

Medium-term priorities and public service delivery

South Africa's public spending priorities are guided by government's objectives of accelerating economic growth and job creation, expanding the progressive social security net, investing in human development, reducing poverty and modernising the services and functions provided by the state. In addition, over the medium term, government is preparing for South Africa to host a successful 2010 FIFA World Cup.

The 2007 Budget has a strong focus on programmes that promote sustained investment in productive capacity and undoing barriers to growth embedded in the post-apartheid landscape. Additional support targets priorities such as increasing teacher remuneration, upgrading public transport and improving the delivery of housing, health, education and justice.

In addition to the broad array of policies that aim to encourage more rapid economic growth – while addressing pressing social service and administrative challenges – government is taking decisive steps to reduce the incidence of crime. The 2007 Budget provides significant funding for additional infrastructure and personnel in the criminal justice sector, and for programmes aimed at modernising justice administration.

Growth, job creation and service delivery

South Africa's economic performance has steadily improved over the past seven years, and government has put in place coordinated initiatives to achieve an economic growth rate of 6 per cent or more by 2010. The pace of job creation appears to have quickened to about 300 000 a year, and the widened social security system now provides income support to nearly 12 million people. The provision of basic water, sanitation, housing and electrification contribute significantly to poverty reduction and improved living conditions.

Economic performance enables solid expenditure growth

Sustained economic growth and a sound fiscal position make it possible to budget for strong increases in public service delivery. Non-interest expenditure has increased by 8 per cent annually in real terms since 2001, and is projected to rise at an annual rate of 7,7 per cent over the next three years. There have been lags in implementation and challenges in the coordination of delivery, especially for large infrastructure projects, but the pace of investment has increased markedly since 2001 and continues to grow strongly.

Improving coordination and spending capacity receive added attention

Government is taking steps to modernise the state and the ability of state institutions to deliver on their mandates. There are substantial challenges – some relating to the efficient allocation of resources across policy priorities, and others related to the effectiveness of spending by departments and other entities. The 2007 Budget gives special attention to the need to improve coordination in policy development and planning, and technical capacity to manage expenditure effectively.

This chapter discusses government's policy priorities and related spending proposals in 2007/08 and over the medium term. Implications for the division of revenue, and for provincial and local government, are set out in Chapter 8.

Medium-term budget priorities

Sustaining growth is a key policy priority

The key social and economic development policy objectives informing budget allocations over the next three years are:

- Supporting conditions for sustaining economic growth by investing in major economic infrastructure projects, especially stadium and transport infrastructure related to the 2010 FIFA World Cup, and research and development.
- Increasing the social wage through investments in bulk water and sanitation, and other essential services, as part of government's effort to extend basic household services to all.
- Eliminating backlogs in social services delivery, paying special attention to salaries, skills and attracting more people to the professions of health, education, and social development.
- Modernising the state, including greater policing capacity, a reduction in court case backlogs and public administration reforms focused on strengthening the ability of local government to do its job, and investing in and retaining critical skills in municipalities.
- Strengthening regional and international partnerships for peacekeeping and development.

Flowing from these commitments, the 2007 Budget proposals include additional allocations for the spending programmes and priorities summarised in Table 7.1. Policy considerations underlying these expenditure plans are discussed in more detail below, together with the main medium-term expenditure trends.

Consolidated expenditure and revised estimates

Expenditure increases to R729 billion by 2009/10

Consolidated expenditure will increase from an estimated R529,1 billion in the current fiscal year to R728,9 billion in 2009/10. Additional allocations in the 2007 Budget total R89,5 billion.

Savings and underspending

All government departments are encouraged to deliver services and manage institutions in a prudent manner. Sound management that reduces waste and inefficiency may lead to savings at the end of a financial year. However, underspending can also result from poor planning, poor management or both, resulting in the provision of fewer services than government intended.

Common causes of underspending include vacant posts that are not filled within a specified time frame; delays in the procurement of goods and services; and capacity constraints in planning for capital projects. Some amounts intended for provinces or municipalities as conditional grants are occasionally withheld due to the province or municipality not meeting the conditions of the grant. Together with provincial underspending, the total amount not spent in the 2005/06 financial year was R5,4 billion.

As a share of total spending, underspending in 2005/06 was slightly lower than in 2004/05. The proportion of unspent capital funds dropped sharply to 8 per cent in 2005/06 from 14 per cent in 2004/05. Underspending in the social security environment was partly a result of taking fraudulent beneficiaries off the roll, as well as lower grant uptake in certain categories, which resulted in a saving of about R1 billion in 2005/06.

Projected underspending of R2,1 billion in 2006/07 and declared savings of just over R2 billion was reported in the 2006 *Medium Term Budget Policy Statement*. Preliminary indications are that underspending for 2006/07 will turn out to be in the region of R5,3 billion.

Adjustments to the 2006/07 appropriations to national votes included the following:

- R1 billion for unforeseen and unavoidable expenditure, including compensation for flood-related damage to infrastructure and losses
- Approved rollovers of R3,4 billion arising from unspent balances in 2006/07
- R3 billion for recapitalisation of state-owned enterprises and initial stadium construction works
- Projected underspending and declared savings of R4,2 billion.

Details were set out in the *Adjusted Estimates of National Expenditure* for the 2006/07 year.

The proposed revision to the three-year baseline estimates for the 2007 Budget includes:

- R24,6 billion for the provincial equitable share
- R4,3 billion for higher education, teacher and social worker bursaries, and further education and training (FET) colleges
- R3,7 billion for hospitals and the comprehensive HIV and Aids programme
- R13,3 billion for infrastructure associated with the 2010 FIFA World Cup
- R7,4 billion for national roads and rail rehabilitation, and provincial infrastructure
- R6,7 billion for justice and crime prevention
- R4,7 billion for defence and foreign affairs
- R1,6 billion for targeted incentive schemes for small businesses, strategic industries and economic empowerment.

Table 7.1 2007 Budget priorities – additional MTEF allocations, 2007/08 – 2009/10

R million	2007/08	2008/09	2009/10	Total
Provincial equitable share	3 570	6 374	14 652	24 596
<i>includes school education, health care, welfare services, provincial infrastructure and economic development</i>				
Education, health and welfare				
Higher education and FET bursaries, research on ICT, adult literacy planning and mass literacy campaign	492	1 277	1 942	3 711
Teacher and social worker bursaries	170	285	610	1 065
Hospitals and modernisation of tertiary services	300	700	1 030	2 030
Comprehensive HIV and Aids plan	300	500	850	1 650
Housing and community development				
Housing grants	302	1 134	1 294	2 730
Municipal infrastructure, transport and water schemes	1 808	2 575	3 041	7 424
Municipal equitable share & Siyenza Manje	825	1 247	3 669	5 741
Cultural institutions and sports promotion	143	207	362	712
2010 FIFA World Cup stadiums and infrastructure	3 500	5 500	4 300	13 300
Economic infrastructure and investment				
National roads and rail rehabilitation	550	800	1 806	3 156
Communication networks	176	65	75	316
Provincial infrastructure	840	1 150	2 300	4 290
Industrial development zones and other infrastructure	377	37	10	424
Industrial development, science & technology				
Research and Development	165	261	272	698
Sector support and economic empowerment	872	325	430	1 627
Regulatory capacity	15	18	10	44
Justice and crime prevention				
Reducing case backlogs and enhanced capacity	325	478	659	1 461
Policing equipment, facilities and personnel	358	661	1 332	2 351
Correctional facilities and security systems	953	966	1 011	2 929
International relations and defence				
Military skills development	50	100	300	450
Defence modernisation	300	1 000	2 250	3 550
Foreign Affairs capacity and African Renaissance Fund	158	166	372	696
Public administration capacity				
SARS core systems upgrade and customs scanners	274	423	620	1 317
Statistics SA	170	166	394	730
Other adjustments	839	-209	1 921	2 551
Total policy adjustments	17 833	26 206	45 510	89 550

Allocations emerge from an extensive budget process within government

Table 7.1 provides a breakdown of the main spending adjustments in support of policy priorities over the medium term. These allocations are the outcome of an extensive budget process that begins with the approval of a broad medium-term strategic framework by Cabinet. This serves as the basis for thorough engagement between the line departments and their respective treasuries. Out of this process, recommendations are made to Cabinet, which decides on the amounts to be finally appropriated by Parliament.

A functional classification of consolidated government expenditure is set out in Table 7.2. It takes into account consolidated national,

provincial and social security fund expenditure, and spending by various public entities and government business enterprises.

Consolidated expenditure will increase from an estimated R529,1 billion in 2006/07 to R728,9 billion in 2009/10, largely financed through the national budget. Additional allocations over the 2007 MTEF bring expenditure growth to 11,3 per cent over the period, providing further impetus to accelerated growth and broad-based development.

Additional allocations of R89,5 billion over medium term

Table 7.2 Consolidated government expenditure by function, 2006/07 – 2009/10

R million	2006/07	2007/08	2008/09	2009/10	Average annual growth	
	Revised estimate	Medium-term estimates			2003/04–2006/07	2006/07–2009/10
Protection services	78 926	88 218	94 982	102 670	9,1%	9,2%
Defence and intelligence	27 848	30 293	32 060	32 979	5,7%	5,8%
Police	34 257	37 970	41 310	45 925	12,8%	10,3%
Prisons	9 525	11 086	11 742	12 688	5,6%	10,0%
Justice	7 296	8 870	9 870	11 078	11,5%	14,9%
Social services	270 072	302 842	338 819	375 214	14,6%	11,6%
Education	95 520	105 492	117 947	130 713	10,2%	11,0%
Health	56 433	62 663	68 758	76 048	13,3%	10,5%
Social security and welfare	81 239	89 353	98 264	107 685	16,4%	9,8%
Housing	9 841	13 036	16 307	19 331	16,5%	25,2%
Community development	27 038	32 298	37 544	41 438	32,7%	15,3%
Economic services	91 276	109 846	123 452	136 403	15,5%	14,3%
Water schemes and related services	14 996	17 440	18 214	20 365	5,0%	10,7%
Fuel and energy	3 909	2 996	3 419	4 228	34,4%	2,7%
Agriculture, forestry and fishing	10 557	12 982	13 966	13 793	16,2%	9,3%
Mining, manufacturing and construction	3 219	3 702	2 676	2 817	33,5%	-4,4%
Transport and communication	36 692	46 715	56 464	64 123	18,8%	20,5%
Other economic services	21 903	26 011	28 712	31 078	14,2%	12,4%
General government services and unallocable expenditure	33 515	40 107	43 083	45 786	10,5%	11,0%
Allocated expenditure	473 789	541 013	600 335	660 073	13,5%	11,7%
Interest	55 288	56 120	57 218	55 849	3,3%	0,3%
Contingency reserve	–	3 000	8 000	13 000		
Consolidated expenditure¹	529 077	600 134	665 553	728 923	12,2%	11,3%

1. Consisting of national, provincial, social security funds and selected public entities. Refer to Annexure D for a detailed list of entities included.

At 15,9 per cent average real growth, capital expenditure is the fastest-growing category on a consolidated basis. This includes the major capital programmes of the state-owned enterprises, where spending is accelerating. The rapid growth in budgeted expenditure does pose a challenge in terms of the capacity to effectively utilise these amounts. However, there has been real progress on capital spending as the proportion of unspent capital funds dropped to 8 per cent in 2005/06 from 14 per cent in 2004/05. Although the extent of total underspending for 2006/07 will only be known at the end of March 2007, it is estimated that the figure will be about R5,3 billion, slightly higher than in 2005/06.

Progress in capital spending, as unspent funds fall to 8 per cent

The subsequent sections of this chapter discuss additional allocations for each major functional group (economic services, social services, protection services and administrative services) over the MTEF period. In each case, the key policy issues are presented, together with a summary table of the revised budget estimates that are derived from the 2006 forward estimates and the new allocations.

Economic development

Accelerated infrastructure investment

Infrastructure investments provide platform for growth

Infrastructure investment makes up a steadily increasing share of general government expenditure and will, over the next few years, provide a strong platform for accelerated future growth. This is part of government's broader capital investment programme, focused on creating economic opportunities for businesses and individuals, along with progressive improvements in household living conditions.

2010 FIFA World Cup projects give impetus to improving transport

Hosting the 2010 FIFA World Cup provides an opportunity to reduce infrastructure investment backlogs in metropolitan areas and municipalities. These investments will target a wide range of projects – from improvements in sport facilities to roads and public transport networks – and serve as a catalyst for tourism promotion, sports development and voluntary community participation.

In the 2006 Budget, initial allocations of R4,1 billion were made for the 2010 FIFA World Cup. This is increased further, with an additional R13,3 billion over the medium term. Of the total amount, R8,4 billion is earmarked for stadium construction and the balance is allocated to associated infrastructure.

In support of the conversion of signal distribution in South Africa to a digital system, Sentech receives an additional R200 million. The Department of Communications receives an allocation of R21 million for the East African submarine cable system.

2010 FIFA World Cup

Nine South African cities have been designated to host 2010 FIFA World Cup matches: Cape Town, Nelson Mandela, eThekweni, Mbombela, Polokwane, Rustenburg, Tshwane, Johannesburg and Mangaung. Critical dates include the following:

December 2006:	Stadiums and transport infrastructure planning complete (achieved)
January 2007:	New stadium and supporting infrastructure construction commences
September 2008:	FIFA inspection team reviews state of readiness
December 2008:	Construction work on selected stadiums complete
June 2009:	South Africa hosts Confederations Cup
December 2009:	Stadiums and supporting infrastructure complete
June 2010:	FIFA World Cup

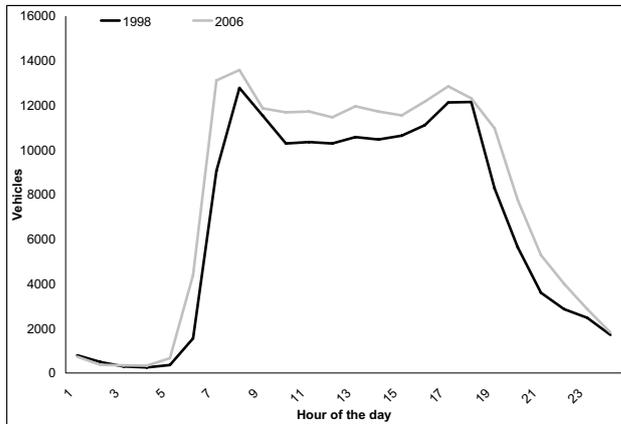
The bulk of national government's proposed financial contribution is for the construction of five new stadiums, upgrading of five existing stadiums and installation of transport-related supporting infrastructure in host cities. In addition, the budget will include provision for community and cultural events leading up to and during the competition, emergency health and disaster management services, improved services at ports of entry, and an increase in security to ensure the safety of visitors and participants.

Addressing traffic congestion in Gauteng

The concentration of vehicles in urban areas, increased new vehicle sales, and widespread commercial and residential property development have resulted in increased traffic congestion. The South African Institution of Civil Engineering estimates that traffic congestion is costing South Africa about R2,5 billion a year in lost time and fuel wastage.

Over the past two years about 1,3 million new motor vehicles have been purchased in South Africa, placing new pressure on the road network. Vehicle sales in Gauteng account for nearly 40 per cent of national sales, and the province already has the highest number of registered motor vehicles per kilometre of road length. The effect of increasing traffic volumes on the N1 Ben Schoeman highway, between the Buccleuch and Allandale Interchange, is seen in the graph below.

Hourly traffic volume on a normal Thursday, 1998 and 2006



One approach to traffic congestion is to make use of an intelligent transport system (ITS). The National Roads Agency has recently invested R50 million in an ITS to deal with congestion challenges. This system applies the latest technology in transportation planning and operations. The ITS will initially focus on the N1 Ben Schoeman section (22km) and on placement of a fibre optic cable to enhance telecommunication and transfer traffic data on the N3 between the Buccleuch and Geldenhuis interchanges.

The National Roads Agency is rolling out the ITS over another 180km, with extensions on the N1, N3, N4, N12 and N17 for fibre optic cable and cameras due for completion in March 2007.

The transport sector receives additional resources to implement a comprehensive plan for transport network extension, road upgrades, commuter rail and the airports. The South African National Roads Agency receives total additional funding of R2,1 billion for the maintenance of the national road network, and the South African Rail Commuter Corporation receives additional funding of R1,9 billion for rolling stock and signalling systems for priority corridors. Another R5,5 billion is allocated to host cities in support of public transport infrastructure for the 2010 FIFA World Cup and the development of integrated rapid transit networks.

Major allocations for upgrading roads, rail and airports

Industrial development and economic transformation

In support of AsgiSA, which sets targets for more rapid growth, the 2007 Budget has a strong focus on programmes that promote robust and sustained investment in productive capacity and undoing barriers to growth embedded in the post-apartheid landscape. Obstacles to

Removing barriers and supporting broad-based development

growth include barriers to black land and business ownership, highly uneven education and training systems, and inefficient spatial planning and infrastructure networks.

Incentives support small business, targeted industries and women in business

The 2007 Budget allocates additional resources of R1,6 billion to support small businesses, the recapitalisation of the National Empowerment Fund, the recapitalisation of Khula, support for women in business and a cooperative incentive scheme. These programmes seek to broaden participation in the economy. Additional funds support the incentive schemes run by the Department of Trade and Industry in support of film and television production, export marketing, black supplier development and strategic investments.

Public works programme continues to create job opportunities

Additional resources of R125 million are provided to improve the monitoring and evaluation capacity of the expanded public works programme, which continues to draw significant numbers of people into productive work, accompanied by training. About 385 000 job opportunities have been created under this programme in its first two and a quarter years.

There are also research efforts focused on reducing the regulatory and compliance burdens affecting small businesses, including a review of possible amendments to tax laws.

Support for science and technology with wide applications

Allocations to the Department of Science and Technology grow strongly over the medium term in support of the implementation of the National Research and Development Strategy. An additional R1,2 billion is proposed for an integrated approach to human resource development, knowledge generation, investment in infrastructure, and improvements to the strategic management of the public science and technology system. Biotechnology and space technologies receive special attention. Investments include bioengineering to treat polluted mine waste water, vaccine development and gene analysis.

Funding for a new broadband access platform

The South African Research Network receives R95 million. This joint project between the Departments of Science and Technology and Public Enterprises aims to establish cost-effective broadband access to global research networks, stimulating innovation. The network will also increase South Africa's appeal to international companies that wish to conduct research here.

An additional R500 million is allocated for the Square Kilometre Array radio telescope project, which South Africa is bidding to host.

Black economic empowerment

A wide range of government initiatives now provides direct and indirect support for BEE, including equity finance, training, management support, partnerships, social investment projects and the Codes of Good Practice for Broad-Based Black Economic Empowerment.

Most departments have BEE programmes in place. In 2007/08 the National Treasury will begin to collect information on the various programmes and the level of their funding. One such initiative is the National Empowerment Fund (NEF), capitalisation of which has been fast-tracked during 2006/07 and 2007/08. Some R2,8 billion has been allocated to the NEF. In 2006/07 NEF funding led to the establishment of 60 small and micro enterprises and the creation of 884 new jobs.

The asset management division of the NEF is set to release its first BEE retail product in 2007 following necessary regulatory approvals.

Table 7.3 Economic services and infrastructure: expenditure by vote, 2003/04 – 2009/10

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	Outcome			Revised estimate	Medium-term estimates		
Appropriation by vote							
Agriculture	1 195	1 408	1 907	2 328	2 281	2 385	2 400
<i>Grants to provinces</i>	66	344	410	401	462	484	530
Communications	841	1 654	1 034	1 317	1 424	1 477	1 517
Environmental Affairs and Tourism	1 456	1 661	1 776	2 027	2 591	2 786	2 970
Housing	4 560	4 808	5 249	6 916	8 878	10 585	12 529
<i>Grants to provinces</i>	4 355	4 589	4 868	6 404	8 238	9 853	11 531
Land Affairs	1 636	2 022	2 877	3 330	5 679	5 995	5 191
<i>Grants to provinces</i>	–	6	8	8	–	–	–
Minerals and Energy	1 812	1 876	2 192	2 516	2 966	3 408	4 147
<i>Grants to local government</i>	245	196	297	355	468	596	897
Public Enterprises	84	679	2 671	2 870	1 064	141	150
Science and Technology	1 392	1 633	2 041	2 617	3 142	3 639	4 088
Trade and Industry	2 349	2 522	3 056	3 842	4 846	4 667	5 291
Transport	6 233	6 680	10 410	13 102	15 858	19 576	21 455
<i>Grants to local government</i>	9	–	242	170	1 174	3 170	2 325
Water Affairs and Forestry	4 251	3 858	3 804	3 866	5 306	6 605	7 871
<i>Grants to local government</i>	1 295	341	165	300	550	600	462
Total	25 808	28 801	37 017	44 731	54 034	61 266	67 610

Skills development for economic growth

As a consequence of sustained economic growth, demand for planning, industrial and engineering skills has rapidly outpaced supply. Through the Department of Labour, the joint initiative on priority skills acquisition will track individuals with scarce skills and conduct registration, job matching, counselling, career guidance and placement services.

Joint initiative on skills conducts job matching, guidance and placement

More than 50 000 artisans need to be trained over the next several years, and the Department of Labour is conducting an artisan development programme aligned to the National Skills Development Strategy. More than 116 000 learners have been registered through the Sector Education and Training Authority system.

Continuing focus on skills development through SETAs

A complementary programme receives funding to develop skills of FET educators. This “training of the trainers” takes place at the Institute for National Development of Trade, Employment and Labour Assessment, which receives R47 million for upgrading of facilities and equipment.

Additional resources of R681 million are also proposed for bursaries and curriculum development in the FET college sector. The bursary scheme will enable learners from disadvantaged backgrounds to attend FET colleges. Previous budgets provided R2 billion for the recapitalisation of this sector.

Support for FET college bursaries

Scarce skills in the social sector

Government has worked for a number of years to remedy the shortage of skills in the social sector. The 2007 Budget boosts funding for the training of social workers and educators.

Social work scholarships

The development of legislation such as the Children's Act, Older Person's Act and the Child Justice Bill has increased the demand for social workers. As a means of retaining social workers, their salaries were re-graded in the 2005/06 Budget, resulting in improved remuneration. A social worker recruitment and retention strategy has been developed. Over the medium term, government is making available R365 million for social work scholarships to be administered by the National Student Financial Aid Scheme.

Educator bursaries

The Department of Education will implement a new R700 million bursary scheme for prospective educators over the next three years. A total of 3 000 bursaries will be awarded in 2007/08, of which 900 will go to students who are expected to complete a one-year post-graduate diploma in 2007/08. In total, more than 13 000 students are expected to benefit from this scheme over the next three years. The awarding of bursaries will be linked to a service contract in which students commit to teach in a given province for at least the same amount of time that they received a bursary. While the bursary scheme aims to attract students to the teaching profession in general, there will be a focus on specific areas where need is greatest. Preference will be given to those who want to train in subjects such as mathematics, science and technology.

Social services

Education

Broadening reach of no-fee schools in 2007

Education remains the largest category of government spending, and is the key to sustaining long-term growth and reducing inequality. Progress has been made in expanding access to education, including the phasing in of no-fee schools in 2006. This funding reform is targeted at 40 per cent of pupils by 2007.

Improving the quality of school education is one of government's central priorities. Since 2001, there has been strong growth in spending on learner support materials and, more recently, on capital spending for classrooms, facilities and equipment. The introduction of no-fee schools and the financing arrangements associated with this development represents a major new investment in the education of children, particularly in poor schools.

New support for adult literacy programme

The Department of Education receives a budget increase of R4,6 billion. Of this amount, R2,2 billion goes to the higher education subsidy, which now grows at an annual average rate of over 11 per cent over the next three years. The adult literacy programme receives R850 million and R81 million goes to prepare examinations based on the new curriculum for grades 11 and 12. To improve educational outcomes, R90 million has been allocated for expanding the scope and frequency of systemic evaluation to improve the overall performance of the education system. In addition, R87 million has been allocated to improve the appraisal and development of teacher performance.

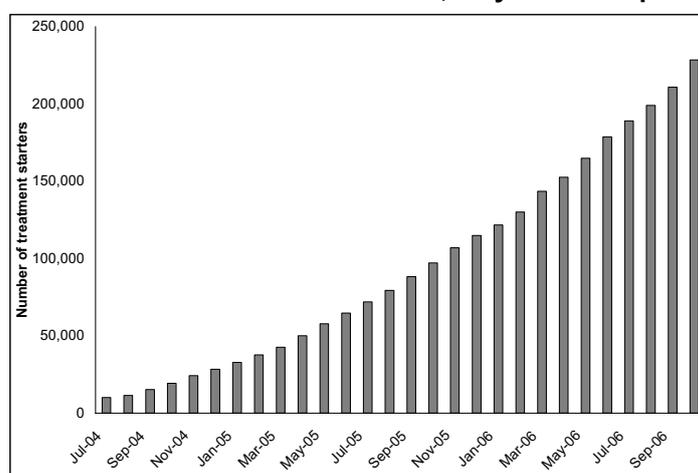
The 2006 *Medium Term Budget Policy Statement* announced an additional R2,1 billion for personnel-related issues in schooling. The 2007 Budget proposes that a further R6 billion be allocated to provincial budgets to improve teachers' pay progression, to increase the number of clerical and support staff in schools and districts, to hire teaching assistants (especially in the foundation phase) and to provide targeted incentives to teachers in critical subjects.

R6 billion for pay progression of teachers

HIV and Aids

Efforts to control the HIV and Aids epidemic are being strengthened. The 2007 Budget commits an additional R1,65 billion to the conditional grant for HIV and Aids over the three-year spending period to extend the comprehensive treatment programme, which is currently being implemented at 272 sites. The progress of treatment uptake is shown in the graph below. Additional funding should allow treatment numbers to double over the next three years. Spending on dedicated HIV/AIDS programmes by health, education and social development departments will exceed R5 billion annually by 2009/10, as shown in the table below.

Number of Aids treatment starters, July 2004 – September 2006



HIV and Aids: dedicated funding, 2003/04 – 2009/10

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
HIV and Aids conditional grant (Health)	334	735	1 150	1 616	1 946	2 235	2 676
National department of Health ¹	343	372	362	410	467	493	520
Provincial departments of Health ¹	285	412	542	762	878	992	1 159
Education conditional grant	126	134	136	144	158	168	177
Social Development (Provinces and National)	88	128	223	339	452	561	589
Defence	–	–	–	26	32	58	61
Research and vaccine development (Medical Research Council)	89	88	92	121	106	112	110
Total	1 265	1 869	2 505	3 418	4 039	4 619	5 292

1. Excludes conditional grants.

Prevention programmes are improving. Voluntary counselling and testing were available in 90 per cent of health facilities in 2005/06. Schools teach life skills as a compulsory subject and run awareness campaigns and train educators and peer councillors. A range of successful awareness programmes are run in conjunction with non-governmental organisations. Indicators such as condom usage and sexually transmitted disease incidence show progressive improvement.

Health

New remuneration dispensation for health professionals

Health services receive particular attention in the 2007 Budget with an additional provision of R4,6 billion, through provincial budgets, for a new remuneration dispensation for health professionals to be phased in over the next three years. This will focus on improving the salaries of qualified health professionals in the public service. The final agreement must still be negotiated in the bargaining chamber and is expected to be implemented from 1 July 2007. In addition the number of health workers employed in the public sector, which has increased by 21 099 over the two years to December 2006 (from 223 403 to 244 502), will be stepped up by an additional 30 000 over the MTEF period.

Additional allocations for hospital revitalisation and other health-related programmes are discussed in Chapter 8.

Social assistance grants and welfare services

Social assistance grants rise to R74 billion in 2009/10

The social development vote includes R58 billion for social assistance grants to households in 2006/07, rising to R74 billion in 2009/10. The budget for administering the social grants increases from R3,9 billion in 2006/07 to R4,4 billion in 2007/08. The Department of Social Development receives a baseline budget increase of R183 million to improve implementation and monitoring of policy and oversight of the two public entities reporting to the minister, namely the National Development Agency and the South African Social Security Agency. Further details are provided in Chapter 8.

Sustainable livelihoods, urban development and planning

Upgrading of informal settlements continues

The comprehensive plan for the development of sustainable human settlements aims to accelerate the delivery of housing through more streamlined municipal and residential development planning, government financial assistance and mobilisation of financial sector resources. Implementation over the decade ahead will involve the upgrading of informal settlements, the development of a greater range of housing options, greater mobilisation of credit in support of housing construction, and more sustainable mixed-use neighbourhoods that are integrated into existing settlements.

Policy options to improve low-cost housing market under consideration

Financing constraints for the low-cost housing market are associated with increasing costs of housing and risk in providing mortgages. The National Treasury is considering policy options to alleviate market constraints in the low-cost housing market, understanding that such an initiative will allow for further funding from the deposit sector, pension schemes, short-term insurance and life offices.

Meeting commitments of Financial Sector Charter

The Financial Sector Charter has committed the private sector to make investments of R123 billion in the 12 years leading up to 2014 to introduce greater equity in the allocation of national savings, with R42 billion allocated to housing. The charter targets the 2,4 million households earning between R1 600 and R8 200 per month. Up to

December 2005, R17 billion worth of loans had been originated in this market segment.

Table 7.4 Social services: expenditure by vote, 2003/04 – 2009/10

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	Outcome			Revised estimate	Medium-term estimates		
Appropriation by vote							
Arts and Culture	924	1 114	1 121	1 330	1 608	2 084	2 368
Education	10 557	11 340	12 437	14 255	16 001	18 226	19 401
<i>Grants to provinces</i>	1 136	991	1 248	1 713	1 906	2 201	1 501
Health	7 736	8 455	9 937	11 357	12 655	13 944	15 199
<i>Grants to provinces</i>	6 783	7 444	8 907	10 207	11 321	12 543	13 726
Labour	1 072	1 164	1 296	1 433	2 033	1 698	1 790
Social Development	39 357	47 766	55 068	61 870	67 232	73 220	79 269
Sport and Recreation SA	224	283	437	922	3 157	4 364	1 980
<i>Grants to local government</i>	122	134	–	600	2 700	3 800	1 300
<i>Grants to provinces</i>	–	9	24	119	194	290	402
	59 870	70 121	80 296	91 168	102 686	113 537	120 008
Statutory appropriations							
Labour: Skills development	3 777	4 725	4 883	5 500	6 000	6 500	6 825
Total	63 647	74 847	85 179	96 668	108 686	120 037	126 833

Protection and security

Justice, crime prevention and policing

Expenditure in the protection and security services cluster is projected to increase by an average annual rate of 9,4 per cent between 2006/07 to 2009/10. The number of police personnel continues to grow, with a focus on strategic locations and sector policing. Over the MTEF period, an additional R2,4 billion allocation will enable the recruitment of about 34 000 police personnel, of which 10 000 (8 000 police and 2 000 civilians) are new positions.

8 000 more police officials to fight crime

Table 7.5 Justice and protection services: expenditure by vote, 2003/04 – 2009/10

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	Outcome			Revised estimate	Medium-term estimates		
Appropriation by vote							
Correctional Services	7 850	8 829	9 631	9 225	10 742	11 366	12 268
Defence	20 505	20 201	23 511	23 876	25 922	28 016	28 632
Independent Complaints Directorate	41	47	55	62	81	95	111
Justice and Constitutional Development	4 236	4 670	5 154	5 886	7 278	8 166	9 228
Safety and Security	22 693	25 415	29 361	32 521	35 917	39 143	43 569
	55 325	59 162	67 711	71 570	79 941	86 787	93 807
Statutory appropriations							
Justice and Constitutional Development: Judges and Magistrates salaries	730	829	1 040	1 110	1 264	1 339	1 420
Total	56 055	59 991	68 751	72 679	81 204	88 127	95 227

Staffing the criminal justice system

The Department of Safety and Security introduced sector policing in 2002/03 to increase visibility and accessibility of police officers, particularly in high-crime areas. The programme committed the South African Police Service (SAPS) to annual personnel targets, which have been met each year, achieving a total of 155 532 police officers at the end of March 2006. Over the three-year spending period, the SAPS expects to increase personnel numbers by an additional 34 088, which includes both functional personnel and the civilian corps, bringing the total number of safety and security personnel to 189 620 by end of March 2010. Additional personnel will be deployed to perform functions related to detective services, crime intelligence, border security, crime prevention, and protection and security services, as well as for providing security during the 2010 World Cup. An additional 15 000 reservists will be appointed by the end of 2008/09.

Number of employees

Department	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Safety and Security	139 023	148 970	155 532	163 060	171 820	181 320	189 620
Justice and Constitutional Development	18 893	21 005	21 080	21 199	21 994	22 443	22 798
Correctional Services	34 207	33 666	35 756	38 594	44 849	45 098	45 674
Total	192 123	203 641	212 368	222 853	238 663	248 861	258 092

The total personnel establishment of Justice and Constitutional Development is expected to increase from 18 893 in 2003/04 to 22 798 in 2009/10 – an increase of 3 905 members. A large portion of this increase is in the personnel contributing to court services, such as prosecutors, judges, magistrates, lay assessors, interpreters and court managers. The assignment of two prosecutors per court will be fully implemented over the MTEF period. In addition, 39 additional judges and 37 magistrates will be appointed in 2007/08.

Correctional Services maintains a personnel establishment that supports 24-hour, 7-day a week operations and its rehabilitation initiative. Over the medium term this will be achieved by the additional allocations to fund an increased establishment of 45 674 posts. This will provide for an additional 5 554 operational posts to fully implement the 7-day work week from 2007/08; a further 525 supervisory posts to manage these additional personnel; 447 staff posts critical to rehabilitation improvements – such as psychologists, social workers and medical personnel; and 239 posts to be able to fully utilise the Kokstad correctional facility.

Additional funds to improve administration of justice

Government is also prioritising the modernisation of court processes and ensuring access to justice services for all citizens. R1,5 billion is allocated to improve the administration of justice, increase the statutory provision for judges and magistrates' salaries, and enhance capacity in the National Prosecuting Authority, the Legal Aid Board, the Special Investigating Unit, the judiciary and the magistracy. The justice college annual work programme is being aligned to the training needs resulting from the implementation of new legislation. Funding has also been set aside for the construction of two new high courts in Mpumalanga and Limpopo.

Revamping safety in prisons and surrounding areas

With a view to enhancing safety inside and outside of prisons, the Department of Correctional Services receives R2,9 billion for the implementation of a master information systems plan, improved staffing capacity, and the rollout of X-ray scanners and access control systems at all prisons over the next six years. The department has also begun construction of a new prison in Kimberley.

The Department of Defence has begun a process of equipment modernisation and attracting younger staff. An amount of R6,2 billion is allocated over the three-year period for the acquisition of eight A400M transport aircraft, the replenishment of strategic munitions in 2009/10, and to increase the intake of young South Africans into the Military Skills Development System.

Defence force is working to modernise equipment and recruit younger staff

Governance and administration

Improving public service delivery

The 2007 Budget gives special attention to addressing the challenges of poor service delivery and inefficiency in the public sector. Research led by the Cabinet's governance and administration cluster has highlighted capacity gaps throughout government, and steps are being taken to modernise state institutions, strengthening their ability to deliver on their mandates.

Addressing challenges of poor service delivery is top of agenda

Priorities for the period ahead include improved coordination between national, provincial and local government; strengthening technical skills in local government; modernising departmental systems; and introducing a government-wide monitoring and evaluation system that can track progress.

The increase to the budget of the Government Communication and Information System totals R148 million. This amount includes R45 million for the International Marketing Council and R24 million for communications related to the 2010 FIFA World Cup.

Enhanced government communications

System improvements, modernisation of customs administration and the purchase of container scanners have been prioritised for the South African Revenue Service, which receives an additional R1,3 billion over the MTEF period.

A total of R730 million is allocated to Statistics South Africa to fund more frequent surveys of employment and job-creation, expanded regional offices and resources for the 2011 Census. A community survey is being conducted in early 2007 that will measure the extent and impact of service delivery throughout the country.

More frequent surveys of employment and job creation are planned

After a successful pilot programme, government began rolling out a policy on incapacity leave and ill-health retirement. To date some 34 000 employees have been trained to use this system, which will be implemented in all provinces and departments by April 2009. Initial results indicate that this policy will have a considerable impact on reducing costs and increasing productivity by minimising abuse of sick leave and ill-health retirement.

Capacity constraints in local government and home affairs

Special attention is being paid to local government to ensure infrastructure development and the delivery of basic services to communities. Investments in planning, project management and technical capacity in municipalities are spearheaded by the Siyenza

Critical skills deployed in local government to speed up delivery

Manje initiative of the Development Bank of Southern Africa, Project Consolidate and the Infrastructure Delivery Improvement Programme.

From the total addition of R485 million that has been allocated to the Department of Provincial and Local Government, R400 million has been added onto the municipal infrastructure grant in 2007/08, and R85 million will be allocated to various commissions and boards, the cities network, and improvements in the coordination of disaster management.

Table 7.6 Central government administration: expenditure by vote, 2003/04 – 2009/10

R million	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
	Outcome			Revised estimate	Medium-term estimates		
Appropriation by vote							
The Presidency	143	168	190	231	255	263	272
Parliament	449	581	674	632	836	883	929
Foreign Affairs	2 164	2 393	2 688	3 022	3 856	4 088	4 665
Home Affairs	2 022	2 069	3 172	2 497	3 315	4 160	4 301
Provincial and Local Government	9 456	13 138	15 976	25 390	28 844	32 478	39 262
<i>Local government equitable share</i>	6 350	7 678	9 643	18 058	20 676	23 775	29 444
<i>Grants to local government</i>	2 593	4 943	5 947	6 956	7 749	8 253	9 330
<i>Grants to provinces</i>	260	220	41	–	–	–	–
Public Works	2 028	2 249	2 354	3 108	3 693	4 122	4 708
<i>Grants to local government</i>	262	–	–	–	–	–	–
Government Communication and Information System	186	211	254	295	376	390	427
National Treasury	12 140	13 535	13 101	16 504	19 708	21 841	24 005
<i>South African Revenue Service</i>	3 792	4 603	4 254	4 875	5 511	5 982	6 526
<i>Secret Services</i>	1 771	2 117	2 330	2 223	2 584	2 644	2 762
<i>Grants to local government</i>	645	517	388	640	995	1 650	1 850
<i>Grants to provinces</i>	2 534	3 348	2 984	4 983	6 164	6 847	7 997
Public Service and Administration	161	134	197	442	357	410	343
Public Service Commission	69	77	91	96	105	111	117
South African Management Development Institute	37	34	55	59	71	76	87
Statistics South Africa	300	371	644	1 103	1 100	1 251	1 545
Total	29 155	34 961	39 396	53 380	62 517	70 071	80 663
Statutory appropriations							
The Presidency	2	2	2	2	2	2	2
Parliament	191	204	212	223	242	254	267
State debt cost	46 313	48 851	50 912	52 178	52 916	52 967	50 915
Provincial equitable share	107 538	120 885	135 292	150 753	171 271	193 474	215 784
Total	183 199	204 903	225 813	256 536	286 949	316 769	347 631

Corruption and fraud in Department of Home Affairs to be addressed

Capacity constraints in the Department of Home Affairs severely restrict quality service delivery throughout government. The current challenges facing the department include corruption and fraud, the high incidence of fraudulent marriages and identity documents, and poor service. A turnaround strategy, with funding of R1,1 billion, is

being developed by a task team that includes the Department of Public Service and Administration, the Public Service Commission and the National Treasury. This will address programme management, organisation, technology, systems and financial management.

Public works programmes and government infrastructure

The Department of Public Works receives R125 million to improve its capacity to manage the expanded public works programme. The programme aims to increase the labour intensity of the construction and maintenance of government infrastructure, to make use of unemployed and unskilled workers who can gain work experience and skills. A further R380 million will go towards critical maintenance and upgrading of border posts, and R259 million towards improvements in human resources and information technology capacity, and support to the construction industry.

Enhanced capacity for expanded public works programme

International relations, peace and security

The interests of the African continent are central to South Africa's foreign policy, which includes support for the African Union and the New Partnership for Africa's Development.

African reconstruction

South Africa is committed to ensuring lasting solutions to conflict and meaningful economic prosperity for the African continent. South Africa's increasing diplomatic role has required a greater focus of the African Renaissance Fund and coordinated departmental interventions to extend support to the region.

Peace support operations

The South African National Defence Force (SANDF) continues peace-support operations in the Democratic Republic of the Congo (DRC), Burundi, Sudan and the Ivory Coast. Funding of R2,8 billion is provided over the MTEF for peace operations in the DRC, Sudan, Ivory Coast, Ethiopia and Eritrea, Northern Mali and cease-fire agreements in Burundi.

South Africa will continue to play an active role in support of the AU Peace and Security Council.

Technical assistance

Election management assistance has been provided to Lesotho, Zambia and the Comores, and South African observer missions and interdepartmental teams were posted to the DRC to facilitate two rounds of elections in 2006. A number of elections are taking place in Africa over the coming period, including those scheduled in Nigeria, Ivory Coast, Senegal and Sudan. The commission may be invited to observe these elections or to provide technical assistance.

Technical secondments have been provided to Botswana, Namibia, Mozambique, Nigeria and Zambia for skills transfer and human resource development. Printing services for secure documents such as revenue stamps, voters' rolls and ballot papers have been extended to various African countries.

Post-conflict development initiatives

South Africa will conduct a post-conflict support programme in southern Sudan and there is a further commitment to the DRC to contribute to the development of local governance structures. Various reconstruction projects include: assistance in policing in Sudan; science and technology programmes; water services and forestry development; development of infrastructure projects through South Africa's state-owned enterprises; and trade promotion and protection agreements with Malawi, Botswana, Zambia, the Republic of the Congo, Rwanda, Ethiopia, Guinea, and Cameroon.

African peace and development at heart of foreign policy

Over the three-year spending period, the focus is on engagement with, and support for, Africa's regional peace initiatives and post-conflict reconstruction processes. A further R275 million to the African Renaissance Fund is proposed over the medium term, together with improvements in its management. Government is also working to improve coordination between various government departments involved in regional and African initiatives.

Acquisitions of and improvements to the foreign properties of the Department of Foreign Affairs will continue. Ports of entry will be upgraded to facilitate the efficient movement of persons and goods across South Africa's border with neighbouring countries, and to prepare for an increase in visitors at the time of the 2010 FIFA World Cup.

Pan-African Parliament to be funded

The Department of Foreign Affairs receives an additional R1,6 billion, including adjustments to compensate for the depreciation of the rand. In addition to the African Renaissance Fund allocation, R151 million is made available for the Pan-African Parliament and R99,6 million funds the new head office campus, which is expected to be completed by March 2009. International representation receives a further R45 million.