



A PEOPLE'S GUIDE...

BUDGET 2003

What is the National Budget?

The national Budget outlines the Government's revenue and spending plans and is presented to Parliament by the Minister of Finance every year. It describes how money raised through taxes and borrowing will be allocated between provinces and municipalities to be spent on improving public services such as education, health care and fighting crime. The aim of the Budget is to build a better life for all the people of South Africa.

Striving for growth and development



Photos: Independent Online (Cape Argus, Daily News and Cape Times)

In this Budget, Government continues to push back the frontiers of poverty and expand access to a better life for all by laying a firm foundation for improved growth and development in the years ahead.

This is democratic South Africa's 10th Budget. The health of our economy is sound and inflation is coming down. Government is building on the progress made so far to ensure that economic growth is sustained into the future and opportunities and assistance are targeted at those whose livelihoods are most vulnerable in order to eradicate inequalities.

As in the 2001 and 2002 Budgets, the emphasis on poverty reduction and infrastructure investment is carried forward, with the aim of promoting growth and development. This year's Budget adds R105 billion to spending plans over the next three years, boosting social services, infrastructure investment and local development programmes. Of this amount, R68 billion will go to provinces and R6 billion to municipalities.

Government is able to increase spending on policy priorities substantially, changing the lives of South Africans for the better. This includes extending social grants to more people, fighting crime, additional money for health, education, water, electricity and other basic household services.

Government revenue has again grown strongly, thanks to sound tax policy reforms and hard work by the South African Revenue Service. This year the Government is again able to cut income tax rates, giving R13,3 billion back to the people. From next year, individuals earning less than R30 000 a year will pay no income tax. Tax incentives will also be introduced to encourage rebuilding of underdeveloped urban areas.

Government is also expanding its direct contributions to the income of the poor through increases in social assistance grants and extending unemployment insurance to workers that have been previously excluded. By investing in skills, improving access to education and health care, supporting land redistribution and agricultural development and promoting employment and small business development, we will overcome poverty while growing the economy. By extending the child support grant and expanding the school nutrition programme, the needs of children are put first. The 2003 Budget confronts the challenges of creating jobs and eliminating poverty by investing in the economy and developing our people.

Government is also committed to improving the quality of service delivery in schools, hospitals and administrative offices. Funding will be directed at improving the efficiency of the public sector to deliver better services to citizens.

Core priority areas such as crime prevention have also been allocated funds in this budget to invest in court security, reduce the numbers of prisoners awaiting trial, and increase the size of the SA Police Force.

This Budget places special emphasis on the critical requirements for improving provincial health and education services - supplies of medicines, hospital and clinic management and staffing, supplies of books and other learner support materials in schools and the repair and maintenance of buildings and facilities. Considerable funding is also being directed towards implementing Government's comprehensive strategy on fighting HIV/Aids, which impacts on the lives of many South Africans. Promoting education, skills development and health services for all South Africa's people is the foundation on which future prosperity will be built.

Budget Highlights

Tax proposals

- Personal income taxes cut by R13,3 billion. People earning below R30 000 a year will not pay personal income tax.
- Taxes on retirement savings reduced from 25 per cent to 18 per cent thereby boosting prospects for increased savings.
- The interest income exemption is raised from R6 000 to R10 000 for individuals below 65 years and from R10 000 to R15 000 for individuals 65 years and older.
- Transfer duties are reduced making it easier to buy property. This change costs Government R440 million.
- Tax incentives for investment in densely populated, inner city areas.
- The general fuel levy on leaded petrol is increased by 3 cents and the road Accident Fund levy also goes up by 3 cents a litre.
- A packet of cigarettes will cost 37,7 cents more. Beer goes up by 4,35 cents for a 340 ml can, wine by 6,7 cents and spirits by R1,18 per 750ml bottle.

Major spending changes

- The budget for land restitution is increased by R2 billion over the three-year MTEF period, allowing government to accelerate the pace of land restitution.
- The child support grant is to be extended to children up to their 14th birthday, providing benefits to about 3,2 million more children. This proposal will cost above R11 billion over the MTEF period.
- The school feeding scheme almost doubles in size, allowing Government to feed more children in a greater number of schools.
- Infrastructure spending grows by over 15 per cent a year during the MTEF period, providing further impetus to job creation.
- Universities and technikons will receive R1,7 billion for restructuring higher education.
- Provinces are given an additional R69 billion to finance higher social grants, the extension of the child support grant, to fight HIV/Aids, provide more text books, medicines and to increase road maintenance and infrastructure spending.
- Police, justice and prisons get R2,7 billion more to fight crime, reduce court case backlogs and beef up court security.
- Provinces are provided with resources for a phased expansion of anti-retroviral programmes and to improve the salaries of certain medical personnel.
- Local governments are given R1 billion to launch a new labour-based infrastructure programme.
- Municipalities to get R4,1 billion extra as dedicated funding for free basic services, including electricity.
- Pension and disability grants go up to a maximum of R700 a month, while the child support grant goes up to R160 a month from 1 April.



Child support grant to be extended

Government is committed to fighting poverty and helping the most vulnerable members of society. These include many children and poor families with children. The Child Support Grant was introduced in 1998 to assist parents and other caregivers struggling to look after young children. To receive the grant, a caregiver must satisfy a "means test" - people who don't need the grant don't qualify.

Until now, children up to the age of six have qualified for the grant. Already, 2.3 million children are enrolled for the grant. Now, Government has decided to extend the grant to support all children up to their 14th birthday. This is one of the largest new spending plans in the budget this year and by the end of 2005/06

is expected to benefit a total of 6.6 million children.

The grant extension is to be phased-in over the next three years. From the 1st of April 2003, children aged 7 and 8 will qualify for the grant. Children aged 9 to 10 will gain access in 2004 and children aged 11 to 13 in 2005. The value of the grant is also being increased by R20 to R160 a month in April this year. This extension of the grant will cost more than R11 billion over the next three years and will benefit an extra 3.2 million children.

In addition, the Primary School Nutrition Programme is increased by R950 million over three years to provide more children in more schools with sandwiches. By putting children first, and by helping those who look after children in need, the Government is fighting poverty and disease directly.



Photo: Soul City (IHDC)



Photo: PictureNetAfrica

Extending Free Basic Services

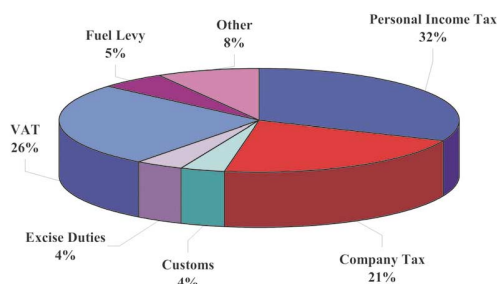
As part of a targeted poverty reduction programme, Government remains committed to extending basic services to poor households. R4,1 billion is being made available in this budget to enable municipalities to ensure free provision of essential services such as water, electricity, sanitation and refuse removal, to the poorest of their communities.

Many municipalities already provide some services free. It is Government's objective to give each home 6 000 litres of water and

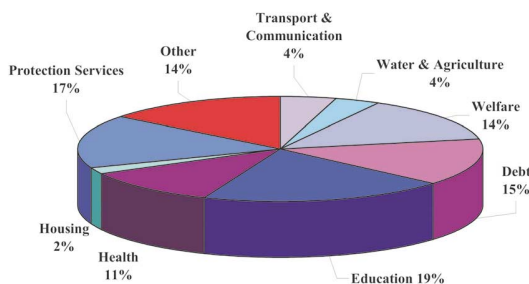
50 kWh of electricity a month free of charge.

The Budget will also enhance investment in municipal infrastructure and basic services in support of rural development and urban renewal. The emphasis will be on improving the quality of the services being offered while extending their reach to under-served areas. Funding will be directed, in particular, to the poorest 13 rural and 8 urban localities that have been identified as part of the Rural Development Strategy and Urban Renewal Plan.

Government Revenue



Government Expenditure



Land restitution to be speeded up

This budget provides an additional R2,1 billion over the next three years to speed up the settlement of land restitution claims. The restitution process of giving land and money back to people who were forcibly removed from their homes by the apartheid regime was introduced in 1994. The aim of this policy is to compensate individuals, particularly the rural poor, for past economic injustices. It contributes to alleviating poverty and gives previously marginalised communities and individuals the opportunity to raise income from agricultural production. This programme is also being used to promote sustainable land use.

The money allocated to restitution is to increase by 40 per cent a year over the next three years from under R400 million in 2002/03 to over

R1 billion in 2005/06. A total of 67 531 restitution claims were lodged, of which 36 279 have been settled across the country, benefiting some 85 000 households.

The extra funding is to focus in particular on rural claims due to the concentration of poverty in these areas. In addition, rural claims are mostly community claims involving large numbers of people, whereas urban claims are mostly individual households.

This programme is closely linked to other government policies aimed at redistributing land and changing the tenure system. Government's new land reform policy framework seeks to deliver land and technical support for production and income generation purposes.



Photo: Independent Online (Daily News)

