

Defence

Aim

The aim of the Department of Defence is to defend and protect South Africa, its territorial integrity and its people in accordance with the Constitution and the principles of international law regulating the use of force.

Policy developments

In May 1996 Parliament approved the White Paper on National Defence, which establishes a policy framework and the main principles of defence in the new democracy. The Defence Review, which followed the White Paper, developed a force design for the South African National Defence Force (SANDF). The Review is currently being revisited with a view to bringing military strategy and force design in line with projected medium term resource constraints.

The Defence Review highlighted the necessity to replace outdated and obsolete Defence Force equipment. In September 1998 Cabinet announced expenditure of approximately R30 billion, to be incurred over a number of years, on procurement of armaments for the SANDF. The equipment to be purchased is as follows:

Table 21.1 SANDF armament procurement

Type of equipment	Quantity	R million
Submarines	3	5 345
Corvettes	4	6 917
Helicopters	30	1 949
Fighter aircraft – tranche 1	21	7 110
Lead-In Fighter Trainer (LIFT)	12	–
Advanced Light Flight Circuit (ALFA)	9	–
Subtotal	–	21 330
Fighter aircraft tranche 2 and 3	21	8 662
LIFT	12	–
ALFA	9	–
Total		29 992

Spending on the procurement package will be accounted for in the national budget as funds are paid to the arms suppliers – and to cover other costs, such as taxes and shipment – over the period during which the equipment is built and delivered. Total non-interest spending on the procurement over the next three years, and the amounts which have been added to the Defence vote to cover the short-fall on the purchase are presented in table 21.2. This expenditure will be shown on the Special Defence Account on the Defence vote.

Table 21.2 Spending implications of the armament procurement

R million	2000/01	2001/02	2002/03
Total programme cost	2 899	4 056	5 050
Available within existing budget	117	247	
Addition to budget	2 782	3 809	

Expenditure will be accounted for in the national budget as funds are paid to the arms suppliers, or to cover other costs, while the equipment is being built and delivered. The Defence vote increases by R2,8 billion and R3,9 billion in 2000/01 and 2001/02 in order to accommodate the additional costs of these purchases. Actual annual expenditure will be affected by factors such as fluctuations in exchange rates and estimates will thus need to be revised periodically.

The procurements are import-intensive. Approximately 85 per cent of the total value of the purchases will be paid for in a combination of foreign currencies, predominantly US dollars, euro and sterling. These payments will be funded by export credit loans provided to South Africa by a number of bank consortia, led by Barclays Bank, Commerzbank/KFW, Societe Generale, and Medio Credito Centrale. The loans – which have tenors of up to 20 years - are all underwritten by the Export Credit Agencies of the countries of origin of the military equipment, allowing the South African Government to take advantage of the favourable terms and conditions characteristic of this market. In a number of cases Government has also been able to achieve a range of interest rate and currency options, which are without precedent for this sort of purchase.

The favourable loan terms realised formed a critical aspect of government's overall effort to ensure that the military purchases are affordable and that the financial risks relating to these contracts are minimised.

As part of the overall procurement programme, the supplier companies have agreed to defence and non-defence industrial participation commitments totalling R104 billion in investment and export and domestic sales. Over the medium and long term the benefits deriving from the DIP and NIP programmes should fully offset the economic and fiscal costs of the military equipment.

Expenditure estimates

Table 21.3 Expenditure by programme

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Administration	337,4	247,4	190,3	412,5	333,8	353,1	372,4
Landward defence	3 928,8	3 987,8	3 075,7	3 398,3	3 212,6	3 399,9	3 437,8
Air defence	2 116,9	2 097,1	1 900,6	1 962,9	1 858,2	1 983,8	1 983,0
Maritime defence	780,9	804,0	804,7	845,0	884,0	964,0	1 066,1
Military health support	889,2	909,9	939,6	929,0	973,6	1 085,4	1 132,6
Military intelligence	172,4	161,0	157,9	180,9	151,1	167,0	172,6
Joint support	772,9	895,7	1 014,8	1 088,8	1 468,9	1 566,3	1 578,2
Command and control	67,7	62,3	27,6	19,9	113,5	127,3	134,8
Special defence account	1 854,3	1 941,9	1 610,5	1 841,3	4 721,3	5 574,0	6 559,9
Plus authorised losses	—	—	14,0	—	—	—	—
Departmental vote	10 920,5	11 107,1	10 365,7	10 678,7	13 717,0	15 220,7	16 437,4
Statutory amounts	—	—	—	—	—	—	—
Public Works ¹	63,8	63,7	73,7	49,0	49,8	51,6	53,6
Total	10 984,3	11 170,8	10 439,4	10 727,7	13 766,8	15 272,2	16 491,0
Change to 1999 budget estimates	—	—	—	50,5	2 817,8	3 891,6	—

¹ Appropriated on Vote 26: Public Works.

- *Administration* deals with the overall management of the Department.
- *Landward defence*, *Air defence* and *Maritime defence* provide prepared and supported defence capabilities for the defence and protection of the country by land, air and sea respectively.
- *Military health support* provides prepared and supported medical combat support elements and services to members of the Department and their dependants.
- *Military intelligence* provides military intelligence and counter-intelligence capability.
- *Joint support* maintains a centralised infrastructure for the provision of common supplies and services in the Department.
- *Command and control* provides and maintains an operational command and control capability for the operational employment of combat forces.
- *Special defence account* deals with the acquisition of special defence equipment and other smaller acquisitions.

Table 21.4 Economic classification of expenditure

R million	Expenditure outcome			Revised estimate 1999/00	Medium-term expenditure estimate		
	1996/97	1997/98	1998/99		2000/01	2001/02	2002/03
Current							
Personnel	5 311,9	5 819,0	5 754,9	5 563,7	5 719,6	5 779,2	5 824,4
Transfer payments	2 045,5	2 104,8	1 774,8	2 007,3	4 903,3	5 765,8	6 759,1
Other	3 563,1	3 183,3	2 836,0	3 107,7	3 094,1	3 675,7	3 853,9
Capital							
Transfer payments	—	—	—	—	—	—	—
Acquisition of capital assets	63,8	63,7	73,7	49,0	49,8	51,6	53,6
Total	10 984,3	11 170,8	10 439,4	10 727,7	13 766,8	15 272,2	16 491,0

The integration of the armed forces since 1994 led to an increase in personnel from 84 052 members in 1993/94 to a peak of 102 600 members in 1995/96. The proportion of spending directed to personnel rose from 32 per cent in 1994/95 to 57 per cent in 1998/99. This led to reductions in proportional spending on non-personnel and operating costs from 40 per cent to 35 per cent over the same period, while capital and defence equipment spending fell from 28 per cent to 8 per cent.

The Department has reduced its personnel component to 83 019 in January 2000 by way of selective appointments, natural attrition (including voluntary termination of short-term contracts by members) and voluntary severance. It plans to reduce its personnel strength to 70 000 by March 2002, depending on the availability of an employer-initiated retrenchment tool. This could lead to a decrease in personnel spending from 52 per cent of total defence spending to 47 per cent in 2002/03.

Purchases of equipment through the special defence account comprised 18 per cent of total defence spending between 1996/97 to 1999/00. Between 2000/01 to 2002/03, these payments rise to between 35 and 40 per cent of defence spending, owing to the strategic armaments procurements.

Programme 1: Administration

Table 21.5 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	417,4	412,5	412,5	447,8	425,2	–
2000 Budget	–	–	–	333,8	353,1	372,4
Change to 1999 Budget estimate	–	(4,9)	(4,9)	(114,0)	(72,1)	–

Administration deals with the overall management of the Department. The programme provides for all corporate services, including policy and planning, finance, personnel, legal, communication and inspection services. A number of functions, including military intelligence, joint operations management, logistics management, and command and management information services were shifted from *Administration* to the *Military intelligence* and *Joint support* programme. These function shifts are reflected in a 29,4 per cent reduction in personnel from 2 660 in 1999/00 to 1 876 in 2000/01.

The baseline estimates reflect the revised programme structure and the decline in the estimates is largely due to a reduction in the allocation to financial services from R161 million in 1999/00 to R138 million in 2000/01. Spending on legal services declines from R63 million in 1999/00 to R48 million in 2000/01 and spending on the policy and planning component falls from R30 million in 1999/00 to R21 million in 2000/01.

Programme 2: Landward defence

Table 21.6 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	3 368,0	3 398,3	3 398,3	3 181,0	3 285,1	–
2000 Budget	–	–	–	3 212,6	3 399,9	3 437,8
Change to 1999 Budget estimate	–	30,3	30,3	31,6	114,8	–

The *Landward defence* programme establishes, trains and maintains preparedness levels of combat elements such as infantry, armour, artillery, special operations, anti-aircraft and engineers. The majority of expenditure is focused on force preparation, involving training and the maintenance of conventional capabilities such as the infantry, artillery and armour capability.

From 2000/01 onwards, the programme includes the purchase of rations for the South African Army; this was previously part of the *Joint support* programme.

Moderate increases above baseline estimates are due to the additional amounts allocated for improvements in conditions of service in 2000/01 and 2001/02. *Landward defence* received the largest proportion of this allocation.

Outputs and service delivery trends

Table 21.7 Landward defence: Key activities and outputs

Key activities	Outputs
Providing strategic direction for landward defence	Landward defence policy, strategy and advices
Establishing, training and maintaining auxiliary services and facilities	General training capability, operational bases and border fences
Establishing, training and maintaining prepared combat elements	Armour, artillery, anti-aircraft, infantry, engineer, operational intelligence, communication, command and control, landward support, VIP protection and ceremonial and landward operational commitment capability

Spending on *Landward defence* stabilises the average preparedness levels of the full-time component of the South African Army at about 55 per cent; that of the reserve force will remain relatively stable at about 22 per cent between 2000/01 to 2002/03.

The programme also deploys nine companies to protect the high-risk parts of the border, 10 companies to support the South African Police Service (SAPS) and 23 reserve force platoons to selectively supplement this capacity as required. Levels of troop deployment remain unchanged from 1999/00.

The programme ably supported the SAPS during the 1999 elections and will be available for assistance during the 2000 municipal elections, depending on the availability of resources.

Programme 3: Air defence

Table 21.8 Programme expenditure

R million	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
		1999/00		2000/01	2001/02	2002/03
1999 Budget	1 962,1	1 962,9	1 962,9	1 907,1	1 928,2	–
2000 Budget	–	–	–	1 858,2	1 983,8	1 983,0
Change to 1999 Budget estimate	–	0,8	0,8	(48,9)	55,6	–

Air defence provides prepared and supported air defence capabilities for the defence and protection of South Africa. The programme deals with the provision of strategic direction for air defence, and the establishment, training and maintenance of prepared combat elements, auxiliary services and facilities. It currently includes the procurement of rations for the South African Air Force; this was formerly part of the *Joint support* programme.

The baseline estimates are revised downwards to R1 858,2 million in 2000/01, due to a reduction in spending on personnel and a decline in the operational flying hours of the South African Air Force.

Table 21.9 Air defence: Key activities and outputs

Key activities	Outputs
Providing strategic direction for air defence	Air defence policy, strategy and advice
Establishing, training and maintaining prepared combat elements, auxiliary services and facilities	Basic, functional and advanced training capability Helicopter, air transport and maritime air patrol, air combat and reconnaissance, air operational support and intelligence, air command and control and an airbase support capability

Air defence will employ 11 729 people during 2000/01, which is 3 per cent fewer than the 12 086 employed in 1999/00. The Air Force maintains 194 aircraft and 116 helicopters, while five Hawker Siddley 125 aircraft were phased out during 1999. Four combat support helicopters will be taken into operational service during 2000.

The Air Force anticipates about 58 114 flying hours during 2000/01, which are 5 506 less than the 63 620 flying hours for 1999/00. About 72 per cent of flying hours are for force preparation – basic and continuation training – and 28 per cent for force employment, i.e. operations such as support to the SAPS, search and rescue, disaster relief and firefighting.

The Air Force provided operational service during 1999 for the national and Mozambique elections, and assisted firefighters in the Western Cape and elsewhere. It will remain ready to provide supplementary support as required in future, depending on the availability of resources.

Programme 4: Maritime defence

Table 21.10 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	842,1	845,0	845,0	754,3	745,2	–
2000 Budget	–	–	–	884,0	964,0	1 066,1
Change to 1999 Budget estimate	–	2,9	2,9	129,7	218,8	–

Maritime defence provides prepared and supported maritime defence capabilities for the defence and protection of South Africa. It deals with the provision of strategic direction for maritime defence and with the establishment, training and maintenance of prepared combat elements, auxiliary services and facilities. The programme has been revised to include the procurement of rations for the South African Navy; this was formerly part of the *Joint support* programme.

Moderate increases in medium-term estimates reflect additional allocations to fund the increased operating expenses of the South African Navy to execute its required functions and restore depleted inventories.

Table 21.11 Maritime defence: Key activities and outputs

Key activities	Outputs
Providing strategic direction for maritime defence	Maritime defence policy, strategy and advice
Establishing, training and maintaining prepared combat elements, auxiliary services and facilities	Naval technical, functional, formative, command and staff training capability. Surface combat, submarine warfare, combat support and sealift, mine warfare (mine hunting and mine sweeping), diving support and torpedo recovery, hydrographic service, air-sea rescue, harbour protection, operational diving, naval logistic support, maritime reserve and berthing assistance capability Naval technical, functional, formative, command and staff training capability

The Navy maintains a maritime defence capability including five strike craft, three submarines, two combat support ships, eight mine countermeasure vessels, one diving support vessel and one hydrographic survey vessel.

The Navy will employ 8 203 people during 2000/01, which is 85 fewer than in 1999/00. The Navy should achieve 12 000 hours at sea during 2000/01, approximately the same level as during 1999/00; 54 per cent will be for force preparation (sea trials and state of readiness training) and 45 per cent for force employment (Antarctic deployments, fishery patrols, border protection, search and rescue, humanitarian support and diplomatic initiatives).

Programme 5: Military health support

Table 21.12 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	928,6	929,0	929,0	905,3	912,4	–
2000 Budget	–	–	–	973,6	1 085,4	1 132,6
Change to 1999 Budget estimate	–	0,4	0,4	68,3	173,0	–

Military health support provides prepared and supported medical combat support elements and services. The programme deals with the provision of strategic direction for military health support, establishing, training, providing and maintaining operationally essential medical services to members of the SANDF and their dependants, as well as establishing and maintaining auxiliary services and facilities.

Spending on the programme rises to R973,6 million in 2000/01, R1 085,4 million in 2001/02 and R1 132,6 million in 2002/03, owing to an increase in the patient load of the programme. Dependants of married women in the SANDF are now eligible for medical benefits, and most SANDF members who retire or take voluntary severance choose to retain their medical benefits.

Table 21.13 Military health support: Key activities and outputs

Key activities	Outputs
Providing strategic direction for military health support	Military health support, policy, strategy and advice
Establishing, training, providing and maintaining operationally essential medical services to members of the SANDF and their dependants	Mobile military health support, specialist military health service, area military health support and military health base support capability
Establishing, training and maintaining auxiliary services and facilities	Military medical education, training and development capability
Medical stock trading account	Augmentation of the trading account for medical stock

In 1999 Military health support provided:

- 892 414 consultations
- 25 522 hospital admissions
- 172 617 inpatient days
- 523 159 laboratory requests
- 97 144 dental visits
- 231 339 radiology requests
- 2 633 244 prescription items.

It is estimated that the programme will increase its provision of medical and health services in 2000/01 due to the additional patient load.

All SANDF soldiers will in future be examined at least once a year to establish their medical classification and ensure compliance with the United Nations stipulation that only fit, healthy and HIV negative soldiers can be deployed during peace support missions. The potential impact of the treatment of HIV/Aids-related diseases cannot yet be estimated.

Programme 6: Military intelligence

Table 21.14 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	183,9	180,9	180,9	179,0	180,8	–
2000 Budget	–	–	–	151,1	167,0	172,6
Change to 1999 Budget estimate	–	3,0	3,0	(27,9)	(13,8)	–

Military intelligence provides a military intelligence and counter-intelligence capability by establishing, training and maintaining prepared intelligence services, auxiliary services and facilities. This includes the maintenance of military attaché offices. The programme is new, and comprises functions previously undertaken by the *Administration* programme.

The revision of the medium-term estimates reflects a reduction of R20 million on personnel spending in 2000/01 due to personnel retrenchment, and a shift of R10 million for electronic warfare to the *Joint support* programme.

Outputs and service delivery trends

Table 21.15 Military intelligence: Key activities and outputs

Key activities	Outputs
Providing strategic direction for military intelligence	Military Intelligence policy, strategy and advice
Establishing, training and maintaining prepared military intelligence services, auxiliary services and facilities	Military intelligence, military counter-intelligence, military information collection, military intelligence training and military intelligence support capability
Concluding agreements with other governments regarding the operation of military attaché offices	Military attaché offices

Military intelligence will employ 979 personnel during 2000/01, including 129 personnel who were transferred to this programme from the Army, Air Force, Navy and Military Health Service. The SANDF also maintains 30 military attaché offices abroad. The offices in Canada, Portugal and Israel were closed during 1999 in line with revised policy priorities. Offices in Switzerland and Saudi Arabia are also to be closed. Military attaché offices at the United Nations and in the People's Republic of China and Nigeria will, however, be opened during 2000.

Programme 7: Joint support

Table 21.16 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	1 076,0	1 088,8	1 088,8	945,9	933,2	–
2000 Budget	–	–	–	1 468,9	1 566,3	1 578,2
Change to 1999 Budget estimate	–	12,8	12,8	523,0	633,1	–

Joint support provides and maintains a centralised infrastructure for the provision of common supplies and services in the Department on its acquisition, storage and distribution system.

Previously called *General support*, it is responsible for joint training, management information, telecommunication services, military policing, developing technology for the Department and providing transfer payments to various organisations. Revision of the Defence programme structure in 2000/01 led to the inclusion of logistical functions from *Administration* in the *Joint support* programme.

Substantial increases in the baseline estimates reflects an additional amount of R430 million for centralisation of information technology systems in 2000/01 to 2002/03.

Outputs and service delivery trends

Table 21.17 Joint support: Key activities and outputs

Key activities	Outputs
Providing and maintaining a centralised infrastructure for the acquisition, storage, provision and distribution of common supplies and services	Depot, mobilisation, air supply and auction capability
Providing and maintaining common services, facilities and minor works	Military policing and correctional services
Providing command/management information and telecommunication	Information technology and telecommunication systems, services and capabilities
Providing joint training opportunities	Joint training establishments
Providing vocational and life-skills training	Service Corps capability
Developing and maintaining technology	Missile, ammunition and vehicle test ranges

The programme will employ 9 833 people during 2000/01, an increase of 20 per cent from 1999/00. The increased personnel component is mainly due to the centralisation of the logistics, telecommunication and management information functions within this programme. The programme maintains the technology information of the department, including corporate applications, mainframe computer infrastructure, weapon systems, combat systems and the non-mainframe environment.

Joint support also includes the military policing function of the Department, which carried out 5 785 military police investigations, charged 6 241 SANDF personnel for disciplinary offences, charged 306 SANDF personnel for traffic violations, detained 3 386 arrestees, and detained 162 prisoners during 1999/00.

The programme also provides full-time tertiary study opportunities for members of the SANDF at the Military Academy, senior command and staff training at the Defence College and educational training at the College for Educational Training.

Programme 8: Command and control

Table 21.18 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	20,9	19,9	19,9	49,5	70,5	–
2000 Budget	–	–	–	113,5	127,2	134,8
Change to 1999 Budget estimate	–	(1,0)	(1,0)	64,0	56,7	–

Command and control provides and maintains an operational command and control capability for the operational employment of combat forces. This includes border control, support to the SAPS in the maintenance of law and order, and peace support missions.

The programme is new, formed mainly from the Army, Air Force, Navy and Military Health Service, as well as the Defence headquarters and the disbanded territorial commands. The allocation to the programme is R113,5 million in 2000/01, rising to R127,2 million in 2001/02 and R134,8 million in 2002/03.

Revisions to the baseline estimates reflect the decision in December 1999 to shift the special force component from the *Landward defence* programme to the *Command and control* programme. The corresponding shift of R86 million allocated to the special force component was not taken into account in the revision of the 1999 medium-term expenditure estimates.

Table 21.19 Command and control: Key activities and outputs

Key activities	Outputs
Providing strategic direction for military operations	Military operations policy, strategy and advice
Maintaining an operational command and control capability for the operational employment of combat forces	Special and joint task force capability

The *Command and control* programme consists of a headquarters element, a special forces capability and five regional joint task forces that are responsible for the deployment of operational forces and provides a 24-hour per day command and control capability of all ordered operations. The programme will employ 892 people during 2000/01; these have been transferred from the Army, Air Force, Navy and Military Health Service.

Programme 9: Special defence account

Table 21.20 Programme expenditure

R million	Budget estimate	Adjusted appropriation 1999/00	Revised estimate	Medium-term expenditure estimate		
				2000/01	2001/02	2002/03
1999 Budget	1 829,3	1 841,3	1 841,3	2 529,3	2 848,5	–
2000 Budget	–	–	–	4 721,3	5 574,0	6 559,9
Change to 1999 Budget estimate	–	12,0	12,0	2 192,0	2 725,5	–

The *Special defence account* provides for the acquisition of special defence equipment, including the modernisation or modification of existing equipment, research and development, as well as special defence activities to realise the SANDF's armament acquisition plan.

The increase in the baseline estimates for this programme provides for additional spending on new strategic arms purchases. The cost of the strategic procurement is estimated at R2,899 billion in 2000/01, R4,056 billion in 2001/02 and R5,050 billion in 2002/03.

Table 21.21 Special Defence Account: Key activities and outputs

Key activities	Outputs
Augment the Special Defence Account for financing special defence activities and purchases	Special Defence activities as approved by the Ministers of Defence and Finance

During 1999/00, the programme handled 55 acquisitions or development projects, eight technology retention projects and 10 capability maintenance activities and sensitive projects.

Public entities reporting to the Minister responsible for Defence

Armcor

The Armaments Development and Production Act of 1968 empowers Armcor to:

- Develop, manufacture, service, repair and maintain armaments.
- Exercise control over the development, manufacture, procurement, marketing, import and export of armaments.

The Act is currently being revised to take into account the changed defence environment.

The Armcor Group has seven subsidiaries:

- Institute for Maritime Technology (Pty) Ltd.
- Gerotek Test Facilities (Pty) Ltd.
- Alkantpan (Pty) Ltd.
- Military Sales and Services (Pty) Ltd.
- Protechnik Laboratories (Pty) Ltd.
- Hazmat Protective Systems (Pty) Ltd
- Ennon Systems (Pty) Ltd.

The total assets of the Armcor Group and its subsidiaries amounted to R372 million on 31 March 1999, compared with R362 million in 1998. The liabilities of the group decreased by 3 per cent to R115 million over the same period. Although gross revenue has decreased from R323 million in 1998 to R313 million in 1999, the Armcor Group shows a net income of R5 million for 1999.