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Consolidated spending plans

In brief

- Total consolidated government spending over the 2019 medium-term expenditure framework (MTEF) period is expected to be R5.87 trillion, with budgets amounting to R1.83 trillion in 2019/20, R1.95 trillion in 2020/21 and R2.09 trillion in 2021/22. The bulk of spending is allocated to learning and culture, social development, health and community development.
- Since the 2018 *Medium Term Budget Policy Statement* (MTBPS), proposed new allocations amount to R75.3 billion over the medium term, mainly reflecting the provisional allocations for reconfiguring Eskom, which amount to R69 billion.
- This is partially offset by baseline reductions, mainly for national and provincial government, amounting to R50.3 billion over the three-year period. As a result, non-interest expenditure is increased by R25 billion over the medium term.
- Compensation of employees remains the largest category of spending, accounting for an average 34.4 per cent of allocated expenditure over the MTEF period. The 2019 Budget introduces measures to contain growth in the wage bill that are expected to reduce compensation by R27 billion over the medium term.

Overview

This chapter outlines government's spending plans over the next three years. Government remains committed to prioritising social infrastructure, health services, access to education and social protection. Since the 2018 MTBPS, risks from Eskom and adverse economic conditions have required substantial spending adjustments. These are accompanied by other adjustments to contain the budget deficit and stabilise debt.

To limit growth in public debt and respond to poor revenue performance, baselines have been reduced by R50.3 billion over the next three years relative to the 2018 MTBPS. Proposed spending increases total R75.3 billion, of which R69 billion is set aside for reconfiguring Eskom. As a result, non-interest expenditure has been increased by R21.6 billion in 2019/20, R1.9 billion in 2020/21 and R1.4 billion in 2021/22.

Government expenditure is set to increase on average by 7.8 per cent over the MTEF period, from R1.67 trillion in 2018/19 to R2.09 trillion in 2021/22. Expenditure continues to grow above inflation, with real expenditure growth averaging 2.4 per cent. Funding has been reprioritised to improve

Risks from Eskom and adverse economic conditions have required adjustments to spending plans

Government spending continues to rise in real terms, with funds reprioritised to improve service delivery

service delivery, mainly in health, roads, public transport and educational infrastructure. In addition, R5 billion is set aside for the infrastructure fund. Provisional allocations of R4.3 billion have been made, mainly for road maintenance and broadband.

Measures to contain public-sector wage bill will help rebalance composition of spending

Compensation of employees remains the largest category of spending, accounting for an average 34.4 per cent of expenditure over the MTEF period. Government is implementing measures to contain the public-sector wage bill, which will produce some savings and assist in rebalancing the composition of expenditure.

Revisions to main budget spending plans

The 2018 MTBPS proposed reprioritisation of R33.4 billion over the next three years, while leaving the expenditure ceiling unchanged. Of this total, R16.9 billion was allocated to infrastructure programmes (including in schools), clothing and textile incentives, and public employment programmes. The remaining R16.5 billion was allocated to various programmes that assist in building capacity and delivering services.

Table 5.1 Adjustments to main budget non-interest expenditure since 2018 Budget

R million	2019/20	2020/21	2021/22	MTEF total
2018 Budget non-interest expenditure	1 434 907	1 543 593	1 651 638	4 630 138
2018 MTBPS¹				
Reprioritisation from slow spending programmes	-8 176	-10 347	-6 798	-25 321
Changes to contingency reserve and provisional allocations not assigned to votes	-1 779	-603	-5 671	-8 052
<i>Reallocations to:</i>				
National and provincial programmes	4 547	4 730	7 189	16 466
Infrastructure: grants, build and maintenance	5 408	6 219	5 280	16 908
Skills development levy adjustment	459	618	706	1 783
2018 MTBPS non-interest expenditure	1 435 366	1 544 211	1 652 345	4 631 922
2019 Budget¹				
Baseline adjustments	-9 002	-19 711	-21 568	-50 281
Changes to contingency reserve	6 000	-2 000	-6 000	-2 000
Additions to spending	24 000	23 000	28 300	75 300
National Revenue Fund payments adjustment	135	—	—	135
2019 Budget non-interest expenditure	1 456 500	1 545 500	1 653 077	4 655 076
<i>Change from 2018 Budget²</i>	<i>21 592</i>	<i>1 907</i>	<i>1 438</i>	<i>24 938</i>

1. Details of baseline adjustments by department provided in the Estimates of National Expenditure

2. Change in non-interest expenditure differs from the change in expenditure ceiling due to the addition of NRF payments, SDL adjustments and the provision for SOC funding in 2019/20

Source: National Treasury

Since the 2018 MTBPS, however, serious risks have materialised that require immediate attention to protect the public finances and limit the increase in public debt. As a result, the 2019 Budget proposes further baseline reductions. Even with these reductions, the expenditure ceiling will be raised by R16 billion over the medium term, mainly to finance the reconfiguration of Eskom.

To ensure service delivery is not negatively affected, the baseline reductions target specific national departmental programmes. Salaries for members of Parliament and provincial legislatures will be frozen. Public entities are also encouraged to freeze salary increases for senior employees. The contingency reserve is reduced in the outer two years.

Baseline reductions

In the 2019 Budget, most baselines have been reduced, with some funds reprioritised to infrastructure grants for municipalities and provinces. These changes respond to weak economic performance and revenue outcomes, as well as the reconfiguration of Eskom.

Most baselines reduced, with some funds reprioritised

Table 5.2 Largest baseline reductions over the MTEF period

R million	2019/20	2020/21	2021/22	MTEF total
2019 Budget baseline adjustments	-9 002	-19 711	-21 568	-50 281
Compensation of employees	-5 284	-10 998	-10 718	-26 999
Savings from early retirement	-4 800	-7 500	-8 000	-20 300
Other compensation measures ¹	-484	-3 498	-2 718	-6 699
Specific programmes	-1 500	-3 300	-8 000	-12 800
Agricultural Land Holding Account: Land reform	–	-500	-500	-1 000
Land restitution grants	–	-500	-500	-1 000
Transfers to the Special Defence Account	–	–	-5 000	-5 000
Human settlements development grant	–	-1 000	-2 000	-3 000
Passenger Rail Agency of South Africa	-1 500	-800	–	-2 300
Integrated National Electrification Programme	–	-500	–	-500
Other adjustments²	-2 218	-5 413	-2 850	-10 481
2018 MTBPS baseline adjustments³				
Passenger Rail Agency of South Africa:	-2 404	-2 014	-1 542	-5 960
Slow progress on capital programmes				
National health insurance indirect grant:	-686	-1 148	-1 122	-2 956
Personal services component				
Social grants: Delay in implementing extended child support grant	-500	-500	–	-1 000
Integrated national electrification programme	-265	-268	-282	-815

1. Change to performance bonus payments, active management of overtime and progression payments and savings from reconfiguration of the state

2. Reduction in public entity goods and services, savings from reconfiguration of the state and adjustment of unallocated amounts

3. Selected information on large baseline reductions and reprioritisation over the MTEF period, details provided in the Estimates of National Expenditure

Source: National Treasury

As far as possible, the expenditure allocations have been lowered in line with the goal of improving the effectiveness and composition of spending. Reductions mainly affect specific departmental programmes and transfers to public entities.

Over the medium term, government will take additional steps to manage growth in compensation. The combination of natural attrition and active measures allow for a reduction of compensation budgets by R5.3 billion in 2019/20, R11 billion in 2020/21 and R10.7 billion in 2021/22. Wage increases for members of Parliament and provincial legislatures are frozen in 2019/20. In addition, public entities are encouraged to freeze salaries of employees earning R1.5 million or more a year in 2019/20, while those earning between R1 million and R1.5 million a year should receive a below-inflation increase of 2.8 per cent. This follows several years of below-inflation increases for senior management in national and provincial government.

Wage freeze for members of Parliament and provincial legislatures in 2019/20

Government has reduced allocations to specific programmes as shown in Table 5.2. The Special Defence Account, which manages the acquisition and upgrading of main weapon systems and technology for the

Special Defence Account reduced by R5 billion in 2021/22

Department of Defence, was reduced by R5 billion in 2021/22. Goods and services budgets in public entities are lowered by 1 per cent.

Baseline adjustments proposed in the 2018 MTBPS focus mainly on slow and underspending programmes, like the capital programme in the Passenger Rail Agency of South Africa. These resources have been reassigned to other programmes that require immediate funding. Details of the largest reprioritisations are also provided in the 2019 *Estimates of National Expenditure*.

Changes to medium-term allocations

R23 billion set aside for Eskom over each of next three years

Over each of the next three years, R23 billion is set aside for reconfiguring Eskom. This is the most significant change to the medium-term allocations. The Eskom separation is discussed in Chapter 1 and Annexure W3, which is published on the National Treasury website.

Over the MTEF period, the majority of reprioritised funds are moved to improve infrastructure, which enhances the ability to deliver services or increase production. These include allocations to maintain roads, eradicate pit latrines at schools, and expand the integrated public transport network. Other reprioritisations support health services in provinces and the South African Post Office.

Table 5.3 Largest additions to baselines over the MTEF period

R million	2019/20	2020/21	2021/22	MTEF total
2019 Budget additions to baseline	24 000	23 000	28 300	75 300
Provisional allocation for Eskom restructuring	23 000	23 000	23 000	69 000
Infrastructure fund not assigned to votes	1 000	–	4 000	5 000
Census 2021	–	–	1 300	1 300
2018 MTBPS baseline adjustments¹				
South African National Roads Agency Limited: Non-toll network infrastructure	2 000	1 500	–	3 500
Public transport network grant: City of Cape Town for phase 2A of the integrated public transport network	354	1 045	1 433	2 832
School infrastructure backlogs indirect grant: Eradication of pit latrines	700	800	1 300	2 800
Health: Human resources capacitation grant	606	1 063	1 127	2 796
South African Post Office: Universal services	475	501	528	1 504
Health infrastructure indirect grant: Limpopo Academic Hospital	247	653	498	1 398
South African Revenue Service: Goods and services	399	479	513	1 390
Provincial equitable share: Provincial uptake of the substance abuse treatment grant, social worker employment grant and food relief functions	287	373	394	1 054
HIV, TB, malaria and community outreach grant: Community outreach services component	–	–	1 000	1 000
Provincial equitable share: Medical interns training programme and sector internships	–	–	1 000	1 000

1. Selected information on baseline reductions and reprioritisation of more than R1 billion over the MTEF period, details provided in the *Estimates of National Expenditure*

Source: National Treasury

Government is improving the efficiency of infrastructure spending through the Budget Facility for Infrastructure. Some projects recommended by the facility have been approved over the 2020 MTEF period. These include the construction of the Limpopo Academic Hospital and the expansion of the

integrated public transport network to the southeastern regions of Cape Town.

Provisional allocations

In some cases, allocations are conditional on finalising policies or building capacity. This spending is provisionally allocated and will be confirmed once the conditions have been met.

Provisional allocations include R600 million for Township and Rural Enterprise Fund

- In 2021/22, R600 million is set aside to establish a Township and Rural Enterprise Fund. The fund's conditions are yet to be finalised.
- In 2021/22, R1 billion is allocated to road maintenance. This amount will be confirmed once the reassignment of the secondary and strategic road network is finalised.
- An allocation of R500 million in 2021/22 will fund one monthly ATM withdrawal for each social-grant beneficiary.
- In 2021/22 an amount of R125 million is set aside for the Competition Commission to investigate cartels and anticompetitive behaviour. This amount will be confirmed after the Economic Development Department completes its forensic investigation of previous irregularities in the Commission.
- Over the three-year period, R793 million is provisionally allocated to implement turnaround plans for municipalities in financial distress.
- The provisional allocation for SA Connect Phase 2 requires an implementation model to roll broadband out to public buildings. This amount may be confirmed in the 2020 Budget, after the Department of Telecommunications and Postal Services completes the detailed institutional framework required for the second phase.

Table 5.4 Provisional allocations not assigned to votes

R million	2019/20	2020/21	2021/22	MTEF total
Municipal turnaround plans	–	360	433	793
Public entity: South African Social Security Agency	–	–	500	500
Competition Commission	–	–	125	125
Township and Rural Enterprise Fund	–	–	600	600
Broadband (SA Connect Phase 2)	–	–	1 231	1 231
Roads asset management for the secondary and strategic road network	–	–	1 000	1 000
Other ¹	10	17	15	42
Total	10	376	3 904	4 290

1. Includes provisional allocation for the Municipal Demarcation Board

Source: National Treasury

Consolidated government expenditure

Government spending is expected to grow from R1.67 trillion in 2018/19 to R2.09 trillion in 2021/22. Expenditure will grow by an annual average rate of 7.8 per cent. On average over the medium term, wages and salaries account for 34.4 per cent of this spending. Transfers to households, mainly for social grants, make up about 17 per cent of spending, while transfers to provinces and municipalities account for 7.7 per cent of the total.

Spending grows by an average 7.8 per cent annually between 2018/19 and 2021/22

Table 5.5 Consolidated government expenditure by economic classification¹

R million	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
Economic classification		Medium-term estimates				
Current payments	1 016 525	1 087 568	1 168 593	1 262 444	60.3%	7.5%
Compensation of employees	585 193	627 126	667 624	713 095	34.4%	6.8%
Goods and services	242 605	251 043	268 266	293 473	13.9%	6.6%
Interest and rent on land	188 726	209 399	232 702	255 877	12.0%	10.7%
<i>of which:</i>						
Debt-service costs	182 218	202 208	224 066	247 408	11.5%	10.7%
Transfers and subsidies	549 202	597 694	640 826	678 647	32.8%	7.3%
Municipalities	128 929	138 651	150 216	162 428	7.7%	8.0%
Departmental agencies and accounts	25 838	28 059	29 733	27 754	1.5%	2.4%
Higher education institutions	42 004	46 642	48 724	50 902	2.5%	6.6%
Foreign governments and international organisations	2 544	2 409	2 542	2 456	0.1%	-1.2%
Public corporations and private enterprises	31 764	35 924	35 775	40 528	1.9%	8.5%
Non-profit institutions	34 927	37 437	40 494	42 774	2.1%	7.0%
Households	283 197	308 573	333 341	351 807	17.0%	7.5%
Payments for capital assets	84 229	98 457	103 121	110 994	5.4%	9.6%
Buildings and other capital assets	66 820	76 309	77 821	83 779	4.1%	7.8%
Machinery and equipment	17 409	22 148	25 300	27 215	1.3%	16.1%
Payments for financial assets	15 469	29 833	30 407	30 928		
Total	1 665 425	1 813 553	1 942 947	2 083 014	100.0%	7.7%
Contingency reserve	–	13 000	6 000	6 000		
Consolidated expenditure	1 665 425	1 826 553	1 948 947	2 089 014		7.8%

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue

Source: National Treasury

Controlling growth in employees' salaries is central to government's efforts to increase productive investment and improve service delivery. The public-service wage agreement negotiated in 2018 resulted in additional, unbudgeted compensation costs. Departments were required to absorb this salary increase within their current compensation ceilings. There is a risk that some departments, particularly labour-intensive departments, may breach these ceilings.

Government will continue to manage the wage bill by helping departments to fund pension penalties for employees who retire early. This upfront spending is expected to reduce future compensation costs. These and other compensation adjustments are discussed in Chapter 3.

Payments for capital assets grow by annual average of 9.6 per cent

Transfers to households are mostly for social-grant payments, which support the poorest and most vulnerable groups in South Africa. Payments for capital assets, which include infrastructure, grow by an annual average of 9.6 per cent.

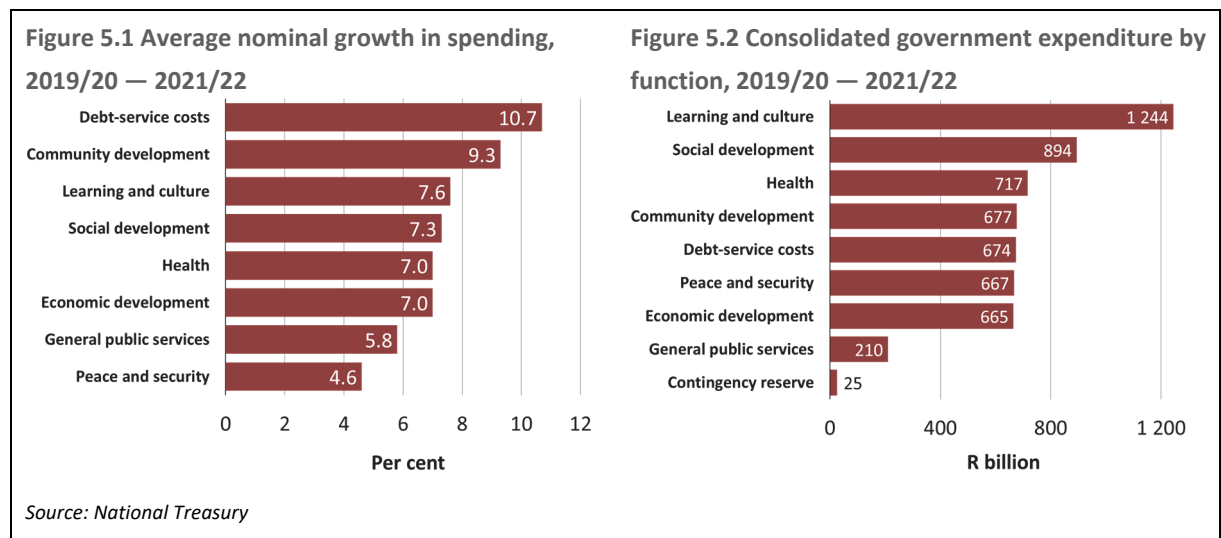
Spending priorities by function

Government spending is allocated to function groups according to their general purpose. The largest function group is learning and culture, which receives an allocation of R1.24 trillion, or 24.1 per cent of consolidated expenditure, over the MTEF period. The learning and culture, social

development, health and community development functions make up more than half of government expenditure.

The function with the fastest-growing allocation is community development, which grows from R186.4 billion in 2018/19 to R243.7 billion in 2021/22, at an annual rate of 9.3 per cent. This includes funding for free basic services and human settlements. Peace and security services, which funds defence and the police, is the slowest-growing function, with growth of 4.6 per cent a year, driven mainly by a reduction of R5 billion in the allocation to the Special Defence Account in 2021/22.

Community development is fastest-growing function



Learning and culture

This function receives the largest share of spending. It provides access to basic and higher education, develops skills, provides training and contributes to social cohesion. Priorities in this function include improving school and student housing infrastructure, and providing bursaries for tertiary students from poor and working-class families. Spending grows from R354.8 billion to R442.6 billion over the medium term, at an average annual growth rate of 7.6 per cent.

Learning and culture receives largest share of spending

Basic education

Basic education accounts for the largest share of expenditure over the MTEF period. On average, employee compensation in provincial education departments absorbs 52.7 per cent of the function's expenditure and 79 per cent of total provincial education budgets.

The *education infrastructure grant* is allocated R34.3 billion over the three-year spending period to build new schools and maintain schooling infrastructure. An additional R2.8 billion is allocated to the *school infrastructure backlogs grant* to replace pit latrines at over 2 400 schools. This grant will also replace 147 inappropriate and unsafe schools, and provide water to 352 schools over the MTEF period.

R34.3 billion allocated to build new schools and maintain schooling infrastructure

An amount of R19 billion is provided for learner and teacher support material, and R3.9 billion is allocated to fund 38 000 Funza Lushaka bursaries for prospective teachers in priority subject areas such as mathematics, science and technology. About 9 million learners at over 20 000 schools will receive daily meals through the *national school*

nutrition programme grant, which is allocated R23 billion over the MTEF period.

Table 5.6 Consolidated government expenditure by function¹

R million	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Learning and culture	354 826	386 398	415 186	442 618	24.1%	7.6%
Basic education	246 593	262 355	282 303	302 813	16.4%	7.1%
Post-school education and training	97 652	112 695	121 333	127 590	7.0%	9.3%
Arts, culture, sport and recreation	10 581	11 349	11 550	12 215	0.7%	4.9%
Health	208 777	222 572	238 837	255 486	13.9%	7.0%
Social development	256 874	278 396	298 902	317 081	17.3%	7.3%
Social protection	192 714	207 064	222 728	238 661	12.9%	7.4%
Social security funds	64 160	71 332	76 174	78 420	4.4%	6.9%
Community development	186 375	208 542	225 112	243 686	13.1%	9.3%
Economic development	192 418	209 213	219 896	235 862	12.9%	7.0%
Industrialisation and exports	32 952	37 548	39 092	40 970	2.3%	7.5%
Agriculture and rural development	29 977	30 674	31 253	32 767	1.8%	3.0%
Job creation and labour affairs	21 423	23 186	24 027	25 471	1.4%	5.9%
Economic regulation and infrastructure	92 632	101 264	108 348	118 857	6.4%	8.7%
Innovation, science and technology	15 433	16 542	17 176	17 797	1.0%	4.9%
Peace and security	203 482	211 044	222 902	233 002	12.9%	4.6%
Defence and state security	49 040	49 977	52 720	51 211	3.0%	1.5%
Police services	99 205	104 214	110 347	117 830	6.4%	5.9%
Law courts and prisons	45 699	48 434	51 052	54 398	3.0%	6.0%
Home affairs	9 539	8 419	8 784	9 563	0.5%	0.1%
General public services	64 986	65 345	67 640	76 942	4.1%	5.8%
Executive and legislative organs	15 849	16 180	16 585	17 320	1.0%	3.0%
Public administration and fiscal affairs	41 218	41 605	43 058	51 365	2.6%	7.6%
External affairs	7 919	7 561	7 996	8 257	0.5%	1.4%
Payments for financial assets	15 469	29 833	30 407	30 928		
Allocated by function	1 483 207	1 611 345	1 718 880	1 835 606	100.0%	7.4%
Debt-service costs	182 218	202 208	224 066	247 408		10.7%
Contingency reserve	–	13 000	6 000	6 000		
Consolidated expenditure	1 665 425	1 826 553	1 948 947	2 089 014		7.8%

1. The main budget and spending by provinces, public entities and social security funds financed from own revenue

Source: National Treasury

Post-school education and training

The 2018 Budget rolled out higher education and training bursaries for students from poor and working-class families. Spending on these bursaries grows at an annual average rate of 13.9 per cent over the medium term. Bursary spending is expected to rise from R27.1 billion in 2018/19 to R40 billion in 2021/22. This will cover over 1.3 million undergraduate students at universities and over 1.5 million students at technical vocational education and training colleges.

As recommended by the Budget Facility for Infrastructure, a further R105 million is allocated in 2019/20 to complete three student accommodation projects at Nelson Mandela University, Sefako Makgatho

Health Sciences University and Vaal University of Technology as part of the Student Housing Infrastructure Programme.

Table 5.7 Learning and culture expenditure

R million	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
		Medium-term estimates				
Basic education	246 593	262 355	282 303	302 813	68.1%	7.1%
Compensation of employees	190 989	204 369	219 008	234 074	52.8%	7.0%
of which:						
Provincial compensation of employees	190 342	203 684	218 280	233 298	52.7%	7.0%
Goods and services	24 665	26 206	28 276	30 232	6.8%	7.0%
of which:						
Property payments	3 373	3 963	3 838	4 104	1.0%	6.8%
Workbooks and LTSM ¹	4 958	5 515	6 592	6 919	1.5%	11.8%
National school nutrition programme	6 802	7 186	7 696	8 165	1.9%	6.3%
Transfers and subsidies	18 840	19 735	21 052	22 126	5.1%	5.5%
of which:						
Subsidies to schools ²	15 565	16 589	17 661	18 607	4.2%	6.1%
Education infrastructure backlog grant	10 094	10 514	11 467	12 327	2.8%	6.9%
School infrastructure backlogs grant	2 121	1 870	1 629	2 191	0.5%	1.1%
Post-school education and training	97 652	112 695	121 333	127 590	29.1%	9.3%
of which:						
University subsidies	33 737	36 984	39 461	41 649	9.5%	7.3%
of which:						
University infrastructure	4 351	4 672	4 894	5 145	1.2%	5.7%
National student financial aid scheme ³	27 078	33 290	37 902	39 986	8.9%	13.9%
Technical and vocational education and training	10 694	12 698	14 422	15 409	3.4%	12.9%
of which:						
Compensation of employees	6 258	6 735	7 217	7 702	1.7%	7.2%
Subsidies	4 288	5 569	6 737	7 213	1.6%	18.9%
Community education and training	2 358	2 527	2 699	2 877	0.7%	6.9%
of which:						
Compensation of employees	2 114	2 274	2 416	2 573	0.6%	6.8%
Skills development levy institutions ⁴	19 442	21 748	21 103	21 613	5.2%	3.6%
Arts and culture, sport and recreation	10 581	11 349	11 550	12 215	2.8%	4.9%
Total	354 826	386 398	415 186	442 618	100.0%	7.6%

1. Learner and teacher support material

2. Includes some provision for LTSM and property payments for schools that manage their own budgets

3. Total payments made from all income sources including Funza Lushaka teacher bursaries and debt repayments from students

4. Spending of the 21 SETAs and the National Skills Fund

Source: National Treasury

Spending from the skills development levy is projected to increase by 3.6 per cent annually over the medium term. Sector education and training

authorities will fund skills programmes, learnerships, internships and apprenticeships, and workplace experience. These funds will help an estimated 30 000 new artisans to register for training by 2019/20. The number of qualified artisans and work-based learning opportunities is projected to increase respectively from 22 000 and 135 000 in 2018/19 to 25 000 and 140 000 in 2021/22.

Arts, sports, recreation and culture

*Funding for heritage legacy
and job creation in arts sector*

These sectors continue to focus on social cohesion. Over the medium term, R35.1 billion will be spent on heritage legacy and job creation projects in the arts sector. School sports, the indigenous games and transformation in sports will also be supported.

Social development

Government's social protection system works to reduce poverty and inequality by issuing social grants to and providing social welfare services for vulnerable groups. Spending on this function will rise from R192.7 billion in 2018/19 to R238.7 billion by 2021/22, growing at an average rate of 7.4 per cent a year.

Table 5.8 Social protection expenditure

	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
R million		Medium-term estimates				
Social protection expenditure	192 714	207 064	222 728	238 661	100.0%	7.4%
<i>of which:</i>						
<i>Social grants</i>	162 642	175 156	189 274	202 868	84.9%	7.6%
<i>of which:</i>						
<i>Child support</i>	60 603	64 967	70 336	75 723	31.6%	7.7%
<i>Old age</i>	70 453	76 951	84 189	90 792	37.7%	8.8%
<i>Disability</i>	22 032	23 078	24 172	25 340	10.9%	4.8%
<i>Foster care</i>	5 202	5 081	4 947	5 023	2.3%	-1.2%
<i>Care dependency</i>	3 094	3 430	3 762	4 021	1.7%	9.1%
South African Social Security Agency	8 372	7 997	8 467	8 831	3.8%	1.8%
Provincial social development	20 199	22 349	23 542	24 957	10.6%	7.3%
Total	192 714	207 064	222 728	238 661	100.0%	7.4%
<i>Social grants as percentage of GDP</i>	3.2%	3.2%	3.3%	3.2%		
Social grant beneficiary numbers by grant type (Thousands)						
Child support	12 508	12 698	12 896	13 100	70.7%	1.6%
Old age ¹	3 538	3 664	3 796	3 935	20.8%	3.6%
Disability	1 052	1 052	1 049	1 050	5.8%	-0.1%
Foster care	365	351	334	318	1.8%	-4.5%
Care dependency	151	154	158	162	0.9%	2.2%
Total	17 616	17 920	18 235	18 564	100.0%	1.8%

1. Includes war veterans

Source: National Treasury

Social grant coverage grows by about 2 per cent per year. Spending will rise from R162.6 billion in 2018/19 to R202.9 billion in 2021/22, at an average annual growth rate of 7.6 per cent. Over the same period, the number of beneficiaries is expected to increase from 17.9 million to 18.6 million. By 2021/22, the *old age grant* will reach 4 million beneficiaries.

The *child support grant* will reach an estimated 13.1 million beneficiaries by 2021/22. However, in 2019/20 and 2020/21 funding decreases by R500 million each year due to legislative delays in implementing the Cabinet-approved *extended child support grant* for orphans who have lost both parents.

Social grants are adjusted in line with inflation projections to maintain their real value, as shown in Table 5.9. Spending on grant administration will grow at an average annual rate of 1.8 per cent, from R8.4 billion in 2018/19 to R8.8 billion in 2021/22. This includes the costs of payment services provided by the South African Post Office. Future savings are expected as paypoints are consolidated and more recipients are paid through the National Payment System.

To maintain their real value, social grants are adjusted in line with inflation

Table 5.9 Average monthly social grant values

Rand	2018/19	2019/20	Percentage increase
State old age	1 695	1 780	5.0%
State old age, over 75	1 715	1 800	5.0%
War veterans	1 715	1 800	5.0%
Disability	1 695	1 780	5.0%
Foster care	960	1 000	4.2%
Care dependency	1 695	1 780	5.0%
Child support	405	425	4.9%

Source: National Treasury

The *early childhood development conditional grant* is allocated R518 million in 2019/20, R553 million in 2020/21 and R583 million in 2021/22. This grant will continue to subsidise about 60 000 poor children and improve between 600 and 800 early childhood development centres.

Both the *social worker employment grant* and the *substance abuse treatment grant* will be incorporated into the provincial equitable share from 2019/20. Provinces are ready to operate four new substance abuse treatment centres as part of the latter grant. The National Food Relief Programme, which is funded through direct transfers from the Department of Social Development to non-profit institutions, will be handed over to provinces from 2020/21. Amounts to be shifted to provinces over the MTEF period include R679 million to employ social workers, R237 million to treat substance abuse and R138 million to provide food relief.

Provinces allocated funds to employ social workers, treat substance abuse and provide food relief

Health

The health function aims to ensure access to healthcare services for all people in South Africa through a caring and quality health system. Spending in this function grows by an annual average of 7 per cent over the medium term.

Implementing national health insurance (NHI) is a policy priority for the sector. However, government needs to address staff shortages and other problems in public health facilities before the policy can be fully rolled out. Over the MTEF period, R2.8 billion is reprioritised from the *NHI indirect grant (personal services component)* to the new *human resources capacitation grant* to help provinces fill critical posts, including intern and community service posts. In addition, R1 billion is added to the provincial equitable share in 2021/22 to fund the permanent appointment of medical interns.

Government addressing public health staffing and infrastructure problems

In line with the country's broad disease burden, the *comprehensive HIV, AIDS and TB grant* has been renamed the *HIV, TB, malaria and community outreach grant* and restructured around these four components.

Support to fund increased uptake of antiretrovirals and pay minimum wage to community health workers

The HIV/AIDS and malaria components receive an additional R1 billion in 2021/22 mainly to fund increased antiretroviral uptake, while the community outreach component receives an additional R1 billion to implement the minimum wage for community health workers in provinces. In line with the health sector's ambition to eliminate malaria by 2023/24, the malaria component is allocated R318.8 million over the MTEF period. A further R30 million is allocated in 2020/21 and 2021/22 to co-finance a regional malaria prevention project in Mozambique.

Over the next three years, an additional R1.4 billion is allocated to the health facility revitalisation component of the *NHI indirect grant* to construct the new Limpopo Academic Hospital in Polokwane. Some of this funding will improve existing tertiary hospitals in Limpopo.

Table 5.10 Health expenditure

R million	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	208 777	222 572	238 837	255 486	100.0%	7.0%
of which:						
Central hospital services	40 701	43 143	45 987	48 772	19.2%	6.2%
Provincial hospital services	34 636	36 740	39 174	41 394	16.4%	6.1%
District health services	90 954	98 203	106 085	114 427	44.5%	8.0%
of which:						
HIV, TB, malaria and community outreach	19 922	22 039	24 408	27 753	10.4%	11.7%
Emergency medical services	7 666	8 356	8 823	9 279	3.7%	6.6%
Facilities management and maintenance	9 372	8 845	9 458	10 115	4.0%	2.6%
Health science and training	5 219	5 746	5 929	6 739	2.6%	8.9%
National Health Laboratory Service	7 542	7 465	7 998	8 567	3.4%	4.3%
National Department of Health ¹	6 383	7 166	8 165	8 558	3.3%	10.3%
Total	208 777	222 572	238 837	255 486	100.0%	7.0%
of which:						
Compensation of employees	129 620	140 771	150 407	160 588	63.0%	7.4%
Goods and services	61 019	64 651	69 994	75 073	29.3%	7.2%
Transfers and subsidies	7 440	6 089	6 391	6 834	2.7%	-2.8%
Buildings and other fixed structures	6 361	6 155	7 433	7 965	3.0%	7.8%
Machinery and equipment	4 259	4 872	4 583	4 931	2.0%	5.0%

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas

Source: National Treasury

Community development

This function provides access to adequate and affordable public transport, housing and basic services, and facilitates urban development and spatial transformation. Expenditure occurs largely through transfers to public entities, the local government equitable share and conditional grants to provinces and municipalities for infrastructure. Expenditure is expected to grow from R186.4 billion in 2018/19 to R243.7 billion in 2021/22.

The Department of Human Settlements will continue to focus on improving access to adequate housing, which includes upgrading informal settlements and providing affordable financing for housing.

In 2020/21, two new grants will be introduced to upgrade informal settlements through partnerships between the communities, and provinces and municipalities. Funding for the grants was reprioritised from the *human settlements development grant to provinces* and the *urban settlements development grant to metropolitan municipalities*. In 2020/21 and 2021/22, the grants are expected to receive funding totalling R14.7 billion and affect 231 000 households.

New grants to upgrade informal settlements for 231 000 households

In addition, R814.5 million is shifted from the Integrated National Electrification Programme to the *urban settlements development grant* to improve implementation in the electrification of households in informal settlements in metropolitan municipalities. The National Housing Finance Corporation is allocated R950 million to administer housing subsidies linked to finance.

The *public transport network grant* will receive R354 million in 2019/20, R1 billion in 2020/21 and R1.4 billion in 2021/22. These amounts will be used to implement phase 2A of the Cape Town integrated public transport network in the southeastern regions of the city.

Funds allocated to expand integrated public transport network in Cape Town

Funds are allocated to improve the safety and reliability of the passenger rail network, including R1.5 billion reprioritised to maintain rolling stock and rail infrastructure.

Table 5.11 Community development expenditure

	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
R million		Medium-term estimates				
Community development	186 375	208 542	225 112	243 686	100.0%	9.3%
of which:						
Human settlements	34 940	40 494	42 798	44 653	18.9%	8.5%
Public transport, including commuter rail	33 031	43 603	48 341	53 174	21.4%	17.2%
Municipal equitable share	60 518	68 973	75 683	82 162	33.5%	10.7%
Municipal infrastructure grant	15 288	14 816	15 660	16 831	7.0%	3.3%
Regional and local water and sanitation services	10 740	10 651	11 240	12 060	5.0%	3.9%
Electrification programmes	5 333	5 532	5 351	6 270	2.5%	5.5%
Total	186 375	208 542	225 112	243 686	100.0%	9.3%
of which:						
Compensation of employees	16 110	17 254	18 274	19 833	8.2%	7.2%
Goods and services	12 340	12 299	12 961	13 656	5.7%	3.4%
Transfers and subsidies	149 819	162 802	175 412	189 804	78.0%	8.2%
Buildings and other fixed structures	6 170	9 159	8 111	8 526	3.8%	11.4%
Machinery and equipment	1 822	6 747	10 182	11 594	4.2%	85.3%

Source: National Treasury

Peace and security

This function allocates funding to the justice, crime prevention and security cluster. Its medium-term priority is to implement an integrated strategy to

fight crime and ensure national security. Spending grows by 4.6 per cent over the MTEF period, driven largely by employee compensation.

The Integrated Justice System Modernisation Programme is a key component of the integrated strategy to fight crime. Over the medium term, R853 million is shifted from the South African Police Service to the Department of Justice and Constitutional Development, where the programme is currently governed.

Additional funds enable State Capture Commission to continue its work until 2020

To enable the State Capture Commission of Inquiry to continue with its work, which has been extended to February 2020, an additional R272.9 million is allocated.

Over the period ahead, R84 million is reprioritised to establish the Border Management Authority under the Department of Home Affairs. This authority will facilitate and manage the legitimate movement of people and goods across borders and through other ports of entry.

Through funding legal aid for the poor, this function also ensures access to fair court representation. An additional R309.2 million is allocated to Legal Aid South Africa to retain public defenders.

Table 5.12 Peace and security expenditure

	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocation	Average annual MTEF growth
R million		Medium-term estimates				
Defence and state security	49 040	49 977	52 720	51 211	23.1%	1.5%
Police services	99 205	104 214	110 347	117 830	49.8%	5.9%
Law courts and prisons	45 699	48 434	51 052	54 398	23.1%	6.0%
Home affairs	9 539	8 419	8 784	9 563	4.0%	0.1%
Total	203 482	211 044	222 902	233 002	100.0%	4.6%
<i>of which:</i>						
Compensation of employees	137 044	144 762	153 616	163 948	69.3%	6.2%
Goods and services	45 825	46 339	48 623	52 331	22.1%	4.5%
Transfers and subsidies	12 985	12 655	13 199	9 010	5.2%	-11.5%
Buildings and other fixed structures	3 006	2 999	3 179	3 316	1.4%	3.3%
Machinery and equipment	4 283	4 049	4 066	4 318	1.9%	0.3%

Source: National Treasury

Economic development

The economic development function aims to increase economic growth by improving access to loans for small business intermediaries, providing industrial business incentives, accelerating land reform and developing infrastructure. Spending in this function grows by 7 per cent over the MTEF period.

An additional R165 million is allocated to the Presidential Infrastructure Coordinating Commission over the three-year spending period to improve capacity for preparing projects.

Small Business and Innovation Fund to be launched in 2019/20

Government will launch a Small Business and Innovation Fund in 2019/20. The fund will receive R3.2 billion over the medium term, which it will lend to small business intermediaries, such as fund managers and incubators. These intermediaries will fund and support ideation and start-up companies, and small businesses focusing on innovation.

A medium-term allocation of R19.8 billion supports industrial business incentives. Of this amount, 48 per cent goes to manufacturing development, including R600 million reprioritised for the Clothing and Textile Competitiveness Programme.

R19.8 billion allocated to industrial business incentives over MTEF period

Government has allocated R400 million to the Agricultural Research Council over the MTEF period to finalise the establishment of a foot-and-mouth vaccine facility at Onderstepoort. This facility will help to minimise repeat outbreaks of the disease.

Despite the baseline reduction in 2020/21 and 2021/22, R18.4 billion is allocated to accelerate land reform over the medium term. This will help finalise more than 1 700 restitution claims and acquire more than 325 000 hectares of land for landless South Africans. In addition, government has allocated R138 million to help resettled farmers to purchase equipment and develop farms over the medium term. As part of the President's economic stimulus and recovery plan, government and organisations representing farmers of different commodities will implement 262 priority land-reform projects at a cost of R1.8 billion.

R18.4 billion allocated to accelerate land reform

A blended-finance model, which aims to support emerging black farmers under the Black Producer Commercialisation Programme, will receive a further R887 million over the medium term to help them to access finance.

The Waste Management Bureau is allocated R1.3 billion over the medium term to help it become operational. The bureau is tasked with recycling, monitoring the implementation of industry waste management plans, and managing the disbursement of revenue from waste management charges.

The 2019 Budget reprioritises R315 million to refurbish infrastructure at the National Zoo and upgrade the South African Weather Service's long-range early warning system.

Job creation and labour affairs

Over the three-year spending period, R61.4 billion is allocated to public employment programmes, including the Expanded Public Works Programme. Between April 2009 and March 2018, this programme created over 4 million jobs of varying duration, and aims to create another 2 million jobs by the end of 2020/21.

Public employment programmes allocated R61.4 billion over MTEF period

Economic regulation and infrastructure

The South African National Roads Agency Limited is allocated an additional R3.5 billion between 2019/20 and 2021/22 for its non-toll national roads portfolio. This will allow the agency to resurface an additional 3 300 km and strengthen 1 500 km of national roads.

Spending to manage national water resources is expected to grow at an average annual rate of 11.8 per cent. This will fund new bulk water infrastructure projects and maintain other projects, including an acid mine drainage project, the Lesotho Highlands water project, and the Mokolo Crocodile water augmentation project.

Spending to manage national water resources grows at annual average of 11.8 per cent

To subsidise universal access to postal services, R1.5 billion is allocated to the South African Post Office. An amount of R539.2 million is allocated to help decontaminate and decommission nuclear waste.

Table 5.13 Economic development expenditure

R million	2018/19 Revised estimate	2019/20 2020/21 2021/22 Medium-term estimates			Percentage of total MTEF allocation	Average annual MTEF growth
Economic regulation and infrastructure	92 632	101 264	108 348	118 857	49.4%	8.7%
of which:						
Water resource and bulk infrastructure	24 066	27 051	29 698	33 617	13.6%	11.8%
Road infrastructure	44 389	47 311	50 030	53 670	22.7%	6.5%
Job creation and labour affairs	21 423	23 186	24 027	25 471	10.9%	5.9%
of which:						
Employment programmes ¹	18 074	19 656	20 303	21 486	9.2%	5.9%
Industrialisation and exports	32 952	37 548	39 092	40 970	17.7%	7.5%
of which:						
Economic development and incentive programmes	14 020	15 110	16 057	15 670	7.0%	3.8%
Innovation, science and technology	15 433	16 542	17 176	17 797	7.7%	4.9%
of which:						
Environmental programmes	5 976	6 644	6 903	7 307	3.1%	6.9%
Agriculture and rural development	29 977	30 674	31 253	32 767	14.2%	3.0%
of which:						
Land reform	1 390	1 488	1 603	1 696	0.7%	6.9%
Agricultural land holding account	1 752	1 210	916	986	0.5%	-17.4%
Restitution	3 364	3 608	3 337	3 552	1.6%	1.8%
Farmer support and development	4 110	4 102	4 371	4 643	2.0%	4.1%
Total	192 418	209 213	219 896	235 862	100.0%	7.0%
of which:						
Compensation of employees	49 759	53 483	55 820	59 520	25.4%	6.2%
Goods and services	59 170	62 184	66 772	75 788	30.8%	8.6%
Transfers and subsidies	39 015	41 784	43 314	44 183	19.4%	4.2%
Buildings and other fixed structures	32 603	39 452	40 299	43 091	18.5%	9.7%
Machinery and equipment	4 673	4 376	4 451	4 209	2.0%	-3.4%

1. Includes the Expanded Public Works Programme, the Community Works Programme and the Jobs Fund
Source: National Treasury

General public services

This function group focuses on building a capable state that can implement policy effectively. Its baseline grows by an annual average of 5.8 per cent over the medium term, from R65 billion in 2018/19 to R76.9 billion in 2021/22. On average, 47.9 per cent of the baseline is allocated to compensation of employees and 33.1 per cent is allocated to goods and services.

Additional funds allocated to SARS to support its operations

The South African Revenue Service receives an additional allocation of R1.4 billion to support its operations. Statistics South Africa is allocated R145.3 million in 2019/20, R854.9 million in 2020/21 and R2.2 billion in 2021/22 to conduct the population census in 2021/22.

The Research and Policy Advisory Unit in the Presidency is allocated R45.3 million over the medium term. The unit provides technical support to the Presidency and Cabinet. In addition, South Africa's contribution to the African Union is expected to increase by R200 million in 2019/20 and

by R213.3 million in 2020/21 due to an increase in membership fees. Negotiations and a methodology review are under way to determine a new assessment method for country membership fees to the African Union.

From 2019/20, government has allocated R157 million through the provincial equitable share for free sanitary products for learners from low-income households. The project will target girls in the country's poorest schools (quintiles 1, 2 and 3). Results from this year will be used to forecast the total project costs over the medium term and determine budget allocations for 2020/21 and 2021/22.

R157 million allocated to provide free sanitary products to learners in low-income schools in 2019/20

Table 5.14 General public services expenditure

	2018/19 Revised estimate	2019/20	2020/21	2021/22	Percentage of total MTEF allocations	Average annual MTEF growth
R million		Medium-term estimates				
Executive and legislative organs	15 849	16 180	16 585	17 320	23.9%	3.0%
Public administration and fiscal affairs	41 218	41 605	43 058	51 365	64.8%	7.6%
External affairs	7 919	7 561	7 996	8 257	11.3%	1.4%
Total	64 986	65 345	67 640	76 942	100.0%	5.8%
<i>of which:</i>						
<i>Compensation of employees</i>	29 719	31 583	33 393	35 615	47.9%	6.2%
<i>Goods and services</i>	21 880	21 281	22 772	25 379	33.1%	5.1%
<i>Transfers and subsidies</i>	9 844	9 882	9 201	13 389	15.5%	10.8%
<i>Buildings and other fixed structures</i>	1 776	1 739	1 488	1 750	2.4%	-0.5%
<i>Machinery and equipment</i>	1 068	682	625	653	0.9%	-15.1%

Source: National Treasury

Conclusion

Despite a constrained fiscal environment, government spending continues to grow in real terms. It remains focused on continuous and improved service delivery over the MTEF period. Nonetheless, further reductions to baselines were necessary to address the risk from Eskom and consolidate public-sector debt. Measures to contain the public-sector wage bill are central to fiscal consolidation. Over the medium term, government remains committed to improving the efficiency and effectiveness of its spending.

Baselines cut to support Eskom and consolidate debt, but focus remains on improved service delivery

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