

Revised baseline allocations have been prepared taking into account the carry-through costs of the 2010 salary improvements, higher costs of municipal rates and service charges, identified savings and reprioritisation proposals, and necessary adjustments to baseline spending estimates. The overall impact of these adjustments is an increase of R7.3 billion in 2010/11 and R67 billion over the next three years. The projected fiscal framework provides for further increases of R22.1 billion over the MTEF period, currently unallocated and set aside for policy priorities: education, health, infrastructure and job creation.

*Baselines are increased by R67 billion over the MTEF period*

Revisions to the 2010/11 appropriations and spending estimates are summarised below. The 2011 MTEF proposals provide for average growth in expenditure over the three-year framework of 8.5 per cent a year.

### ■ 2009/10 outcomes and 2010/11 mid-year estimates

Details of the 2009/10 expenditure outcomes and estimates for the first half of the current financial year for national votes and provinces are set out in Annexure A. Expenditure on national votes (including transfers to provinces) amounted to R747.2 billion in 2009/10, out of a total adjusted appropriation of R755.5 billion. Provincial expenditure amounted to R305.5 billion, compared with the 2009/10 adjusted budget total of R303.9 billion.

*Expenditure on national votes (including transfers to provinces) amounted to R747.2 billion in 2009/10*

Expenditure on national votes in the first six months of 2010/11 amounted to R394.4 billion or 48.3 per cent of the adjusted appropriation for the year, and R26.4 billion more than the spending total for the equivalent period of 2009/10. Expenditure by provinces amounted to R152.6 billion in the first half of 2010/11 or 46 per cent of the main appropriation for the

year, and R7.3 billion more than that of last year. The national adjusted budget is tabled alongside the *Medium Term Budget Policy Statement*. Revised provincial appropriations will be tabled in provincial legislatures before the end of the financial year. Major adjustments to expenditure are presented in the box below.

### Revised national expenditure estimates, 2010/11

The Adjustments Appropriation Bill and the Division of Revenue Amendment Bill deal with necessary amendments in the current financial year. The bills propose the following changes:

- R1.8 billion in rollovers arising from commitments related to unspent balances in 2009/10
- R2.3 billion to cover higher remuneration costs in national departments
- R320 million for occupation-specific dispensation salary adjustments in the Department of Justice and Constitutional Development, the National Prosecuting Authority and Legal Aid South Africa
- R363.4 million for unforeseeable and unavoidable expenditure associated with natural disasters and the outbreak of disease
- R100 million to scale up HIV and Aids prevention
- R200 million for the South African National Defence Force for activities during the 2010 World Cup
- R181.3 million for contractual penalties incurred by Denel Saab Aerostructures
- R396.3 million refunded to various departments for monies paid directly into the National Revenue Fund from department-specific activities.

### Revised provincial allocations

- R4.2 billion is added to the provincial equitable share, including R3.8 billion for higher salary and housing allowance costs
- R350 million to cover the cost of occupation-specific dispensation agreements in health
- R31.3 million to the *FET colleges grant* to cover the cost of the wage agreements
- R214.4 million to the *provincial infrastructure disaster relief grant* for repair of flood-damaged roads, and R50 million is added to the *drought relief grant* to provide feed to distressed farmers
- R769 million to the *devolution of property rate funds grant* to provinces
- Of the R100 million added for HIV and Aids prevention, R40 million goes to the *comprehensive HIV and Aids grant to provinces* to increase male circumcision services
- The Department of Human Settlements has shifted R15 million to the *human settlement development grant* for community outreach programmes.

### Revised local government allocations

- Of the R1.8 billion in rollovers, R391 million is added to the local government equitable share to allow the rollover of funds previously held back due to unspent conditional grants
- R92 million for drought relief to the Mossel Bay municipality
- R10 million to rollovers on the *water services operating subsidy grants*.

Taking into account projected underspending, savings declared by departments and the adjusted state debt cost estimate, the revised estimate of total expenditure in 2010/11 is R815.7 billion. In February 2010 at the tabling of the budget, provision was made for expenditure of R818.1 billion for 2010/11.

## ■ Medium-term spending estimates

*Baseline estimates reflect strong growth in allocations for transport, housing, water supply and policing*

Table 4.1 sets out the 2011 Budget consolidated expenditure framework, classified by function and economic category. These are revised baseline estimates that do not take account of policy-related spending proposals under consideration. The baseline estimates reflect current spending priorities: education, social protection, transport and health services take up the largest shares of planned expenditure, while strong growth is shown in housing, water supply, police services and law courts.

**Table 4.1 Consolidated government expenditure, 2009/10 – 2013/14**

|   | 2009/10      | 2010/11      | 2011/12               | 2012/13        | 2013/14        | Average annual growth 2010/11 – 2013/14 |
|---|--------------|--------------|-----------------------|----------------|----------------|---|
| R billion   | Outcome      | Revised      | Medium-term estimates |                |                |   |
| <b>Type of service</b>                              |              |              |                       |                |                |   |
| <b>General public services</b>                      | <b>43.2</b>  | <b>46.7</b>  | <b>48.0</b>           | <b>49.0</b>    | <b>52.9</b>    | <b>4.2%</b>                             |
| <b>Defence</b>                                      | <b>36.4</b>  | <b>35.7</b>  | <b>40.6</b>           | <b>43.6</b>    | <b>46.2</b>    | <b>8.9%</b>                             |
| <b>Public order and safety</b>                      | <b>77.9</b>  | <b>86.8</b>  | <b>94.2</b>           | <b>101.6</b>   | <b>108.2</b>   | <b>7.6%</b>                             |
| Police services                                     | 51.5         | 57.4         | 62.6                  | 66.8           | 71.3           | 7.5%                                    |
| Law courts  | 12.0         | 13.3         | 14.3                  | 16.0           | 17.0           | 8.4%                                    |
| Prisons   | 14.4         | 16.1         | 17.3                  | 18.8           | 19.9           | 7.4%                                    |
| <b>Economic affairs</b>                             | <b>122.1</b> | <b>128.4</b> | <b>132.1</b>          | <b>137.7</b>   | <b>146.3</b>   | <b>4.4%</b>                             |
| General economic, commercial and labour affairs     | 15.6         | 15.4         | 16.6                  | 16.4           | 17.3           | 4.0%                                    |
| Agriculture, forestry, fishing and hunting          | 15.2         | 16.8         | 18.0                  | 19.1           | 20.2           | 6.3%                                    |
| Fuel and energy                                     | 8.3          | 8.8          | 9.3                   | 9.5            | 10.1           | 4.9%                                    |
| Transport   | 64.0         | 68.1         | 67.5                  | 71.2           | 75.8           | 3.6%                                    |
| Economic affairs not elsewhere classified           | 19.0         | 19.3         | 20.7                  | 21.5           | 22.8           | 5.6%                                    |
| <b>Environmental protection</b>                     | <b>4.9</b>   | <b>5.7</b>   | <b>6.2</b>            | <b>6.8</b>     | <b>6.6</b>     | <b>5.0%</b>                             |
| <b>Housing and community amenities</b>              | <b>82.9</b>  | <b>97.4</b>  | <b>110.1</b>          | <b>120.0</b>   | <b>127.8</b>   | <b>9.5%</b>                             |
| Housing and community development                   | 56.1         | 68.6         | 77.5                  | 83.5           | 89.3           | 9.2%                                    |
| Water supply  | 26.8         | 28.8         | 32.7                  | 36.5           | 38.5           | 10.2%                                   |
| <b>Health</b>                                       | <b>91.4</b>  | <b>101.9</b> | <b>111.4</b>          | <b>119.0</b>   | <b>127.1</b>   | <b>7.6%</b>                             |
| <b>Recreation and culture</b>                       | <b>7.7</b>   | <b>6.4</b>   | <b>6.0</b>            | <b>6.4</b>     | <b>6.7</b>     | <b>1.6%</b>                             |
| <b>Education</b>                                    | <b>156.1</b> | <b>173.2</b> | <b>190.7</b>          | <b>201.7</b>   | <b>215.8</b>   | <b>7.6%</b>                             |
| <b>Social protection</b>                            | <b>122.9</b> | <b>134.2</b> | <b>148.4</b>          | <b>161.7</b>   | <b>174.2</b>   | <b>9.1%</b>                             |
| <b>Allocated expenditure</b>                        | <b>745.4</b> | <b>816.5</b> | <b>887.8</b>          | <b>947.3</b>   | <b>1 011.7</b> | <b>7.4%</b>                             |
| State debt cost                                     | 57.1         | 67.6         | 78.9                  | 93.1           | 107.5          | 16.7%                                   |
| Eskom loan  | 30.0         | 20.0         | –                     | –              | –              |   |
| Contingency and policy reserve                      | –            | –            | 10.4                  | 18.7           | 35.0           |   |
| <b>Consolidated expenditure<sup>1</sup></b>         | <b>832.5</b> | <b>904.1</b> | <b>977.2</b>          | <b>1 059.1</b> | <b>1 154.2</b> | <b>8.5%</b>                             |
| <b>Economic classification</b>                      |              |              |                       |                |                |   |
| <b>Current payments</b>                             | <b>474.7</b> | <b>529.1</b> | <b>581.0</b>          | <b>629.1</b>   | <b>676.4</b>   | <b>8.5%</b>                             |
| Compensation of employees                           | 271.9        | 305.6        | 328.9                 | 346.9          | 367.2          | 6.3%                                    |
| Goods and services                                  | 140.2        | 149.5        | 165.7                 | 180.5          | 192.6          | 8.8%                                    |
| Interest and rent on land                           | 62.6         | 74.0         | 86.4                  | 101.7          | 116.6          | 16.4%                                   |
| <i>of which: state debt cost</i>                    | <i>57.1</i>  | <i>67.6</i>  | <i>78.9</i>           | <i>93.1</i>    | <i>107.5</i>   | <i>16.7%</i>                            |
| <b>Transfers and subsidies</b>                      | <b>266.4</b> | <b>283.0</b> | <b>317.0</b>          | <b>342.2</b>   | <b>367.3</b>   | <b>9.1%</b>                             |
| Municipalities                                      | 54.1         | 63.7         | 71.5                  | 78.5           | 83.8           | 9.5%                                    |
| Departmental agencies and accounts                  | 24.5         | 16.7         | 22.3                  | 22.2           | 24.5           | 13.7%                                   |
| Universities and technikons                         | 15.6         | 17.8         | 19.6                  | 21.0           | 22.1           | 7.5%                                    |
| Foreign governments and international organisations | 2.0          | 1.8          | 2.2                   | 2.2            | 2.5            | 11.6%                                   |
| Public corporations and private enterprises         | 24.3         | 23.1         | 23.5                  | 25.2           | 26.7           | 4.9%                                    |
| Nonprofit institutions                              | 18.5         | 20.0         | 21.9                  | 23.2           | 24.5           | 7.0%                                    |
| Households  | 127.4        | 139.9        | 156.0                 | 169.9          | 183.2          | 9.4%                                    |
| <b>Payments for capital assets</b>                  | <b>59.7</b>  | <b>70.8</b>  | <b>68.0</b>           | <b>69.0</b>    | <b>75.4</b>    | <b>2.1%</b>                             |
| Buildings and other capital assets                  | 45.5         | 54.6         | 52.4                  | 53.3           | 59.2           | 2.7%                                    |
| Machinery and equipment                             | 67.7         | 69.1         | 88.0                  | 100.9          | 107.7          | 15.9%                                   |
| <b>Payments for financial assets</b>                | <b>31.7</b>  | <b>21.2</b>  | <b>0.8</b>            | <b>0.0</b>     | <b>0.0</b>     |   |
| <b>Total</b>  | <b>832.5</b> | <b>904.1</b> | <b>966.8</b>          | <b>1 040.4</b> | <b>1 119.2</b> | <b>7.4%</b>                             |
| Contingency and policy reserve                      | –            | –            | 10.4                  | 18.7           | 35.0           |   |
| <b>Consolidated expenditure<sup>1</sup></b>         | <b>832.5</b> | <b>904.1</b> | <b>977.2</b>          | <b>1 059.1</b> | <b>1 154.2</b> | <b>8.5%</b>                             |

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

The consolidated framework makes provision for an unallocated contingency reserve, including R22.1 billion over the MTEF period as a policy reserve. Education and health care are likely to receive additional support as spending plans are finalised. Government also proposes to give specific consideration to job creation for young people seeking work. An administrative capacity will be established to consider proposals for innovative youth employment projects submitted outside of the normal annual budget cycle, and to respond promptly to sound business plans.

### **Education and skills development**

*University and further education enrolment need to be increased*

The challenges facing the education system include substantial backlogs in buildings and facilities, an insufficient number of fully qualified teachers, poor school management and high absenteeism among students. University and further education enrolment need to be expanded given that available skills training programmes do not meet the economy's needs.

National assessments in literacy and numeracy for all grade 3 and 6 learners will be conducted as part of a long-term exercise to benchmark and raise educational levels. Learner workbooks and teacher lesson plans for literacy and numeracy for grades R to 6 will also be provided, and at the beginning of the 2011 academic year some 6.6 million learners and 125 000 teachers will be equipped with new learning and teaching materials.

#### **National employment initiative: youth jobs funding**

Young South Africans face long delays and considerable difficulties in finding work. Half of all 18-24 year-olds are unemployed, and the probability of a young work-seeker without a tertiary qualification finding a job within a year is just 25 per cent.

Expanded further education and training capacity is required, and will be prioritised over the period ahead. Potential for job creation in both the public and private sectors needs to be tapped. To encourage youth employment in the business and non-governmental sector, an incentive operating through the tax system was proposed in the 2010 Budget. This would complement direct employment initiatives supported through the expanded public works programme.

To encourage innovative proposals and to make rapid progress in meeting this challenge, government will establish capacity to assess proposals for youth employment projects. Funds will be set aside for such projects over the MTEF period, to be appropriated either in the main budget or subsequent adjustments. Projects will be favoured that provide young people with work experience in public service or community development, on-the-job and vocational training, and job-search assistance.

The emphasis will be on piloting job creation projects, with monitoring and evaluation to determine effectiveness. Projects that demonstrate potential for significant cost-effective job creation will receive support to be taken to scale and implemented nationally. Efficacy of service delivery and sustainable, cost-effective job creation will serve as allocation criteria. The preliminary budget framework sets aside R1 billion for these projects in 2011/12, R2 billion in 2012/13 and R3 billion in 2013/14, as part of the unallocated policy reserve.

**Table 4.2 Education expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13      | 2013/14      | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|--------------|--------------|--------------------|
| National departments                       | 20.6               | 27.6                             | 30.9         | 35.3         | 93.7               |
| Provincial departments                     | 139.9              | 150.1                            | 157.3        | 166.2        | 473.6              |
| Public entities <sup>1</sup>               | 12.7               | 13.1                             | 13.5         | 14.3         | 40.9               |
| <b>Total</b>                               | <b>173.2</b>       | <b>190.7</b>                     | <b>201.7</b> | <b>215.8</b> | <b>608.2</b>       |
| <i>of which: compensation of employees</i> | <i>108.0</i>       | <i>120.7</i>                     | <i>126.2</i> | <i>133.5</i> | <i>380.3</i>       |

1. Includes sector education training authorities, National Skills Fund and National Student Financial Aid Scheme.

Funding has been set aside over the MTEF for provinces to reduce the backlog in school infrastructure by replacing informal and unsafe school buildings. Not including additional allocations, there is already R40 billion in the baseline for education infrastructure. Reforms to provincial education infrastructure grant funding are being considered that will build on the lessons learnt during the 2010 World Cup and lead to accelerated delivery of infrastructure. A partnership with the Development Bank of Southern Africa is proposed to support education infrastructure investment.

*Funding for provinces to replace informal and unsafe school buildings*

Over the next three years, R5.4 billion is provided for provinces to implement the occupation-specific dispensation agreements in education. Further education colleges also receive additional funds and an expanded bursary scheme is supported. Work is in progress to channel skills development funding to targeted further education programmes.

The number of fully qualified teachers will increase over the medium term, supported through the Funza Lushaka bursary programme.

### Health services

The health sector delivery agreement aims to reduce infant and maternal mortality, improve child mortality to 30-40 per 1 000 births over the medium term, and make further progress in preventing and controlling HIV and Aids. Expenditure over the period will target improving monitoring of women and infants after childbirth, upgrading support and training of paediatric and maternal health workers in district hospitals, increasing coverage of new child vaccines and enhancing the programme to prevent mother-to-child transmission of HIV.

*Focus on improving infant, maternal and child mortality*

Data from the Department of Health's 2009 antenatal survey shows that the rate of HIV infection is levelling off. HIV prevention and treatment programmes are expanding rapidly and will continue to be prioritised. The antiretroviral programme is adding more than 300 000 people to treatment each year, and this is likely to rise to 400 000 new entrants a year over the medium term.

Provincial health departments are undertaking remedial measures to improve financial management and stabilise their finances. To retain critical and skilled health staff, occupation-specific dispensations for 40 health therapeutic groups have been agreed, including physiotherapists, occupational therapists and psychologists. Government has also prioritised funds to fill important posts, including medical registrars in obstetrics and paediatrics, and to recapitalise nursing colleges.

*Remedial measures target improved financial management in provincial health departments*

**Table 4.3 Health expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13<br>Medium-term estimates | 2013/14<br>Medium-term estimates | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|
| National departments                       | 1.7                | 1.8                              | 1.9                              | 2.0                              | 5.7                |
| Provincial departments                     | 96.3               | 105.4                            | 112.8                            | 120.5                            | 338.8              |
| Public entities                            | 3.9                | 4.1                              | 4.3                              | 4.6                              | 13.0               |
| <b>Total</b>                               | <b>101.9</b>       | <b>111.4</b>                     | <b>119.0</b>                     | <b>127.1</b>                     | <b>357.5</b>       |
| <i>of which: compensation of employees</i> | <i>54.7</i>        | <i>59.9</i>                      | <i>63.0</i>                      | <i>66.6</i>                      | <i>189.5</i>       |

Over the MTEF period, R7.3 billion is added to the provincial equitable share to address priority issues in health and R1.5 billion is added to the comprehensive HIV and Aids programme to meet increased demand for related services.

### National health insurance

As part of broader reforms to the public health system, a joint ministerial committee, supported by research and advisory teams, is examining fiscal and financial aspects of national health insurance (NHI) proposals.

Public health funding stands at about 3.8 per cent of GDP and about 11.5 per cent of government expenditure. In view of South Africa's rising disease burden these ratios are likely to increase somewhat, and arrangements for bringing private-sector capacity into a common health funding framework are being explored.

In preparation for NHI reforms several preparatory steps are proposed. Changes have been made to the equitable share formula, making provision for a more specific and detailed health component with subcomponents for primary health care and hospitals. Amendments to improve the fairness of the tax treatment of medical scheme contributions will be introduced. Consideration is being given to ways of piloting improved family health care as part of an enhanced primary care system, including district-based contracts with independent general practitioners.

Options need to be explored for aligning procurement of medicines to optimise economies of scale from bulk purchases. There is potential for private hospital participation in training doctors and nurses in conjunction with academic institutions, and for bringing private-sector management capacity into public health delivery.

### Social protection

*More than 13.8 million  
South Africans now receive  
some form of social grant*

Social assistance and welfare services are effective redistributive and poverty reduction measures, and have expanded considerably over the past decade. The number of social grant beneficiaries has more than tripled since 2002/03, reaching over 13.8 million in 2010/11, including child support grants.

South Africa has a relatively advanced social security system – both in terms of coverage against contingencies and levels of expenditure. However, there are challenges in delivering social protection, including poor service, fraud, high transaction costs to pay grants and long waiting periods before a beneficiary receives a grant. Over the longer term, direct income support needs to be complemented by rising employment and a broader tax base.



**Table 4.4 Social protection expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13      | 2013/14      | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|--------------|--------------|--------------------|
| National departments                       | 92.7               | 101.9                            | 111.5        | 119.1        | 332.6              |
| Provincial departments                     | 10.3               | 11.5                             | 12.2         | 13.0         | 36.7               |
| Public entities <sup>1</sup>               | 31.2               | 35.0                             | 37.9         | 42.1         | 115.0              |
| <b>Total</b>                               | <b>134.2</b>       | <b>148.4</b>                     | <b>161.7</b> | <b>174.2</b> | <b>484.3</b>       |
| <i>of which: compensation of employees</i> | 7.5                | 8.1                              | 8.6          | 9.0          | 25.7               |

1. Includes Road Accident Fund, Unemployment Insurance Fund, Compensation Funds and South African Social Security Agency.

Improved administration is central to government's social insurance reform proposals. A committee of inquiry is investigating more cost-effective beneficiary payment options for the South African Social Security Agency. A new application process will be designed to reduce waiting times and upgrade customer service. Government's task team on social security and retirement reform is considering the scope for consolidation of administration and systems across the various social security arrangements.

*Administration and systems of various social security arrangements may be consolidated*

### Recreation and culture

Arts and recreation play important roles in building social cohesion. Key challenges in this sector include the need to restore good corporate governance at the South African Broadcasting Corporation (SABC); establishing clearer differentiation of roles between national and provincial functions within the arts, culture and sports sectors; and developing the South African film industry.

*Good corporate governance needs to be restored at the SABC*

**Table 4.5 Recreation and culture expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13    | 2013/14    | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|------------|------------|--------------------|
| National departments                       | 1.5                | 1.5                              | 1.6        | 1.7        | 4.7                |
| Transfers to municipalities                | 0.5                | –                                | –          | –          | –                  |
| Provincial departments                     | 3.3                | 3.5                              | 3.7        | 3.9        | 11.0               |
| Public entities                            | 1.1                | 1.1                              | 1.1        | 1.2        | 3.4                |
| <b>Total</b>                               | <b>6.4</b>         | <b>6.0</b>                       | <b>6.4</b> | <b>6.7</b> | <b>19.1</b>        |
| <i>of which: compensation of employees</i> | 2.0                | 2.2                              | 2.3        | 2.4        | 6.8                |

Government proposes to provide additional support to the National Film and Video Foundation to strengthen the South African film industry. These allocations will help to upgrade skills and increase local employment. Savings within the Department of Arts and Culture are reprioritised for this purpose. Over the MTEF, additional funding is also proposed for the development and support of sports federations.

Government is assisting both Sentech and the SABC with the migration of broadcasting services from an analogue to a digital platform. Once this process is completed, it will be possible to provide a greater range of broadcasting services to South African viewers and listeners.

## Public order and safety

*Excessive administrative costs must be reduced and reprioritised to support frontline services*

Despite recent progress in reducing overall crime rates, the incidence of crime remains unacceptably high. Major challenges include the high proportion of violent crime, court case backlogs, prison overcrowding and a high rate of recidivism. Administrative costs within this function exceed 30 per cent of total budgeted expenditure, indicating scope for channelling a greater share of resources to core functions.

**Table 4.6 Public order and safety expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13      | 2013/14      | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|--------------|--------------|--------------------|
| National departments                       | 83.3               | 90.4                             | 97.6         | 103.9        | 291.9              |
| <i>Police services</i>                     | 53.8               | 58.8                             | 62.8         | 67.0         | 188.6              |
| <i>Law courts</i>                          | 13.3               | 14.3                             | 16.0         | 17.0         | 47.2               |
| <i>Prisons</i>                             | 16.1               | 17.3                             | 18.8         | 19.9         | 56.1               |
| Provincial departments                     | 2.1                | 2.3                              | 2.4          | 2.6          | 7.3                |
| Public entities <sup>1</sup>               | 1.4                | 1.5                              | 1.6          | 1.6          | 4.7                |
| <b>Total</b>                               | <b>86.8</b>        | <b>94.2</b>                      | <b>101.6</b> | <b>108.2</b> | <b>303.9</b>       |
| <i>of which: compensation of employees</i> | 58.3               | 62.6                             | 66.3         | 70.7         | 199.6              |

1. Includes Legal Aid Board, Special Investigating Unit and Office of the Public Protector.

Additional funding over the MTEF period will expand detective services, crime intelligence and crime prevention, especially at the local station level. Police numbers will increase from 200 660 in 2012/13 to 203 025 by 2014/15. Tactical response teams will be established in each of the provinces over the next three years to conduct medium-risk policing operations and make use of available intelligence to prevent crime.

The capacity of the Special Investigating Unit to fight corruption will be boosted by increasing its investigative capacity to over 650 by 2013/14.

*Growing allocations support investment in court infrastructure*

Access to justice remains a priority, reflected in rising allocations for court infrastructure, particularly in townships and rural areas. Modernisation of the criminal justice sector IT system, including seamless tracking of persons and cases, and efficient record-keeping, is critical for its effective functioning and integration.

## Defence

An increased role for the South African National Defence Force (SANDF) in safeguarding the country's borders and preventing illegal immigration has been agreed, and will take effect over the next three years. Additional funds to cover the attendant costs have been proposed.

SANDF troops are also serving in peace-support operations in the Democratic Republic of Congo, Sudan and Central African Republic.

*A need to shift the balance from regular force members to reserves over the medium term*

Challenges over the medium term include aligning the SANDF with the Defence Review 1998, which calls for a reduction in the number of regular force members and an increase in reserve forces, to bring about a more affordable peacetime defence force.

**Table 4.7 Defence expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13<br>Medium-term estimates | 2013/14<br>Medium-term estimates | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|
| National departments                       | 33.8               | 38.7                             | 41.6                             | 44.1                             | 124.4              |
| Public entities <sup>1</sup>               | 1.9                | 1.9                              | 2.0                              | 2.1                              | 5.9                |
| <b>Total</b>                               | <b>35.7</b>        | <b>40.6</b>                      | <b>43.6</b>                      | <b>46.2</b>                      | <b>130.3</b>       |
| <i>of which: compensation of employees</i> | <i>16.9</i>        | <i>16.6</i>                      | <i>17.7</i>                      | <i>18.9</i>                      | <i>53.2</i>        |

1. Includes Armaments Corporation of South Africa Limited.

The Department of Defence has reprioritised R2.7 billion from slow-performing projects to its key programmes, including the new SANDF salary grading system. Delays in completion of strategic arms procurement contracts account for savings of more than R1 billion declared in 2010/11, with corresponding increases in procurement expenditure over the period ahead.

### Transport

Investment in transport infrastructure and public transport services has increased by more than 20 per cent a year since 2007/08, partly to provide improvements ahead of the World Cup in 2010. Improved public transport and better maintenance of infrastructure will remain priorities for the period ahead, particularly in cities and metropolitan areas where transport modernisation can contribute significantly to a better life for workers, lower transport costs and a more productive economy.

*Government will continue to improve urban public transport and infrastructure*

**Table 4.8 Transport expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13<br>Medium-term estimates | 2013/14<br>Medium-term estimates | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|
| National departments                       | 5.1                | 5.8                              | 5.9                              | 6.8                              | 18.5               |
| Transfers to municipalities                | 1.3                | 1.5                              | 1.9                              | 2.0                              | 5.4                |
| Provincial departments                     | 26.9               | 28.5                             | 30.2                             | 32.1                             | 90.8               |
| Public entities <sup>1</sup>               | 34.8               | 31.7                             | 33.1                             | 35.0                             | 99.8               |
| <b>Total</b>                               | <b>68.1</b>        | <b>67.5</b>                      | <b>71.2</b>                      | <b>75.8</b>                      | <b>214.5</b>       |
| <i>of which: compensation of employees</i> | <i>7.5</i>         | <i>8.1</i>                       | <i>8.6</i>                       | <i>9.1</i>                       | <i>25.8</i>        |

1. Includes Passenger Rail Agency of South Africa and South African National Roads Agency Limited.

In addition to the expenditure envelope covered by the consolidated government estimates, investments by Transnet in ports, rail infrastructure and a new liquid fuels pipeline are in progress, supported in part by state guarantees or co-funding. Investment by the Airports Company of South Africa in refurbishing airports also falls outside the consolidated government accounts.

Over the medium term, government plans to introduce a new rail transport policy, establish a rail transport economic regulator and make additional investment in passenger rail rolling stock. Improved integration of port and rail operations is envisaged, and productivity and turnaround times at the container terminals will be improved. The private sector will be invited to participate in container port operations. The rail link between Coega and Gauteng will be upgraded.

*New rail transport policy and investments in passenger rail rolling stock over the medium term*

The South African National Roads Agency Limited is continuing work on the Gauteng Freeway Improvement Programme, which represents a major

advance in this currently congested road network. Tolling will commence in April 2011. Improved maintenance of regional roads and rural access roads has to be prioritised over the period ahead, together with better traffic management and overload control.

### Energy, communication and general economic affairs

Economic development is supported through a wide range of incentive programmes, regulatory agencies and associated services. Investment in these areas provides the platform for a growing economy that creates more jobs, supports poverty alleviation and provides the foundation for environmental sustainability.

**Table 4.9 Energy, communication and general economic affairs, 2010/11 – 2013/14**

| R billion                                  | 2010/11     | 2011/12               | 2012/13     | 2013/14     | 2011 MTEF    |
|--|-------------|-----------------------|-------------|-------------|--------------|
|  | Revised     | Medium-term estimates |             |             | Total        |
| National departments                       | 14.1        | 14.7                  | 14.8        | 15.2        | 44.7         |
| Transfers to municipalities                | 7.6         | 9.3                   | 9.8         | 10.5        | 29.6         |
| Provincial departments                     | 7.3         | 7.7                   | 7.6         | 8.0         | 23.3         |
| Public entities <sup>1</sup>               | 20.1        | 21.2                  | 21.9        | 23.1        | 66.2         |
| <b>Total</b>                               | <b>49.2</b> | <b>52.9</b>           | <b>54.1</b> | <b>56.8</b> | <b>163.8</b> |
| <i>of which: compensation of employees</i> | <i>24.0</i> | <i>26.1</i>           | <i>27.9</i> | <i>29.6</i> | <i>83.6</i>  |

1. Includes National Lotteries Board, National Research Foundation, Council for Scientific and Industrial Research, South African Nuclear Energy Corporation, South African National Parks and Sentech Limited.

#### Energy and environmental protection

*Electrification of unserved communities will continue to be funded, as will support for renewable energy*

Major investments by Eskom in power generation are in progress, including construction of the Medupi Power Station, expected to be completed by 2015. Eskom falls outside the consolidated government accounts, though its investment is supported by state guarantees and a R60 billion financing facility provided over the 2008/09 - 2010/11 period. Electrification of unserved communities will continue to be funded over the period ahead. Electricity demand-side management remains important over the medium term, although the funding mechanism will change.

South Africa has committed to substantial reductions in carbon dioxide emissions by 2025, and supports research and technology development aimed at environmentally sustainable economic growth. Government will also focus on improving biodiversity protection and will contribute to the costs of South Africa hosting the United Nations Framework Convention on Climate Change Conference of the Parties in 2011.

#### Industrial development

*Support is provided for industrial development zones, automotive and clothing and textiles sectors*

Investment in industrial development zones will continue over the period ahead, and support programmes for the automotive and clothing and textiles industries are included in the activities of the Department of Trade and Industry. Additional funding is proposed for key regulatory agencies, including the competition authorities, the National Metrology Institute of South Africa and the National Regulator for Compulsory Specifications.

### Tooling up for technical apprenticeships

The Intsimbi National Tooling Initiative aims to reduce widening shortages of expertise in the tool, die and mould industry, which provides crucial support to the manufacturing sector. The initiative, led by the Department of Trade and Industry, supports skills development, transformation, building small business capacity, technology recapitalisation, competitiveness and export development.

A pre-apprenticeship training programme addresses the basic skills gap, preparing participants to find work as apprentice artisans, mechanists, technicians, engineers, designers and project managers. The intake for this programme is projected to grow from 175 in 2010/11 to 4 395 in 2015/16.

### Agriculture, forestry, fishing and land affairs

Over the medium term, land reform and agricultural development have considerable potential to contribute to rural advancement, job creation, poverty reduction and food production, in addition to redressing past land disposessions.

**Table 4.10 Agriculture, forestry, fishing and land affairs expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13<br>Medium-term estimates | 2013/14<br>Medium-term estimates | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|
| National departments                       | 8.2                | 8.5                              | 9.1                              | 9.5                              | 27.1               |
| Provincial departments                     | 7.2                | 7.8                              | 8.3                              | 8.9                              | 25.0               |
| Public entities <sup>1</sup>               | 1.4                | 1.7                              | 1.7                              | 1.8                              | 5.2                |
| <b>Total</b>                               | <b>16.8</b>        | <b>18.0</b>                      | <b>19.1</b>                      | <b>20.2</b>                      | <b>57.4</b>        |
| <i>of which: compensation of employees</i> | 5.7                | 6.3                              | 6.8                              | 7.2                              | 20.4               |

1. Includes Agricultural Research Council and Marine Living Resources Fund.

Additional funding will contribute to settling the 7 000 outstanding land claims. New models for supporting emerging farmers are being piloted, in partnership with the Land Bank and drawing on the capacity of commercial farmers. Additional funding is proposed to enable provinces to improve the quality of extension services offered to newly settled farmers.

### Housing and community amenities

The housing and community amenities function includes human settlements, water supply and community development programmes. While considerable progress has been achieved in the delivery of infrastructure and housing, the pace of delivery appears to be slowing, despite growth in the funding of conditional grants that also extend subsidies to households. This slowdown is partly the result of planning and coordination weaknesses.

*Pace of housing delivery appears to be slowing, owing partly to weak planning and coordination*

**Table 4.11 Housing and community amenities expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13<br>Medium-term estimates | 2013/14<br>Medium-term estimates | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|
| National departments                       | 8.7                | 11.3                             | 12.8                             | 13.5                             | 37.6               |
| Transfers to municipalities                | 48.9               | 55.1                             | 60.8                             | 65.0                             | 180.9              |
| Provincial departments                     | 21.9               | 23.8                             | 24.9                             | 26.5                             | 75.2               |
| Public entities <sup>1</sup>               | 17.9               | 19.9                             | 21.5                             | 22.7                             | 64.2               |
| <b>Total</b>                               | <b>97.4</b>        | <b>110.1</b>                     | <b>120.0</b>                     | <b>127.8</b>                     | <b>357.9</b>       |
| <i>of which: compensation of employees</i> | 8.9                | 9.5                              | 10.1                             | 10.7                             | 30.2               |

1. Includes water boards.

Community development programmes account for about half of the budget in this function, and include the equitable share funding and infrastructure grants that flow directly to municipalities.

*Human settlements provincial conditional grant has grown by 20 per cent a year over past three years*

Human settlements are funded through a provincial conditional grant. This grant, which has grown by over 20 per cent annually since 2007/08, now exceeds R20 billion per year, and will continue to increase strongly over the period ahead. Housing subsidies flow directly to provinces to fund programmes that are largely municipal.

South Africa's cities face substantial challenges, owing largely to the pace of economic growth to date and continued migration from the countryside. Informal settlements are growing, and infrastructure bottlenecks and backlogs are widespread. Investment in urban centres to help turn cities into engines of economic growth will be supported over the MTEF period.

*Cities to have more responsibility for housing, infrastructure and transport*

Several reforms to financing arrangements are proposed to address coordination problems in urban development and housing. Over the 2011 MTEF the reforms include scaling up delivery in informal settlements and upgrading those settlements. Steps are being taken to change the financing arrangements for human settlement, infrastructure and transport. The goal is for cities to have more responsibility for these functions, leading to improved integration, outcomes and efficiency in connecting households to services and economic activities.

#### **Accelerating municipal infrastructure delivery**

To improve coordination of the built environment and deliver services to poor communities, the functions for housing development and public transport regulation will be devolved to cities over the medium term:

- Housing accreditation will allow cities to plan and allocate resources so that housing is developed in parallel with the rollout of basic services and in locations where economic opportunities are accessible.
- Assigning the function for issuing public transport operating licenses to cities will allow large urban municipalities to integrate public transport with the rest of their built environment planning.

Government will provide financial resources for these functions to the cities that implement them.

Over the next three years, R1.7 billion will be added to the R79 billion already allocated to local government conditional grants for infrastructure development.

In more rural municipalities, the major challenge is to step up delivery of bulk infrastructure, especially for water and sanitation, which are funded by the *municipal infrastructure grant* and the *regional bulk infrastructure grant*. Some 70 per cent of the *municipal infrastructure grant* is allocated for water and sanitation reticulation and local bulk infrastructure, while regional bulk infrastructure is funded by local government conditional grants. More needs to be done to align the planning between municipalities responsible for building and maintaining reticulation systems and the national departments overseeing the provision of bulk services.

The *rural household infrastructure grant* supports on-site solutions in villages. Implementation of this grant is expected to create employment for rural communities in construction and maintenance of the infrastructure.

*Major investments in water infrastructure, including dam rehabilitation*

To ensure adequate provision of water supply, government will invest in bulk water infrastructure, increase the number of dam rehabilitation and water conveyance projects, and establish a water regulator. Provision will also be made for the maintenance and supply of bulk water infrastructure

to reduce backlogs, and to enable the construction and rollout of seven proposed water augmentation schemes.

The current phase of the expanded public works programme aims to create 4.5 million short-term jobs lasting 100 days on average over the 2010-2014 period. To achieve this target, government has introduced a labour-intensity incentive for provinces and municipalities in infrastructure projects. The 2011 MTEF will extend the incentive grant to the social sector. These are likely to be longer-duration jobs at lower cost than in other sectors. The Department of Public Works has reprioritised funds to provide for growth in social-sector work opportunities.

*Labour-intensity incentive supports more employment in public works projects*

### General public services

General public services have grown by over 12 per cent a year over the past three years, and are set to expand more slowly over the period ahead. This function includes the national and provincial legislatures, central administrative departments such as Home Affairs and International Relations and Cooperation, Public Works and the National Treasury.

**Table 4.12 General public services expenditure, 2010/11 – 2013/14**

| R billion                                  | 2010/11<br>Revised | 2011/12<br>Medium-term estimates | 2012/13     | 2013/14     | 2011 MTEF<br>Total |
|--|--------------------|----------------------------------|-------------|-------------|--------------------|
| National departments                       | 16.8               | 17.5                             | 16.8        | 18.7        | 52.9               |
| Transfers to municipalities                | 1.1                | 1.3                              | 1.5         | 1.6         | 4.3                |
| Provincial departments                     | 16.2               | 16.5                             | 17.6        | 18.7        | 52.8               |
| Public entities <sup>1</sup>               | 12.5               | 12.8                             | 13.2        | 13.9        | 39.9               |
| <b>Total</b>                               | <b>46.7</b>        | <b>48.0</b>                      | <b>49.0</b> | <b>52.9</b> | <b>149.9</b>       |
| <i>of which: compensation of employees</i> | <i>21.2</i>        | <i>23.3</i>                      | <i>24.8</i> | <i>26.0</i> | <i>74.1</i>        |

1. Includes South African Revenue Service and Independent Electoral Commission.

Improving the management of property and departmental accommodation services is a pressing challenge, alongside better implementation of IT projects and more effective contract management. Departments have been slow to develop user-asset management plans, which form the basis of agreements with the Department of Public Works on accommodation requirements and future improvements. Difficulties continue to be experienced in budgeting for the rising costs of municipal services, and in managing accommodation costs and lease contracts. Substantial increases are included in the revised baseline estimates for the *devolution of property rates grant to provinces* to ensure that these costs are covered.

*Departments need to budget for rising costs of municipal services and to properly manage leases*

In support of the government-wide property management reforms, the asset register for the state's immovable assets needs is being updated. At a municipal level, billing systems need to be improved to eradicate or minimise the incorrect billing of property rates and municipal services, and to support simple resolution of disputes.

To improve the quality of information that it offers, while stabilising and reducing the cost of surveys, Statistics South Africa is expanding and modernising its data collection methodologies. The 2011 Census will employ 120 000 fieldworkers (most of them on a stipend) compared with the 100 000 fieldworkers employed in 2001.

*Statistics SA is preparing for the 2011 Census, which will employ 120 000 fieldworkers*

## Division of revenue – 2011/12-2013/14

*Transfers to provinces and municipalities reflect strong anti-poverty commitment*

Strong growth in transfers to municipalities and provinces is proposed over the MTEF period. Table 4.13 sets out the proposed division of nationally collected revenue and changes to baseline allocations.

**Table 4.13 Division of revenue, 2010/11 – 2013/14**

|  | 2010/11      | 2011/12               | 2012/13      | 2013/14      | 2011        | Average annual growth |
|--|--------------|-----------------------|--------------|--------------|-------------|-----------------------|
|  | Revised      | Medium-term estimates |              |              | MTEF        | 2010/11 – 2013/14     |
| <b>R billion</b>   |              |                       |              |              |             |                       |
| <b>National</b>  | <b>360.6</b> | <b>374.5</b>          | <b>401.0</b> | <b>427.3</b> |             | <b>5.8%</b>           |
| <b>Provincial</b>  | <b>328.1</b> | <b>359.5</b>          | <b>382.3</b> | <b>407.7</b> |             | <b>7.5%</b>           |
| Equitable share  | 265.1        | 289.0                 | 305.7        | 323.3        |             | 6.8%                  |
| Conditional grants   | 63.0         | 70.5                  | 76.6         | 84.4         |             | 10.2%                 |
| <b>Local</b>   | <b>59.3</b>  | <b>67.2</b>           | <b>74.0</b>  | <b>79.0</b>  |             | <b>10.0%</b>          |
| Equitable share  | 30.6         | 34.1                  | 37.6         | 40.0         |             | 9.4%                  |
| Conditional grants   | 21.2         | 24.5                  | 27.4         | 29.5         |             | 11.6%                 |
| General fuel levy sharing with metropolitan municipalities | 7.5          | 8.6                   | 9.0          | 9.6          |             | 8.4%                  |
| <b>Total</b>   | <b>748.1</b> | <b>801.2</b>          | <b>857.3</b> | <b>914.1</b> |             | <b>6.9%</b>           |
| <b>Percentage share</b>                                    |              |                       |              |              |             |                       |
| <i>National</i>  | 48.2%        | 46.7%                 | 46.8%        | 46.7%        |             |                       |
| <i>Provincial</i>  | 43.9%        | 44.9%                 | 44.6%        | 44.6%        |             |                       |
| <i>Local</i>   | 7.9%         | 8.4%                  | 8.6%         | 8.6%         |             |                       |
| <b>Changes to baseline</b>                                 |              |                       |              |              |             |                       |
| <b>National</b>  | <b>1.5</b>   | <b>4.0</b>            | <b>7.3</b>   | <b>12.5</b>  | <b>23.8</b> |                       |
| <b>Provincial</b>  | <b>5.3</b>   | <b>9.0</b>            | <b>13.0</b>  | <b>18.2</b>  | <b>40.1</b> |                       |
| Equitable share  | 4.2          | 8.3                   | 10.3         | 11.2         | 29.8        |                       |
| Conditional grants   | 1.1          | 0.7                   | 2.7          | 7.0          | 10.3        |                       |
| <b>Local</b>   | <b>0.5</b>   | <b>0.5</b>            | <b>1.0</b>   | <b>1.6</b>   | <b>3.1</b>  |                       |
| Equitable share  | 0.4          | 0.2                   | 0.3          | 0.7          | 1.2         |                       |
| Conditional grants   | 0.1          | 0.3                   | 0.6          | 0.8          | 1.7         |                       |
| General fuel levy sharing with metropolitan municipalities | –            | 0.0                   | 0.1          | 0.2          | 0.3         |                       |
| <b>Total</b>   | <b>7.3</b>   | <b>13.5</b>           | <b>21.3</b>  | <b>32.3</b>  | <b>67.0</b> |                       |

Of the R67 billion in additions to baseline allocations, 59.9 per cent goes to provinces, mainly to accommodate higher staff costs and for spending on infrastructure backlogs in education and health. Municipalities receive 4.7 per cent, most of which compensates for sustainable provision of basic services and bulk infrastructure. The national share sustains real growth in social grant provisions and public employment programmes.

*Changes to the provincial equitable share formula will be introduced next year*

Changes to the provincial equitable share formula will be introduced in 2011/12. A new health formula is being introduced, and the weights of the education and the health components will be revised. Several minor adjustments to the local government equitable share formula are planned in 2011, with a comprehensive review over the medium term. The 2011 adjustment will direct more funding towards poor rural municipalities without reducing funds allocated to metropolitan municipalities. Changes to municipal boundaries during 2011 will also be incorporated.